WOOD COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2019

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WOOD COUNTY, TEXAS

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FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
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Waco, Texas 76710
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INDEPENDENT AUDITOR'S REPORT

Honorable County Judge
and Commissioners' Court
Wood County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County, Texas, (the "County"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other post-employment benefit information 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 the County's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2020, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the County's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
July 1, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of Wood County, Texas (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by $33,784,308.
- Of this amount, $18,070,045 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $26,920,427. Of this amount, $14,489,116 is available for spending at the County's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was $14,489,116 or 89% of total General Fund annual expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The 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.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the 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 the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the full accrual basis of accounting.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental 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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

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

The County maintains 24 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Road and Bridge Fund, which are considered to be major funds. Data from the other 22 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Agency funds. Agency funds are used to report resources held by the County in a purely custodial capacity. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Since the agency funds are fiduciary funds, these funds are not reported in the government-wide financial statements.

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 in the financial section.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the County's progress in funding its obligation to provide pension and OPEB benefits to its employees. Additionally, the County adopts an annual appropriated budget for its General Fund and Road and Bridge Fund. Budgetary comparison schedules have been provided for the General Fund and the Road and Bridge Fund to demonstrate compliance with the budget. Required supplementary information can be found immediately following the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds and agency funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET POSITION

	2019	2018
Current assets	$ 31,081,936	$ 29,539,353
Capital assets	8,314,932	6,987,536
Total assets	39,396,868	36,526,889
Deferred outflows of resources	3,605,660	1,397,662
Current liabilities	1,802,984	1,170,195
Noncurrent liabilities	7,130,755	3,625,532
Total liabilities	8,933,739	4,795,727
Deferred inflows of resources	284,481	879,401
Net position:		
Net investment in capital assets	8,314,932	6,987,536
Restricted	7,399,331	4,972,686
Unrestricted	18,070,045	20,289,201
Total net position	$ 33,784,308	$ 32,249,423

Net position serves as a useful indicator of a government's financial position. In the case of the County, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $33,784,308 as of September 30, 2019, an increase of $1,534,885 as compared to the previous fiscal year. Unrestricted net position makes up 53% of the County's net position for the current fiscal year, which may be used to meet the County's ongoing obligations to citizens and creditors. Net investment in capital assets (e.g. land, construction in progress, infrastructure, buildings and improvements, and equipment less any related debt used to acquire those assets that is still outstanding) was $8,314,932 or 25% of total net position. The County uses these capital assets to provide services to citizens: consequently, these assets are not available for future spending. Restricted net position was $7,399,331 or 22% of total net position.

ANALYSIS OF REVENUES AND EXPENSES

	2019	2018
Revenues:		
Program revenues:		
Charges for services	$ 4,077,813	$ 3,549,141
Operating grants and contributions	223,873	76,833
General revenues:		
Taxes	18,780,957	18,135,849
Investment earnings	781,739	632,802
Miscellaneous	29,957	36,312
Gain on sale of capital assets	-	198,798
Total revenues	23,894,339	22,629,735
Expenses:		
General government	5,138,299	5,536,072
Community services	850,248	621,285
Judicial	2,688,324	2,884,590
Public safety	7,471,385	7,106,586
Public transportation	6,211,198	6,227,364
Total expenses	22,359,454	22,375,897
Change in net position	1,534,885	253,838
Net position, beginning	32,249,423	32,935,846
Prior period adjustment	-	(940,261)
Net position, ending	$ 33,784,308	$ 32,249,423

Revenues increased from the prior year by $1,264,604 (6%). Major changes during the fiscal year include the following:

- An increase in taxes of $645,108. This increase is primarily the result of an increase in property values related to improvements and mineral and personal property.
- An increase in charges for services of $528,672. This increase was mostly caused by an increase of $294,700 for unclaimed capital credits due to a change in the calculation method used by the state comptroller in addition to $172,200 received from North East Texas Regional Mobility Authority for the City of Mineola's infrastructure improved project.

Expenses reflect a decrease of $16,443 (0.1%) from the prior year. The most significant changes from the previous year were the following:

- An increase of $364,799 in public safety. This increase is primarily the result of salary increases and related increase in fringe benefits as well as new Coptrax video and body camera equipment.
- A decrease in general government of $397,773. This decrease is mostly due to an adjustment to the group insurance premiums.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $26,920,427. $14,489,116 of this amount constitutes unassigned fund balance. $191,121 is classified as nonspendable for the payment of prepaid items. $7,079,679 is restricted by legislation or external entities. $960,333 has been committed by the Commissioners Court, $1,328,317 is assigned for the payment of future health claims, $1,746,861 is assigned for a budgetary deficit in the subsequent year's budget and $1,125,000 for capital improvement projects.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, 77% of the General Fund fund balance ($14,489,116) was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare unassigned General Fund fund balance and total General Fund expenditures. Unassigned fund balance represents 89% of total General Fund expenditures.

The General Fund fund balance decreased by $1,694,181 (8%) during the current fiscal year.

The Road and Bridge Fund had an ending fund balance of $5,092,218, an increase of 81% from the prior year.

BUDGETARY HIGHLIGHTS

General Fund Budgetary Highlights

Actual revenues for the year were $14,395,780, which is $654,804 above the budgeted amount of $13,740,976. The actual expenditures for the year were $16,263,101, which is $1,495,539 lower than the budgeted amount of $17,758,640. Including other financing sources and uses, the net effect of over-realization of revenue and under-utilization of appropriations resulted in a positive variance of $2,150,375.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The investment in capital assets for the County as of September 30, 2019, amounted to $8,314,932 (net of accumulated depreciation).

CAPITAL ASSETS

	2019	2018
Land	$ 2,281,769	$ 2,281,769
Infrastructure	647,573	122,154
Buildings and improvements	10,108,814	9,346,823
Equipment	13,033,629	12,304,205
Less: accumulated depreciation	(17,756,853)	(17,067,415)
Total capital assets	$ 8,314,932	$ 6,987,536

Major capital asset additions during the current fiscal year included the following:

- 4 private roads converted to county roads
- Asphalt Zipper
- Caterpillar Wheel Loader

Additional information on capital assets can be found in Note II – B of this report.

OUTSTANDING LONG-TERM LIABILITIES AT YEAR-END

The County's long-term liabilities consisted solely of compensated absences, pension and other post-employment obligations. The County has no bonds or notes payable.

	2019	2018
Net OPEB obligation	$ 2,276,772	$ 2,204,481
Compensated absences	636,421	538,483
Net pension liability	4,217,562	882,568
Total	$ 7,130,755	$ 3,625,532

Additional information on long-term debt can be found in Note III – C of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when the County prepared and approved the 2020 budget, tax rates and fees. The resulting budget reflected these considerations. For this budget year, road and bridge maintenance, county facilities, and capital asset needs were major concerns. The growth in population continues throughout the County which stimulates local business, tourism and development activities but also increases the services to be provided by the County.

In preparation of the fiscal year 2020 budget, the County decreased the ad valorem tax rate to $0.5550 per $100, from the fiscal year 2019 tax rate of $0.5799 per $100. The overall property valuation (excluding tax cap properties) increased to $2,691,566,280, reflecting an increase of $286,529,861 or 11.91% from the prior year. The increase was primarily due to a general increase in market values as well as new property added. Fiscal year 2020 budgeted expenditures increased $1,760,128 or 7.14%, of which $3,313,800 or 12.54% are one-time capital and road and bridge expenditures, over fiscal year 2019 budgeted expenditures.

Commissioners court elected to utilize a portion of the County's fund balance to fund fiscal year 2020 budgeted expenditures in order to address departmental needs. The 2020 budget included the addition of four positions: an assistant district attorney, a courthouse security officer, an environmental officer, and a dispatcher. Also included in the 2020 budget are a new tax office building, new patrol vehicles for the Sheriff's department, and capital and road maintenance needs of the Road & Bridge precincts.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor, Wood County, P.O. Box 389, Quitman, Texas 75783.

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BASIC
FINANCIAL STATEMENTS

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WOOD COUNTY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	$ 27,822,456
Taxes receivable	1,639,616
Accounts receivable	1,365,087
Due from other governments	63,656
Prepaid items	191,121
Total current assets	31,081,936
Noncurrent assets:	
Capital assets:	
Land	2,281,769
Infrastructure	647,573
Buildings and improvements	10,108,814
Equipment	13,033,629
Less: accumulated depreciation	(17,756,853)
Total capital assets	8,314,932
Total noncurrent assets	8,314,932
Total assets	39,396,868
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	3,605,660
Total deferred outflows of resources	3,605,660
LIABILITIES	
Current liabilities:	
Accounts payable	1,155,136
Accrued liabilities	408,766
Health claims payable	213,848
Due to other governments	14,583
Due to unclaimed property owners	10,651
Total current liabilities	1,802,984
Noncurrent liabilities:	
Due within one year:	
Compensated absences	127,284
Due in more than one year:	
Compensated absences	509,137
Net pension liability	4,217,562
Total OPEB liability - retiree health plan	2,276,772
Total noncurrent liabilities	7,130,755
Total liabilities	8,933,739
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	284,481
Total deferred inflows of resources	284,481
NET POSITION	
Net investment in capital assets	8,314,932
Restricted	7,399,331
Unrestricted	18,070,045
Total net position	$ 33,784,308

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

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WOOD COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities
Governmental activities:				
General government	$ 5,138,299	$ 2,379,088	$ 12,183	$(2,747,028)
Community services	850,248	116,867	-	(733,381)
Judicial	2,688,324	553,408	37,529	(2,097,387)
Public safety	7,471,385	104,645	5,000	(7,361,740)
Public transportation	6,211,198	923,805	169,161	(5,118,232)
Total governmental activities	$ 22,359,454	$ 4,077,813	$ 223,873	(18,057,768)
General revenues:				
Taxes				18,780,957
Unrestricted investment earnings				781,739
Miscellaneous				29,957
Total general revenues				19,592,653
Change in net position				1,534,885
Net position, beginning				32,249,423
Net position, ending				$ 33,784,308

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

WOOD COUNTY, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General	Road and Bridge	Other Governmental Funds	Total
ASSETS				
Cash and investments	$ 19,558,052	$ 5,279,146	$ 2,985,258	$ 27,822,456
Taxes receivable	1,317,529	308,003	14,084	1,639,616
Accounts receivable	1,364,767	320	-	1,365,087
Due from other governments	62,981	675	-	63,656
Prepaid items	176,275	14,822	24	191,121
Total assets	$ 22,479,604	$ 5,602,966	$ 2,999,366	$ 31,081,936
LIABILITIES				
Liabilities:				
Accounts payable	$ 922,243	$ 210,263	$ 22,630	$ 1,155,136
Accrued liabilities	398,991	9,763	12	408,766
Health claims payable	213,848	-	-	213,848
Due to other governments	14,583	-	-	14,583
Due to unclaimed property owners	10,651	-	-	10,651
Total liabilities	1,560,316	220,026	22,642	1,802,984
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	881,052	290,722	14,084	1,185,858
Unavailable revenue - court fines	1,172,667	-	-	1,172,667
Total deferred inflows of resources	2,053,719	290,722	14,084	2,358,525
FUND BALANCES				
Nonspendable:				
Prepaid items	176,275	14,822	24	191,121
Restricted:				
Public transportation	-	5,077,396	-	5,077,396
Debt service	-	-	63,986	63,986
Public safety	-	-	6,447	6,447
Judicial	-	-	208,383	208,383
Records preservation	-	-	1,357,251	1,357,251
Technology improvements	-	-	190,005	190,005
Economic development	-	-	176,211	176,211
Committed:				
Property acquisitions	-	-	863,503	863,503
Improvements	-	-	96,830	96,830
Assigned:				
Health claims	1,328,317	-	-	1,328,317
Budgetary deficit in the subsequent year's budget	1,746,861	-	-	1,746,861
Capital improvement projects	1,125,000	-	-	1,125,000
Unassigned	14,489,116	-	-	14,489,116
Total fund balances	18,865,569	5,092,218	2,962,640	26,920,427
Total liabilities, deferred inflows of resources and fund balances	$ 22,479,604	$ 5,602,966	$ 2,999,366	$ 31,081,936

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

WOOD COUNTY, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balances - total governmental funds	$ 26,920,427
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,314,932
A portion of property taxes and court fines receivable are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds.	2,358,525
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Long-term liabilities:	
Compensated absences	(636,421)
Total OPEB liability	(2,276,772)
Net pension liability	(4,217,562)
Included in the items related to long-term liabilities is the recognition of a deferred outflow of resources and a deferred inflow of resources related to the TCDRS net pension liability.	
Deferred outflows of resources:	
Pension-related deferred outflows of resources	3,605,660
Deferred inflows of resources:	
Pension-related deferred inflows of resources	(284,481)
Net position of governmental activities	$ 33,784,308

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

WOOD COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	General	Road and Bridge	Other Governmental Funds	Total
REVENUES				
Taxes	$ 11,230,311	$ 7,292,569	$ 128,435	$ 18,651,315
Charges for services	1,350,181	557,440	368,368	2,275,989
Intergovernmental	945,710	-	15,165	960,875
Fines and forfeitures	-	406,008	2,361	408,369
Investment income	714,387	-	68,965	783,352
Motor vehicle registration	-	360,000	-	360,000
Other	155,191	169,161	445	324,797
Total revenues	14,395,780	8,785,178	583,739	23,764,697
EXPENDITURES				
Current:				
General government	4,454,976	-	378,051	4,833,027
Public safety	6,900,016	-	27,284	6,927,300
Public transportation	-	5,405,562	-	5,405,562
Judicial	2,539,561	-	30,708	2,570,269
Community services	823,828	-	-	823,828
Capital outlay	1,544,720	1,274,025	-	2,818,745
Total expenditures	16,263,101	6,679,587	436,043	23,378,731
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,867,321)	2,105,591	147,696	385,966
OTHER FINANCING SOURCES				
Sale of capital assets	173,140	169,259	-	342,399
Total other financing sources	173,140	169,259	-	342,399
NET CHANGE IN FUND BALANCES	(1,694,181)	2,274,850	147,696	728,365
FUND BALANCES, BEGINNING	20,559,750	2,817,368	2,814,944	26,192,062
FUND BALANCES, ENDING	$ 18,865,569	$ 5,092,218	$ 2,962,640	$ 26,920,427

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

WOOD COUNTY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

Net change in fund balances - total governmental funds	$ 728,365
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay reported in the current period.	2,930,933
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as an expenditure in the governmental funds.	(1,551,586)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) decreased net position.	(51,951)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	181,429
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences liability	(97,938)
Total OPEB liability	(72,291)
Net pension liability	(532,076)
Change in net position of governmental activities	$ 1,534,885

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

WOOD COUNTY, TEXAS

STATEMENT OF ASSETS AND LIABILITIES

AGENCY FUNDS

SEPTEMBER 30, 2019

ASSETS	
Cash and investments	$ 2,391,049
Due from state	6,501
Total assets	$ 2,397,550
LIABILITIES	
Due to other governments	$ 989,777
Due to beneficiaries	1,407,773
Total liabilities	$ 2,397,550

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the County reflected in the accompanying financial statements conform to the accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in Governmental Accounting and Financial Reporting Standards. The most significant accounting and reporting policies of Wood County, Texas ("the County") are described in the following notes to the financial statements.

A. Reporting Entity

A financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the elected officials of the County are financially accountable, or the relationship to the County is such that an exclusion would cause the County's financial statements to be misleading or incomplete.

Depending upon the significance of the County's financial and operational relationships with various separate entities, the organizations are classified as blended or discretely presented component units, related organizations, joint ventures, or jointly governed organizations, and the financial disclosure is treated accordingly.

The County was incorporated under the provisions of the State of Texas in 1850. The County operates under a commission form of government under the laws and statutes of the constitution of the State of Texas. The County provides various services to advance the welfare, health, morals, comfort, safety, and convenience of the County and its inhabitants.

B. 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 County. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes, fines and fees, grants and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes 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. Taxes and other items not properly included among program revenue are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column. The combined amounts for nonmajor governmental funds are reflected in a single column in the fund balance sheet and statement of revenues, expenditures, and changes in fund balances. Detailed statements for nonmajor funds are presented within combining fund statements.

C. 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. 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, grants, fines and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of the County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

The County reports the following major governmental funds:

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

The ***Road and Bridge Fund*** is a Special Revenue Fund used to account for revenue derived from ad valorem taxes, vehicle registration fees and rebates from the State of Texas. Expenditures are for maintenance and construction of County roads and bridges.

Additionally, the County reports the following fund type:

Agency Funds are used to account for assets held by the County in an agency capacity for individuals, private organizations and other governments.

D. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The appropriated budget is prepared by function. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

E. Assets, Liabilities, Deferred Outflow / Inflows of Resources, and Net Position / Fund Balance

1. Cash and Investments

The County pools cash resources of some funds and invests these funds jointly. Each fund owns a pro rata share of the cash and investments. The County is entitled to invest in obligations of the United States, the State of Texas, and certificates of deposit of state or national banks or savings and loan associations within the State.

Investment earnings are allocated to the respective funds based on an average daily balance.

Investments for the County are reported at fair value, except for the position in investment pools. The County's investment in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are considered nonspendable in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Ad valorem property taxes attach as enforceable liens as of January 1. Taxes are levied prior to September 30, payable on October 1, and are delinquent on February 1. The majority of the County's property tax collections occur during December and early January each year.

3. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Infrastructure	10 - 50
Buildings and improvements	15 - 40
Vehicles	3 - 10
Machinery and equipment	3 - 7

4. Federal and State Grants

Revenue from federal and state grants is recognized on the basis of actual expenditures incurred, limited to the amount of the total grant award.

5. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, compensatory time or overtime leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the County and its employees are accrued at year-end in the government-wide financial statements as the employees have earned the rights to these benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the County and its employees are accounted for in the period in which such services are rendered or such events take place.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Pensions

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

8. 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. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Commissioners Court. These amounts cannot be used for any other purpose unless the Commissioners Court removes or changes the specified use by taking the same type of action 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's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commissioners Court.

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

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

9. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has only the following items that qualify for reporting in this category:

- Differences between expected and actual experience - This difference is deferred and amortized over a five-year period.

- Changes in actuarial assumptions – This difference is recognized over the average remaining service life for all active, inactive, and retired members.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a five-year period.

- Pension contributions after the measurement date – These contributions are deferred and recognized in the following fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has the following items that qualify for reporting in this category:

- Unavailable revenue – The governmental funds report unavailable revenues from two sources: property taxes and court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Differences between expected and actual experience - This difference is deferred and amortized over a five-year period.

11. Use of Estimates

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

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value that establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

As of September 30, 2019, the County had the following cash and investments in its governmental funds:

	9/30/2019	Percent of Total Portfolio	Weighted Average Maturity (Days)
Cash and cash equivalents:			
Demand deposits	$ 12,960,920	46.6%	
Certificates of deposit	13,320,031	47.9%	
Investments measured at net asset value per share:			
Investment pools:			
TexPool	1,541,505	5.5%	38
Total cash and investments	$ 27,822,456		

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) yield, (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, (9) bid solicitation preferences for certificates of deposit, (10) investment strategy, (11) appointment, role, and training of the County investment officer, and (12) standard of care.

Statutes authorize the County to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, the State of Texas, and certain municipal securities; (2) certificates of deposit and share certificates, (3) certain securities lending programs, (4) repurchase agreements, (5) bankers' acceptances, (6) mutual funds, (7) investment pools, (8) guaranteed investment contracts, (9) common trust funds, and (10) commercial paper as allowed by the State. Local policy narrows the statewide authorization into County allowed investments. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

The County's investment pool, TexPool, a Stable NAV Government Investment Pool, is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pool seeks to maintain a $1.00 value per share as required by the Texas Public Funds Investment Act. However, the $1.00 price is not guaranteed or insured by the State of Texas. TexPool investments consist exclusively of U. S. Government securities, repurchase agreements collateralized by U. S. Government securities, Securities Lending, and AAA-rated no-load money market mutual funds all investments subject to TexPool's Guidelines on portfolio composition, concentration limits and rating requirements. TexPool is rated AAAm by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pool cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. Interest is accrued daily and paid monthly. TexPool is governed by the Texas Public Funds Investment Act and is in full compliance with the Act and the weighted average life is limited to 120 days. All gains or losses from the sale of securities are distributed among TexPool participates and will be amortized over the remaining term to maturity of the liquidate securities.

The certificates of deposit were invested as County authorized investments issued by an institution with its main office or a branch in this state and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor; secured by obligations as allowed by law; or secured in any other manner and amount provided by law for deposits of the County.

In fiscal year 2013, Commissioners Court approved updates to the investment policy to provide for CD investments to include CDARS (The Certificate of Deposit Account Registry Service) deposits whereby the depository institution arranges for the deposit of funds in certificates of deposit in one or more federally insured depository institution, wherever located, for the County's account rather than having the majority of CD investments secured by collateral provided by the local institution.

Interest Rate Risk. In accordance with its investment policy, the County manages its exposure to declines in fair market values by limiting the average dollar weighted maturity of its portfolios to a maximum of two years. This term is subject to changes based on the annual review of the investment policy or other Commissioners Court action.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations, direct obligations of Texas, counties, municipalities, independent school districts or other instrumentalities allowed under LGC 116.054 but not listed here that have a fair value of not less than the principal amount of deposits. As of September 30, 2019, the County's deposit balance was entirely collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

Credit Risk. It is the County's policy and strategy to emphasize safety of principal and liquidity over yield by proper diversification, proper monitoring, and clear transparency. The County's policy has limited authorized investments to not all that are authorized by the statutes.

B. Capital Assets

Capital asset activity of the County for the year ended September 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 2,281,769	$ -	$ -	$ 2,281,769
Total assets not being depreciated	2,281,769	-	-	2,281,769
Capital assets, being depreciated:				
Infrastructure	122,154	525,419	-	647,573
Buildings and improvements	9,346,823	761,991	-	10,108,814
Equipment	12,304,205	1,643,523	914,099	13,033,629
Total capital assets being depreciated	21,773,182	2,930,933	914,099	23,790,016
Less accumulated depreciation:				
Infrastructure	27,417	29,855	-	57,272
Buildings and improvements	8,167,649	159,196	-	8,326,845
Equipment	8,872,349	1,362,535	862,148	9,372,736
Total accumulated depreciation	17,067,415	1,551,586	862,148	17,756,853
Total capital assets being depreciated, net	4,705,767	1,379,347	51,951	6,033,163
Governmental activities capital assets, net	$ 6,987,536	$ 1,379,347	$ 51,951	$ 8,314,932

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

Governmental activities:	
General government	$ 146,720
Judicial	16,405
Community services	16,036
Public safety	376,040
Public transportation	996,385
Total depreciation expense - governmental activities	$ 1,551,586

C. Long-term Liabilities

The following is a summary of the long-term liability activity of the County for the year ended September 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government activities					
Compensated absences	$ 538,483	$ 353,619	$ 255,681	$ 636,421	$ 127,284
Governmental activities long-term liabilities	$ 538,483	$ 353,619	$ 255,681	$ 636,421	$ 127,284

III. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description. The County participates in a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tcdrs.org*.

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

Benefits Provided. TCDRS provides retirement, disability and death benefits for all eligible employees. Benefit terms are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 20 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 service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	156
Inactive employees entitled to but not yet receiving benefits	119
Active employees	206
	481

Contributions. The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participate over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 13% in both calendar years 2018 and 2019. The County's contributions to TCDRS for the year ended September 30, 2019, were $1,174,928, and were equal to the required contributions.

Net Pension Liability. The County's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Overall payroll growth	3.25% per year
Investment Rate of Return	8.0%, net of pension plan investment expense, including inflation

Mortality rates for active members, retirees, and beneficiaries were based on the following:

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

Updated mortality assumptions were adopted in the actuarial valuation of December 31, 2018. All other actuarial assumptions that determined the total pension liability as of December 31, 2018, were based on the results of an actuarial experience study for the period January 1, 2013, through December 31, 2016.

The long-term expected rate of return on pension plan investments is 8.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2019 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. The target allocation and best estimates of geometric real rates return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation [1]	Geometric Real Rate of Return (Expected minus Inflation) [2]
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index [3]	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	5.40%
International Equities - Emerging	MSCI EM Standard (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index [4]	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index [5]	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

[1] Target asset allocation adopted at the April 2019 TCDRS Board meeting.
[2] Geometric real rates of return in addition to assumed inflation of 1.70% per Cliffwater's 2019 capital market assumptions.
[3] Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.
[4] Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.
[5] Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2017	$ 39,527,514	$ 38,644,945	$ 882,569
Changes for the year:			
Service cost	1,209,590	-	1,209,590
Interest on total pension liability [(1)]	3,216,918	-	3,216,918
Effect of plan changes [(2)]	-	-	-
Effect of economic/demographic gains or losses	(103,863)	-	(103,863)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(72,106)	(72,106)	-
Benefit payments	(2,012,606)	(2,012,606)	-
Administrative expenses	-	(30,159)	30,159
Member contributions	-	611,688	(611,688)
Net investment income	-	(723,712)	723,712
Employer contributions	-	1,135,994	(1,135,994)
Other [(3)]	-	(6,159)	6,159
Balance at 12/31/2018	$ 41,765,447	$ 37,547,885	$ 4,217,562

Sensitivity Analysis

The following presents the net pension liability of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-higher (9.1%) than the current rate:

	1% Decrease 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	$ 46,916,627	$ 41,765,447	$ 37,413,638
Fiduciary net position	37,547,885	37,547,885	37,547,885
Net pension liability/(asset)	$ 9,368,742	$ 4,217,562	$(134,247)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2019, the County recognized pension expense of 1,707,004.

At year-end, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 149,372	$ 284,481
Changes in actuarial assumptions	251,927	-
Difference between projected and actual investment earnings	2,354,365	-
Contributions subsequent to the measurement date	849,996	-
Total	$ 3,605,660	$ 284,481

$849,996 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	
2020	$ 905,697
2021	408,850
2022	409,583
2023	747,053

B. Employee Health Protection Plan

The County adopted a self-funded Health Protection Plan effective October 1, 1988. The purpose of the plan is to pay medical claims of County employees and their covered dependents. The plan is funded through contributions by the County for employee coverage and through payroll deductions for dependent coverage.

The County does not financially provide for any post-employment medical benefits and life insurance except to those eligible retirees and their dependents for the remaining life of retiree with medical (limited) and limited life insurance and those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). These exceptions are funded at the retiree and/or dependent's expense that have elected the coverage under the Act with no direct costs of the premium to be incurred by the County.

The County enters into a contract with a reinsurance company to provide stop-loss coverage where the County's liability under the plan is limited to a projected cost factor determined annually by the company. The stop-loss attachment point is based on a specified monthly amount per covered employee or dependent.

Claims in excess of the specific stop-loss amount of $85,000 per covered person and the annual aggregate claim liability of $2,289,750 are fully insured. The plan paid net claims of approximately $2,006,008 during the plan year ended September 30, 2019. Total estimated unpaid claims for charges incurred prior to fiscal year-end were $213,848. The plan is administered by Health First, Third Party Administrators, Tyler, Texas.

Premiums are paid into the General Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. These interfund premiums are used to reduce the amount of claims expenditures reported in the General Fund.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Changes in the balances of claims liabilities during the past three years are as follows:

	Year Ended 09/30/19	Year Ended 09/30/18	Year Ended 09/30/17
Unpaid claims, beginning of fiscal year	$ 134,990	$ 368,000	$ 408,220
Incurred claims (including IBNRs)	2,084,865	2,481,413	1,769,932
Claim payments	(2,006,007)	(2,714,423)	(1,810,152)
Unpaid claims, end of fiscal year	$ 213,848	$ 134,990	$ 368,000

Dental Policy

Effective October 1, 2009, the County began offering dental coverage for employees and their covered dependents. The plan paid claims of approximately $130,663 for the plan year ended September 30, 2019.

C. Postemployment Benefits Other than Pension Benefits (OPEB)

Health insurance, dental, and life insurance benefits provided under the County's benefits plan, are provided to eligible retirees or former employees who are fully vested, have completed at least 8 full years of employment with the County and are leaving all funds on deposit with the TCDRS with the intention of retiring at a later date in accordance with the policies and procedures approved by Commissioners' Court.

The cost of the elected benefits is paid by the retirees or eligible former employees in accordance with the premiums annually set by Commissioners' Court. Listed below are the current monthly premiums for retirees or eligible former employees:

Health Insurance	
Retiree/fully vested former employee	$ 380
Retiree/fully vested former employee and spouse (coupled with retiree/fully vested former employee)	750
Retiree/fully vested former employee and children	700
Retiree/fully vested former employee and family	845
Medicare retiree	250
Medicare spouse (coupled with retiree)	560
Dental	
Retiree/fully vested former employee	32
Retiree/fully vested former employee and spouse (coupled with retiree/fully vested former employee)	48
Retiree/fully vested former employee and children	49
Retiree/fully vested former employee and family	58
Life	
Retiree/fully vested former employee (depending on coverage)	$1 - $10
Vision	
Retiree/fully vested former employee	5.50
Retiree/fully vested former employee and spouse (coupled with retiree/fully vested former employee)	10.70
Retiree/fully vested former employee and children	11.20
Retiree/fully vested former employee and family	17.30

The retiree's or eligible former employee's dependent coverage is an option only as long as the retiree or eligible former employee maintains personal coverage. Dependent coverage will cease when the retiree's or eligible former employee's coverage ceases. After the initial election, which is limited to coverage in effect on the last day of employment, no additional elections may be made.

The number of employees currently covered by the benefit terms is as follows:

	Employee Only	Employee & Dependent
Active	121	69
Retired	21	8
Total	142	77

The total premiums collected by the County for the retirees and/or eligible former employees were $177,171.

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Actuarial Valuation Date	September 30, 2019
Measurement Date	September 30, 2019
Actuarial Method	Individual Entry Age Normal Cost Method - Level Percentage of Projected Salary
Discount Rate	4.06% (1.06% real rate of return plus 3.0% inflation)
Salary Scale	3.05%
Mortality	RPH-2014 Total Table with Projection MP-2018
Health care cost trend rates	Level 5.0%
Turnover	Rates varying based on gender, age and select and ultimate at 15 years. Rates based on TCDRS actuarial assumptions from the 2017 retirement plan valuation report.
Retirees Contributions	100% of the premium for medical coverage. The current monthly contribution for the ETMC network individual coverage prior to age 65 is $380 ($750 for retiree and spouse). The age 65 and older monthly contribution is $250 ($560 for retiree and spouse). The Trinity MF network has a higher contribution rate.
Data Assumptions - Coverage	100% of all retirees whos currenlty have healthcare coverage will continue with the same coverage. 40% of all activies who currently have healthcare coverage will continue with coverage upon retirement including 20% of those with family coverage will continue with spouse coverage and the remainder individual coverage.

Changes in the Total OPEB Liability

The County's total OPEB liability of $2,276,772 was measured as of September 30, 2019 and was determined by an actuarial valuation as of September 30, 2019.

	Total OPEB Liability
Balance at 10/1/2018	$ 2,204,481
Changes for the year:	
Service cost	102,911
Interest on the total OPEB liability	87,112
Benefit payments	(117,732)
Net changes	72,291
Balance at 9/30/2018	$ 2,276,772

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.06%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (5.06%)	Discount Rate (4.06%)	1% Increase in Discount Rate (3.06%)
County's total OPEB liability	$ 1,979,525	$ 2,276,772	$ 2,652,972

Healthcare Cost Trend Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the total OPEB liability.

	1% Decrease (4%)	Current Healthcare Cost Trend Rate Assumption (5%)	1% Increase (6%)
County's total OPEB liability	$ 1,948,892	$ 2,276,772	$ 2,701,093

OPEB Expense

For the year ended September 30, 2019, the County recognized OPEB expense of $190,023.

D. <u>Risk Management</u>

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The County provides for the management of these risks through a combination of self-insurance and traditional insurance.

E. <u>Commitments and Contingencies</u>

The County is periodically the defendant in lawsuits arising in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements, and accordingly, no provision for losses has been recorded.

The County participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2019, may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

F. <u>Tax Abatements</u>

The County entered into an agreement with a developer in January 2011, under Tax Code 312. Commitments by the developer include construction improvements. The current year reduction of tax revenue under this agreement was $103,990.

G. Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a Public Health Emergency of International Concern and on March 10, 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively affect the County's operations, suppliers or other vendors. Subsequent shelter in place orders, labor shortages or other disruptions to the County's operations, or that of its suppliers and vendors, may adversely affect the County's ability to provide services to citizens and taxpayers. In addition, the epidemic and its effects could result in a widespread health crisis that may lead to an economic downturn, negatively affecting tax revenues and demand for services. As of the date of this report, the impact of COVID-19 on the County's financial statements or operations cannot be determined. The extent to which COVID-19 may affect the County's results will depend on future developments, which are highly uncertain.

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WOOD COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes	$ 11,035,630	$ 11,035,630	$ 11,230,311	$ 194,681
Charges for services	1,313,640	1,313,640	1,350,181	36,541
Intergovernmental	382,258	604,864	945,710	340,846
Investment income	686,500	686,500	714,387	27,887
Other	86,300	100,342	155,191	54,849
Total revenues	13,504,328	13,740,976	14,395,780	654,804
EXPENDITURES				
Current:				
General government	4,982,226	4,935,911	4,454,976	480,935
Public safety	7,134,856	7,235,225	6,900,016	335,209
Judicial	2,780,079	2,790,202	2,539,561	250,641
Community services	993,215	1,178,461	823,828	354,633
Capital outlay	1,450,316	1,618,841	1,544,720	74,121
Total expenditures	17,340,692	17,758,640	16,263,101	1,495,539
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,836,364)	(4,017,664)	(1,867,321)	2,150,343
OTHER FINANCING SOURCES				
Sale of capital assets	-	173,108	173,140	32
Total other financing sources	-	173,108	173,140	32
NET CHANGE IN FUND BALANCE	$(3,836,364)	$(3,844,556)	$(1,694,181)	$ 2,150,375
FUND BALANCE, BEGINNING			20,559,750	
FUND BALANCE, ENDING			$ 18,865,569	

WOOD COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ROAD AND BRIDGE

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	$ 7,293,862	$ 7,293,862	$ 7,292,569	$(1,293)
Charges for services	524,000	533,129	557,440	24,311
Fines and forfeitures	416,000	416,000	406,008	(9,992)
Motor vehicle registration	360,000	360,000	360,000	-
Other	-	169,161	169,161	-
Total revenues	8,593,862	8,772,152	8,785,178	13,026
EXPENDITURES				
Current:				
Public transportation	5,998,937	6,607,360	5,405,562	1,201,798
Capital outlay	1,316,100	2,201,176	1,274,025	927,151
Total expenditures	7,315,037	8,808,536	6,679,587	2,128,949
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,278,825	(36,384)	2,105,591	2,141,975
OTHER FINANCING SOURCES				
Sale of capital assets	-	169,259	169,259	-
Total other financing sources	-	169,259	169,259	-
NET CHANGE IN FUND BALANCE	$ 1,278,825	$ 132,875	2,274,850	$ 2,141,975
FUND BALANCE, BEGINNING			2,817,368	
FUND BALANCE, ENDING			$ 5,092,218	

Budgetary Information

The County uses the following procedures in establishing the budgetary data reflected in the financial schedules:

Prior to September 1, the Commissioners Court proposes an operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. Public hearings are conducted to obtain taxpayer comment.

Prior to adoption of the budget, the Commissioners' Court receives a certified tax roll from the Chief Appraiser and the Tax Assessor/Collector prepares the calculation of the effective tax rate. The County Auditor prepares a schedule of estimated unencumbered fund balances. This information is used to determine the ad valorem tax rate which will produce the major portion of the revenue available for the budget year.

Encumbrance Accounting

The County does not use a formal encumbrance accounting system. At year-end, the Commissioners Court may take action to commit a portion of the fund balances for capital outlays and other specific expenditures that had been planned during the budget year, but were not completed at year-end. In addition, the County has a specific capital outlay carryover policy for the Road and Bridge Funds which allows budgeted but unspent funds for machines and equipment at year-end to be carried over to the following budget year.

Budgetary Basis

Budgets are adopted on a basis consistent with generally accepted accounting principles.

WOOD COUNTY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Plan Year Ended December 31	**2014**	**2015**
Total Pension Liability		
Service Cost	$ 1,074,024	$ 1,091,078
Interest total pension liability	2,516,316	2,663,459
Effect of plan changes	-	(223,831)
Effect of assumption changes or inputs	-	386,517
Effect of economic/demographic (gains) or losses	(76,235)	(563,579)
Benefit payments/refunds of contributions	(1,740,042)	(1,833,065)
Net change in total pension liability	1,774,063	1,520,579
Total pension liability - beginning	31,392,153	33,166,216
Total pension liability - ending (a)	$ 33,166,216	$ 34,686,795
Plan Fiduciary Net Position		
Employer contributions	$ 1,126,360	$ 1,095,693
Member contributions	547,817	589,990
Investment income net of investment expenses	2,066,392	(32,988)
Benefit payments refunds of contributions	(1,740,042)	(1,833,065)
Administrative expenses	(24,057)	(23,122)
Other	35,630	8,489
Net change in plan fiduciary net position	2,012,100	(195,003)
Plan fiduciary net position - beginning	30,230,141	32,242,241
Plan fiduciary net position - ending (b)	32,242,241	32,047,238
Net pension liability - ending (a) - (b)	$ 923,975	$ 2,639,557
Fiduciary net position as a percentage of total pension liability	97%	93%
Pensionable covered payroll	$ 7,825,953	$ 8,428,427
Net pension liability as a percentage of covered payroll	12%	31%

Note: Information prior to 2014 is not available.

	2016	2017	2018
	$ 1,213,200	$ 1,137,270	$ 1,209,590
	2,781,400	2,960,274	3,216,918
	-	651,687	-
	-	291,039	-
	(221,687)	248,953	(103,863)
	(1,924,080)	(2,297,338)	(2,084,711)
	1,848,833	2,991,885	2,237,934
	34,686,795	36,535,628	39,527,513
	$ 36,535,628	$ 39,527,513	$ 41,765,447
	$ 1,056,438	$ 1,295,111	$ 1,135,994
	568,852	589,675	611,688
	2,366,000	4,973,092	(723,712)
	(1,924,080)	(2,297,339)	(2,084,712)
	(25,766)	(25,700)	(30,159)
	27,195	(5,771)	(6,159)
	2,068,639	4,529,068	(1,097,060)
	32,047,238	34,115,877	38,644,945
	34,115,877	38,644,945	37,547,885
	$ 2,419,751	$ 882,568	$ 4,217,562
	93%	98%	90%
	$ 8,126,464	$ 8,423,934	$ 8,738,393
	30%	10%	48%

WOOD COUNTY, TEXAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (1)	Actual Contribution as a % of Covered Payroll
2014	$ 1,011,227	$ 1,120,227	$(109,000)	$ 7,608,237	15%
2015	1,050,128	1,050,128	-	8,077,908	13%
2016	1,049,737	1,049,737	-	8,074,900	13%
2017	1,087,312	1,087,312	-	8,363,939	13%
2018	1,121,123	1,221,123	(100,000)	8,623,999	14%
2019	1,174,928	1,174,928	-	9,037,915	13%

(1) Payroll is calculated based on contributions as reported to TCDRS.

(2) Information prior to 2014 is not available.

WOOD COUNTY, TEXAS

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	7.6 years (based on contribution rate calculated in 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 Healthy 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	2017: New mortality assumptions were reflected. 2018: Employer contributions reflect that the current service matching rate was increased to 200%.

WOOD COUNTY, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
RETIREE HEALTH CARE BENEFIT PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Measurement Date September 30,	**2018**	**2019**
Total OPEB liability		
Service cost	$ 98,896	$ 102,911
Interest on the total OPEB liability	88,307	87,112
Benefit payments	(117,732)	(117,732)
Net change in total OPEB liability	69,471	72,291
Total OPEB liability - beginning	2,135,010	2,204,481
Total OPEB liability - ending	$ 2,204,481	$ 2,276,772
Covered-employee payroll	$ 7,920,728	$ 7,920,728
Total OPEB liability as a percentage of covered-employee payroll	27.8%	28.7%

Notes to Schedule:

- No assets are accumulated in a trust for the retiree health care plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

- This schedule is required to have 10 years of information, but the information prior to 2018 is not available.

COMBINING STATEMENTS

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for the proceeds of specified revenue sources or to finance specified activities as required by law or administrative regulation.

The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

WOOD COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

	Special Revenue				
	County Clerk Records Management and Preservation	County Clerk Records Archive	General Records Management and Preservation	Courthouse Security	Right of Way
ASSETS					
Cash and investments	$ 765,329	$ 441,872	$ 35,106	$ 66,958	$ 863,503
Taxes receivable	-	-	-	-	6,994
Prepaid items	11	-	8	-	-
Total assets	$ 765,340	$ 441,872	$ 35,114	$ 66,958	$ 870,497
LIABILITIES					
Accounts payable	$ -	$ -	$ 55	$ 55	$ -
Accrued liabilities	-	-	12	-	-
Total liabilities	-	-	67	55	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue: property taxes	-	-	-	-	6,994
Total deferred inflows of resources	-	-	-	-	6,994
FUND BALANCES					
Nonspendable:					
Prepaid items	11	-	8	-	-
Restricted:					
Debt service	-	-	-	-	-
Public safety	-	-	-	-	-
Judicial	-	-	-	-	-
Record preservation	765,329	441,872	35,039	-	-
Technology improvements	-	-	-	66,903	-
Economic development	-	-	-	-	-
Committed:					
Property acquisitions	-	-	-	-	863,503
Improvements	-	-	-	-	-
Total fund balances	765,340	441,872	35,047	66,903	863,503
Total liabilities, deferred inflows of resources and fund balances	$ 765,340	$ 441,872	$ 35,114	$ 66,958	$ 870,497

Special Revenue

Law Library	Sheriff Forfeiture	Hotel/ Motel Tax	Tobacco Settlement	Crime Victim Service	Justice Court Technology	District Clerk Records Management	Criminal District Attorney Special	JP Building Security
$ 58,069	$ 3,276	$ 197,692	$ 96,830	$ 5,524	$ 69,135	$ 26,797	$ 27,981	$ 28,602
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	5	-	-
$ 58,069	$ 3,276	$ 197,692	$ 96,830	$ 5,524	$ 69,135	$ 26,802	$ 27,981	$ 28,602
$ 560	$ -	$ 21,481	$ -	$ -	$ 383	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-
560	-	21,481	-	-	383	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	5	-	-
-	-	-	-	-	-	-	-	-
-	3,276	-	-	-	-	-	-	-
57,509	-	-	-	5,524	-	-	27,981	-
-	-	-	-	-	-	26,797	-	-
-	-	-	-	-	68,752	-	-	28,602
-	-	176,211	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	96,830	-	-	-	-	-
57,509	3,276	176,211	96,830	5,524	68,752	26,802	27,981	28,602
$ 58,069	$ 3,276	$ 197,692	$ 96,830	$ 5,524	$ 69,135	$ 26,802	$ 27,981	$ 28,602

WOOD COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

	Special Revenue				
	Elections Special	Guardianship	County Clerk Technology	District Clerk Technology	District Clerk Records Archive
ASSETS					
Cash and investments	$ 60,102	$ 57,267	$ 7,708	$ 18,040	$ 55,314
Taxes receivable	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	$ 60,102	$ 57,267	$ 7,708	$ 18,040	$ 55,314
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Accrued liabilities	-	-	-	-	-
Total liabilities	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue: property taxes	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
FUND BALANCES					
Nonspendable:					
Prepaid items	-	-	-	-	-
Restricted:					
Debt service	-	-	-	-	-
Public safety	-	-	-	-	-
Judicial	60,102	57,267	-	-	-
Record preservation	-	-	-	-	55,314
Technology improvements	-	-	7,708	18,040	-
Economic development	-	-	-	-	-
Committed:					
Property acquisitions	-	-	-	-	-
Improvements	-	-	-	-	-
Total fund balances	60,102	57,267	7,708	18,040	55,314
Total liabilities, deferred inflows of resources and fund balances	$ 60,102	$ 57,267	$ 7,708	$ 18,040	$ 55,314

Special Revenue			Debt Service	
District Clerk Records Preservation	Constable Forfeiture	Total Special Revenue	Interest and Sinking	Total Nonmajor Governmental Funds
$ 32,900	$ 3,267	$ 2,921,272	$ 63,986	$ 2,985,258
-	-	6,994	7,090	14,084
-	-	24	-	24
$ 32,900	$ 3,267	$ 2,928,290	$ 71,076	$ 2,999,366
$ -	$ 96	$ 22,630	$ -	$ 22,630
-	-	12	-	12
-	96	22,642	-	22,642
-	-	6,994	7,090	14,084
-	-	6,994	7,090	14,084
-	-	24	-	24
-	-	-	63,986	63,986
-	3,171	6,447	-	6,447
-	-	208,383	-	208,383
32,900	-	1,357,251	-	1,357,251
-	-	190,005	-	190,005
-	-	176,211	-	176,211
-	-	863,503	-	863,503
-	-	96,830	-	96,830
32,900	3,171	2,898,654	63,986	2,962,640
$ 32,900	$ 3,267	$ 2,928,290	$ 71,076	$ 2,999,366

WOOD COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue				
	County Clerk Records Management and Preservation	County Clerk Records Archive	General Records Management and Preservation	Courthouse Security	Right of Way
REVENUES					
Taxes	$ -	$ -	$ -	$ -	$ 379
Charges for services	132,668	128,245	14,370	26,267	-
Intergovernmental	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	17,897	11,514	726	1,571	21,447
Other	-	-	-	-	-
Total revenues	150,565	139,759	15,096	27,838	21,826
EXPENDITURES					
Current:					
General government	49,038	219,000	-	-	-
Public safety	-	-	659	21,659	-
Judicial	-	-	4,870	-	-
Total expenditures	49,038	219,000	5,529	21,659	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	101,527	(79,241)	9,567	6,179	21,826
FUND BALANCES, BEGINNING	663,813	521,113	25,480	60,724	841,677
FUND BALANCES, ENDING	$ 765,340	$ 441,872	$ 35,047	$ 66,903	$ 863,503

Special Revenue								
Law Library	Sheriff Forfeiture	Hotel/ Motel Tax	Tobacco Settlement	Crime Victim Service	Justice Court Technology	District Clerk Records Management	Criminal District Attorney Special	JP Building Security
$ -	$ -	$ 127,478	$ -	$ -	$ -	$ -	$ -	$ -
19,001	-	-	-	-	9,988	3,621	13,905	2,493
-	-	-	8,877	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1,200	-	4,216	-	130	1,828	612	183	708
-	-	-	-	445	-	-	-	-
20,201	-	131,694	8,877	575	11,816	4,233	14,088	3,201
-	-	109,801	-	-	-	212	-	-
-	154	-	-	-	-	-	-	3,238
3,360	-	-	-	94	16,377	-	6,007	-
3,360	154	109,801	-	94	16,377	212	6,007	3,238
16,841	(154)	21,893	8,877	481	(4,561)	4,021	8,081	(37)
40,668	3,430	154,318	87,953	5,043	73,313	22,781	19,900	28,639
$ 57,509	$ 3,276	$ 176,211	$ 96,830	$ 5,524	$ 68,752	$ 26,802	$ 27,981	$ 28,602

WOOD COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue				
	Elections Special	Guardianship	County Clerk Technology	District Clerk Technology	District Clerk Records Archive
REVENUES					
Taxes	$ -	$ -	$ -	$ -	$ -
Charges for services	-	4,720	1,025	3,538	6,763
Intergovernmental	6,288	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	1,399	1,353	179	397	1,274
Other	-	-	-	-	-
Total revenues	7,687	6,073	1,204	3,935	8,037
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Judicial	-	-	-	-	-
Total expenditures	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,687	6,073	1,204	3,935	8,037
FUND BALANCES, BEGINNING	52,415	51,194	6,504	14,105	47,277
FUND BALANCES, ENDING	$ 60,102	$ 57,267	$ 7,708	$ 18,040	$ 55,314

Special Revenue			Debt Service	
District Clerk Records Preservation	Constable Forfeiture	Total Special Revenue	Interest and Sinking	Total Nonmajor Governmental Funds
$ -	$ -	$ 127,857	$ 578	$ 128,435
1,764	-	368,368	-	368,368
-	-	15,165	-	15,165
-	2,361	2,361	-	2,361
789	73	67,496	1,469	68,965
-	-	445	-	445
2,553	2,434	581,692	2,047	583,739
-	-	378,051	-	378,051
-	1,574	27,284	-	27,284
-	-	30,708	-	30,708
-	1,574	436,043	-	436,043
2,553	860	145,649	2,047	147,696
30,347	2,311	2,753,005	61,939	2,814,944
$ 32,900	$ 3,171	$ 2,898,654	$ 63,986	$ 2,962,640

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AGENCY FUNDS

WOOD COUNTY, TEXAS

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

SEPTEMBER 30, 2019

	Wood County Historical Commission	County Clerk	District Clerk	Justices of the Peace	Criminal District Attorney	Tax Collector
ASSETS						
Cash and investments	$ 47,327	$ 155,143	$ 819,261	$ 451	$ 44,309	$ 730,299
Due from state	-	-	-	-	-	-
Total assets	$ 47,327	$ 155,143	$ 819,261	$ 451	$ 44,309	$ 730,299
LIABILITIES						
Due to other governments	$ 47,327	$ -	$ 36,506	$ 451	$ -	$ 429,810
Due to beneficiaries	-	155,143	782,755	-	44,309	300,489
Total liabilities	$ 47,327	$ 155,143	$ 819,261	$ 451	$ 44,309	$ 730,299

Sheriff	Child Welfare Board	Wood County CSCD	Wood County Juvenile Probation	County Treasurer Special	Totals
$ 127,901	5,102	$ 390,530	$ -	70,726	$ 2,391,049
-	-	-	6,501	-	6,501
$ 127,901	$ 5,102	$ 390,530	$ 6,501	$ 70,726	$ 2,397,550
$ 2,824	$ 5,102	$ 390,530	$ 6,501	$ 70,726	$ 989,777
125,077	-	-	-	-	1,407,773
$ 127,901	$ 5,102	$ 390,530	$ 6,501	$ 70,726	$ 2,397,550

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INTERNAL CONTROL AND COMPLIANCE REPORT

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PATTILLO, BROWN & HILL, L.L.P.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable County Judge
and Commissioners Court
Wood County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County, Texas (the "County"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 1, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
July 1, 2020