

FALLS COUNTY, TEXAS
CASH BASIS FINANCIAL REPORT
For the Fiscal Year Ended
September 30, 2020

Falls County, Texas
Cash Basis Financial Report
For the Fiscal Year Ended September 30, 2020

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FINANCIAL SECTION

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the County Judge and Commissioners' Court
Falls County, Texas

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Falls County, Texas, as of and for the year ended September 30, 2020, and the related notes to the cash basis financial statements, which collectively comprise the County's basic cash basis 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 the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller. 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 cash basis financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Falls County, Texas, as of September 30, 2020, and the respective changes in cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the cash basis of accounting described in Note A.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–9 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 cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles 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 Reporting Required by *Grant Management Standards*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Falls County, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of state awards 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 cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Beyer & Co.

BEYER & COMPANY
Certified Public Accountants
July 23, 2021

Management's Discussion and Analysis

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

Financial Highlights

The assets and equity of Falls County, Texas at the close of the most recent fiscal year was \$4,692,512 (net position). Of this amount, \$2,188,265 or 47% (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net position increased by \$23,373. This increase is mainly attributable to careful budget management.

Falls County, Texas' total restricted net position on September 30, 2020, is \$2,504,247 or 53% of net position. This was a decrease of \$441,202 from the previous year. This decrease is mainly attributable to the courthouse facility rehabilitation.

Overview of the Financial Statements

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Falls County's finances.

The *statement of net position* presents information of Falls County, Texas' cash and investments and cash basis - net position. The reported change in financial condition is a change in cash position and not a change in the economic condition of Falls County, Texas.

The statement of activities presents information showing how Falls County, Texas' net position changed during the most recent fiscal year. All changes in net position are reported as cash receipts are received, and disbursements are made. Thus, receipts and disbursements are reported in these statements.

The governmental activities on the government-wide financial statements of Falls County, Texas are principally supplied by taxes and intergovernmental receipts. The governmental activities of Falls County, Texas include general government, legal, health and welfare, judicial, public safety, culture and recreation, roads and bridges and principal and interest on long-term debt.

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. Falls County, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All the funds of Falls County, Texas 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. Falls County, Texas maintains thirty-five (35) individual governmental funds.

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.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of receipts, disbursements, and changes in cash basis fund balances for the General, Road and Bridge, Farm to Market Lateral Road, Falls County Renovation Grant funds, all of which are major funds. Data from the other 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.

The Falls County Commissioners Court adopts an annual appropriated budget for its General, Road and Bridge, and Farm to Market Lateral Road Funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to supplement Falls County's own programs.

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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents combining fund statements that further support the information in the financial statements. The combining fund statements and schedules for non-major funds are presented immediately following the required supplementary schedule.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of Falls County, Texas, cash, and net position were \$4,692,512 at the close of the most recent fiscal year.

	Governmental Activities		Total	
	2020	2019	2020	2019
Current and Other Assets	\$4,692,512	\$4,669,139	\$4,692,512	\$4,669,139
Total Assets	<u>4,692,512</u>	<u>4,669,139</u>	<u>4,692,512</u>	<u>4,669,139</u>
Restricted	2,504,247	2,945,449	2,504,247	2,945,449
Unrestricted	2,188,265	1,723,690	2,188,265	1,723,690
Total Net position	<u>\$4,692,512</u>	<u>\$4,669,139</u>	<u>\$4,692,512</u>	<u>\$4,669,139</u>

A portion of Falls County, Texas’ net position (53 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$2,188,265) may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Falls County, Texas can report positive balances in all two categories of net position, both for the government, as well as for its separate governmental activities.

The government’s total net position increased by \$23,373. This increase is mainly attributable to careful budget management.

Governmental activities: There were no business-type activities so any analysis regarding governmental activities will be the same as the analysis of the Government-wide Financial Analysis. Governmental activities total net position increased by \$23,373. This increase is mainly attributable to careful budget management.

**FALLS COUNTY, TEXAS
CHANGE IN NET POSITION - CASH BASIS**

	Governmental Activities		Total	
	2020	2019	2020	2019
Receipts:				
Program Receipts:				
Charges for Services	\$1,756,041	\$2,343,560	\$1,756,041	\$2,343,560
Operating Grants and Contributions	395,121	133,652	395,121	133,652
Capital Grants and Contributions	2,100,970	3,029,784	2,100,970	3,029,784
General Receipts:				
Maintenance and Operations Taxes	7,472,415	6,849,627	7,472,415	6,849,627
Sales Taxes	470,924	480,865	470,924	480,865
Other Taxes	6,834	3,886	6,834	3,886
Unrestricted Investment Earnings	42,560	70,922	42,560	70,922
Miscellaneous	1,073,049	292,845	1,073,049	292,845
Total Revenue	13,317,914	13,205,141	13,317,914	13,205,141
Disbursements:				
General Administration	2,485,117	2,010,687	2,485,117	2,010,687
Legal	269,234	268,609	269,234	268,609
Judicial	645,803	588,464	645,803	588,464
Financial Administration	525,876	499,250	525,876	499,250
Public Facilities	3,115,004	1,678,661	3,115,004	1,678,661
Public Safety	2,831,668	2,659,050	2,831,668	2,659,050
Public Transportation	2,619,048	2,729,156	2,619,048	2,729,156
Culture and Recreation	21,029	21,996	21,029	21,996
Health and Welfare	356,725	445,573	356,725	445,573
Conservation - Agriculture	84,133	78,516	84,133	78,516
Principal, Interest and Fiscal Charges	340,904	319,041	340,904	319,041
Total Disbursements	13,294,541	11,299,003	13,294,541	11,299,003
Increase in Net Position before transfers and special items	23,373	1,906,138	23,373	1,906,138
Transfers	0	0	0	0
Increase in Net Position	23,373	1,906,138	23,373	1,906,138
Net Position at 09/30/2019	4,669,139	2,763,001	4,669,139	2,763,001
Net Position at 09/30/2020	\$4,692,512	\$4,669,139	\$4,692,512	\$4,669,139

Functions/Programs	Disbursements	Program Receipts		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Government activities:				
General Administration	\$2,485,117	\$175,473	\$328,412	\$0
Legal	269,234	7,805		
Judicial	645,803	299,169		
Financial Administration	525,876	219,536		
Public Facilities	3,115,004			2,100,970
Public Safety	2,831,668	408,698	66,709	
Public Transportation	2,619,048	591,266		
Culture and Recreation	21,029			
Health and Welfare	356,725			
Conservation - Agriculture	84,133	54,094		
Principal, Interest and Fiscal Charges	340,904			
Total government activities	<u>\$13,294,541</u>	<u>\$1,756,041</u>	<u>\$395,121</u>	<u>\$2,100,970</u>

Receipts by source - Governmental Activities

	<u>Receipts</u>	<u>%</u>
Charges for Services	\$1,756,041	13.19%
Operating Grants and Contributions	395,121	2.97%
Capital Grants and Contributions	2,100,970	15.78%
Maintenance and Operations Taxes	7,472,415	56.10%
Sales Taxes	470,924	3.53%
Other Taxes	6,834	0.05%
Unrestricted Investment Earnings	42,560	0.32%
Miscellaneous	1,073,049	8.06%
	<u>\$13,317,914</u>	<u>100.00%</u>

For the most part, the increases and decreases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of Falls County's *governmental funds* is to provide information on cash receipts and disbursements.

At the end of fiscal year 2020, Falls County's *governmental funds* reported combined ending cash basis fund balances of \$4,692,512, an increase of \$23,373 in comparison with the prior year. Governmental Funds total net position increased by \$23,373. This increase is mainly attributable to careful budget management.

The General Fund is the chief operating fund of Falls County. At the end of fiscal year 2020, the General Fund had an ending cash basis fund balance of \$1,958,852. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance of \$1,958,852 to total fund expenditures. Unassigned cash basis fund balance represents 28% of total General Fund disbursements.

The fund balance of Falls County's General Fund increased by \$227,338 during 2020. This increase is primarily due to a loan of \$226,229.

The Road and Bridge Fund had an ending fund balance of \$652,961, an increase of \$47,513, and the Farm-to-Market Lateral Road Fund ending fund balance was \$601,978, an increase of \$232,076. The increase in the Road and Bridge Fund was immaterial and the increase in the Farm-to-Market Lateral Road Fund was due to a decrease in expenditures of \$179,744. The cash basis fund balance represents 39% of total Road and Bridge Fund disbursements and 62% of total Farm-to-Market Lateral Road Fund disbursements.

There is no analysis of the Falls County Renovation Grant funds because they are construction and rehabilitation funds making comparison illusory in nature.

Budgetary Highlights:

The was no difference between the original budget and the final amended budget in the general fund.

There was no change between the original budget and the final amended budget in the road and bridge fund.

The was no difference between the original budget and the final amended budget in the Farm-to-Market Lateral Road Fund.

Economic Factors

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the County. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Requests for Information

This financial report is designed to provide our citizen's taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If questions are encountered regarding this report; contact the Falls County Auditor's Office, 1910 Industrial Park Road, Marlin, TX. 76661.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

FALLS COUNTY, TEXAS
 STATEMENT OF NET POSITION - CASH BASIS
 SEPTEMBER 30, 2020

	Primary Government	
	Governmental	
	Activities	Total
<i>ASSETS</i>		
Cash and Cash Equivalents	\$4,692,512	\$4,692,512
Total Assets	<u>\$4,692,512</u>	<u>\$4,692,512</u>
NET POSITION - CASH BASIS		
Restricted		
Administration	231,293	231,293
Culture and Recreation	2,450	2,450
Debt Service	5,033	5,033
Elections	40,723	40,723
Judicial	372,290	372,290
Legal	12,600	12,600
Public Facilities	572,343	572,343
Public Safety	12,576	12,576
Public Transportation	1,254,939	1,254,939
Unrestricted	<u>2,188,265</u>	<u>2,188,265</u>
Total Net Position - Cash Basis	<u>\$4,692,512</u>	<u>\$4,692,512</u>

The accompanying notes are an integral part of this statement.

FALLS COUNTY, TEXAS
STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs	Disbursements	Program Receipts Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Governmental Activities	Net (Expense) Revenue and Changes in Total
Primary government						
Government activities:						
General Administration	\$2,485,117	\$175,473	\$328,412	\$0	(\$1,981,232)	(\$1,981,232)
Legal	269,234	7,805			(261,429)	(261,429)
Judicial	645,803	299,169			(346,634)	(346,634)
Financial Administration	525,876	219,536			(306,340)	(306,340)
Public Facilities	3,115,004			2,100,970	(1,014,034)	(1,014,034)
Public Safety	2,831,668	408,698	66,709		(2,356,261)	(2,356,261)
Public Transportation	2,619,048	591,266			(2,027,782)	(2,027,782)
Culture and Recreation	21,029				(21,029)	(21,029)
Health and Welfare	356,725				(356,725)	(356,725)
Conservation - Agriculture	84,133	54,094			(30,039)	(30,039)
Debt Service						
Principal Retirement	150,000				(150,000)	(150,000)
Interest and Fiscal Charges	190,904				(190,904)	(190,904)
Total government activities	<u>13,294,541</u>	<u>1,756,041</u>	<u>395,121</u>	<u>2,100,970</u>	<u>(9,042,409)</u>	<u>(9,042,409)</u>
Total Primary Government	<u>\$13,294,541</u>	<u>\$1,756,041</u>	<u>\$395,121</u>	<u>\$2,100,970</u>	<u>(9,042,409)</u>	<u>(9,042,409)</u>
General Receipts						
Property Taxes, Levies for General Purposes					7,472,415	7,472,415
Sales Taxes					470,924	470,924
Other Taxes					6,834	6,834
Unrestricted Investment Earnings					42,560	42,560
Miscellaneous					1,073,049	1,073,049
Total General Receipts and Transfers					<u>9,065,782</u>	<u>9,065,782</u>
Change in Net Position - Cash Basis					23,373	23,373
Net Position - Cash Basis - Beginning					4,669,139	4,669,139
Net Position - Cash Basis - Ending					<u>\$4,692,512</u>	<u>\$4,692,512</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

FALLS COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS - CASH BASIS
SEPTEMBER 30, 2020

	General Fund	Road and Bridge	F.M. Lateral Road Fund	Falls County Renovation Grant	Other Governmental Funds	Total Governmental Funds
<i>ASSETS</i>						
Cash and Cash Equivalents	\$1,958,852	\$652,961	\$601,978	\$386,635	\$1,092,086	\$4,692,512
Total Assets	\$1,958,852	\$652,961	\$601,978	\$386,635	\$1,092,086	\$4,692,512
FUND BALANCES:						
Fund Balances:						
Restricted						
Administration					231,293	231,293
Culture and Recreation					2,450	2,450
Debt Service					5,033	5,033
Elections					40,723	40,723
Judicial					372,290	372,290
Legal					12,600	12,600
Public Facilities				386,635	185,708	572,343
Public Safety					12,576	12,576
Public Transportation		652,961	601,978			1,254,939
Committed						
Cemetery					476	476
Equipment Replacement					148,831	148,831
Other					182,343	182,343
Unassigned	1,958,852				(102,237)	1,856,615
Total Fund Balance	1,958,852	652,961	601,978	386,635	1,092,086	4,692,512
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$1,958,852	\$652,961	\$601,978	\$386,635	\$1,092,086	\$4,692,512

The accompanying notes are an integral part of this statement.

FALLS COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - CASH BASIS
SEPTEMBER 30, 2020

Total Fund Balances - governmental funds balance sheet	\$4,692,512
Amounts reported for governmental activities in the Statement of Net Position - Cash Basis ("SNP") are different because:	None
Net Position - Cash Basis of governmental activities - Statement of Net Position - Cash Basis	<u>\$4,692,512</u>

The accompanying notes are an integral part of this statement.

FALLS COUNTY, TEXAS
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - CASH BASIS
YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Road and Bridge	Farm to Market Lateral Fund	Falls County Renovation Grant	Other Governmental Funds	Total Governmental Funds
<i>RECEIPTS</i>						
Taxes						
Property	\$4,816,229	\$1,087,619	\$1,161,214		\$407,353	\$7,472,415
Sales	\$470,924					\$470,924
Other	\$6,834					\$6,834
Intergovernmental	27,387			2,079,830	388,874	2,496,091
Licenses and Permits		588,766	2,500			591,266
Charges for Services	785,170				124,457	909,627
Fines and Forfeitures	255,148					255,148
Interest	37,311		4,437		812	42,560
Miscellaneous	656,163	25,774	28,327		136,556	846,820
Total Receipts	<u>7,055,166</u>	<u>1,702,159</u>	<u>1,196,478</u>	<u>2,079,830</u>	<u>1,058,052</u>	<u>13,091,685</u>
<i>DISBURSEMENTS</i>						
Current:						
General Administration	2,306,329				178,788	2,485,117
Legal	269,234					269,234
Judicial	544,981				100,822	645,803
Financial Administration	525,876					525,876
Public Facilities	117,728			2,975,675	21,601	3,115,004
Public Safety	2,728,022				103,646	2,831,668
Public Transportation		1,654,646	964,402			2,619,048
Culture and Recreation	21,029					21,029
Health and Welfare	356,725					356,725
Conservation - Agriculture	84,133					84,133
Debt Service						
Principal Retirement	0	0			150,000	150,000
Interest and Fiscal Charges	0	0			190,904	190,904
Total Disbursements	<u>6,954,057</u>	<u>1,654,646</u>	<u>964,402</u>	<u>2,975,675</u>	<u>745,761</u>	<u>13,294,541</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	101,109	47,513	232,076	(895,845)	312,291	(202,856)
<i>OTHER FINANCING SOURCES (USES):</i>						
Other Financing Sources	226,229					226,229
Operating Transfers In	0			100,000	100,000	200,000
Operating Transfers Out	(100,000)			0	(100,000)	(200,000)
Total Other Financing Sources (Uses)	<u>126,229</u>	<u>0</u>	<u>0</u>	<u>100,000</u>	<u>0</u>	<u>226,229</u>
Net Changes in Fund Balances	227,338	47,513	232,076	(795,845)	312,291	23,373
Fund Balances - Beginning	1,731,514	605,448	369,902	1,182,480	779,795	4,669,139
Fund Balances - Ending	<u>\$1,958,852</u>	<u>\$652,961</u>	<u>\$601,978</u>	<u>\$386,635</u>	<u>\$1,092,086</u>	<u>\$4,692,512</u>

The accompanying notes are an integral part of this statement.

FALLS COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - CASH BASIS
SEPTEMBER 30, 2020

Net Changes in Fund Balances - total governmental funds	\$23,373
Amounts reported for governmental activities in the statement of Net Position - Cash Basis ("SNP") are different because:	None
Change in Net Position - Cash Basis of governmental activities - statement of activities	<u>\$23,373</u>

The accompanying notes are an integral part of this statement.

FALLS COUNTY, TEXAS
GENERAL FUND
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<i>RECEIPTS</i>				
Taxes				
Property	\$4,801,430	\$4,801,430	\$4,816,229	\$14,799
Sales	\$380,000	\$380,000	\$470,924	\$90,924
Other	\$4,000	\$4,000	\$6,834	\$2,834
Intergovernmental	33,500	33,500	27,387	(6,113)
Charges for Services	989,001	989,001	785,170	(203,831)
Fines and Forfeitures	245,500	245,500	255,148	9,648
Interest	3,000	3,000	37,311	34,311
Miscellaneous	443,000	443,000	656,163	213,163
Total Receipts	6,899,431	6,899,431	7,055,166	155,735
<i>DISBURSEMENTS</i>				
Current:				
General Administration				
County Judge	134,179	134,179	123,824	10,355
Court Reporter	106,732	106,732	100,497	6,235
Elections Administration	108,745	108,745	335,557	(226,812)
Secretary	46,081	46,081	47,006	(925)
Non-Departmental	1,545,282	1,545,282	1,699,445	(154,163)
Legal				
County/District Attorney	289,405	289,405	269,234	20,171
Judicial				
County and District Clerk	368,028	368,028	351,672	16,356
Justice's of the Peace	203,904	203,904	193,309	10,595
Financial Administration				
County Treasurer	112,436	112,436	99,652	12,784
County Auditor	202,713	202,713	196,135	6,578
Tax Assessor-Collector	246,363	246,363	230,089	16,274
Public Facilities				
Building and Yards	108,592	108,592	112,211	(3,619)
Comm. Towers	10,500	10,500	5,517	4,983
Public Safety				
Emergency Management	44,742	44,742	37,013	7,729
Constables	254,146	254,146	253,990	156
Jail	1,381,605	1,381,605	1,347,297	34,308
Sheriff	1,139,675	1,139,675	1,089,722	49,953
(continued)				

(continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Brazos Park	\$29,701	\$29,701	\$21,029	\$8,672
Health and Welfare				
Indigent Health	477,554	477,554	356,725	120,829
Conservation - Agriculture				
Agriculture Extension Service	89,026	89,026	84,133	4,893
Debt Service				
Principal Retirement				0
Interest and Fiscal Charges				0
Total Disbursements	<u>6,899,409</u>	<u>6,899,409</u>	<u>6,954,057</u>	<u>(54,648)</u>
Excess (Deficiency) of Receipts Over (Under)				
Disbursements	<u>22</u>	<u>22</u>	<u>101,109</u>	<u>101,087</u>
OTHER FINANCING SOURCES (USES):				
Other Financing Sources			226,229	226,229
Operating Transfers Out			(100,000)	(100,000)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>126,229</u>	<u>126,229</u>
Net Changes in Fund Balances	22	22	227,338	227,316
Fund Balances - Beginning	<u>1,731,514</u>	<u>1,731,514</u>	<u>1,731,514</u>	
Fund Balances - Ending	<u>\$1,731,536</u>	<u>\$1,731,536</u>	<u>\$1,958,852</u>	<u>\$227,316</u>

The accompanying notes are an integral part of this statement.

FALLS COUNTY, TEXAS
ROAD AND BRIDGE FUND
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes				
Property	\$1,084,887	\$1,084,887	\$1,087,619	\$2,732
Licenses and Permits	595,000	595,000	588,766	(6,234)
Miscellaneous	22,002	22,002	25,774	3,772
Total Receipts	1,701,889	1,701,889	1,702,159	270
DISBURSEMENTS				
Current				
Public Transportation				
Road and Bridge	1,701,890	1,701,890	1,654,646	47,244
Debt Service				
Principal Retirement				0
Interest and Fiscal Charges				0
Total Disbursements	1,701,890	1,701,890	1,654,646	47,244
Excess (Deficiency) of Receipts Over (Under) Disbursements	(1)	(1)	47,513	47,514
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(1)	(1)	47,513	47,514
Fund Balances - Beginning	605,448	605,448	605,448	
Fund Balances - Ending	\$605,447	\$605,447	\$652,961	\$47,514

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

FALLS COUNTY, TEXAS
 FARM TO MARKET LATERAL FUND
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CASH BASIS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
RECEIPTS				
Taxes				
Property	\$1,162,189	\$1,162,189	\$1,161,214	(\$975)
Licenses and Permits	6,000	6,000	2,500	(3,500)
Interest	1,000	1,000	4,437	3,437
Miscellaneous	364,751	364,751	28,327	(336,424)
Total Receipts	<u>1,533,940</u>	<u>1,533,940</u>	<u>1,196,478</u>	<u>(337,462)</u>
DISBURSEMENTS				
Current				
Public Transportation				
Road and Bridge	1,208,662	1,208,662	964,402	244,260
Total Disbursements	<u>1,208,662</u>	<u>1,208,662</u>	<u>964,402</u>	<u>244,260</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	325,278	325,278	232,076	(93,202)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	325,278	325,278	232,076	(93,202)
Fund Balances - Beginning	369,902	369,902	369,902	
Fund Balances - Ending	<u>\$695,180</u>	<u>\$695,180</u>	<u>\$601,978</u>	<u>(\$93,202)</u>

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

FALLS COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$1,465,820</u>
Total Assets	<u><u>\$1,465,820</u></u>
DUE TO OTHERS	
Due to Others	<u>1,465,820</u>
Total Net Position - Cash Basis	<u><u>\$1,465,820</u></u>

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

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

I. Summary of Significant Accounting Policies

The financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because receipts (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and disbursements or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

A. Reporting Entity

The financial statements of Falls County, Texas are intended to present the financial position - cash basis and the changes in financial position - cash basis of only the portion of governmental activities, each major fund, and the aggregate remaining fund information of the County. They do not purport to, and do not, present fairly the financial position of Falls County, Texas, as of September 30, 2020, and the changes in its financial position - cash basis for the year ended in conformity with accounting principles generally accepted in the United States.

B. Government-wide Fund Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The County has presented all major funds that met those qualifications.

:

The County reports the following major governmental funds:

The General Fund is the primary operating fund of Falls County, Texas and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

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. Disbursements are for maintenance and construction of County roads and bridges.

The Farm-to-Market Lateral Road Fund is a Special Revenue Fund used to account for revenue derived from ad valorem taxes. Disbursements are for maintenance and construction of County farm-to-market roads.

The Falls County Renovation Grant is a Special Revenue Fund used to account for revenue derived from record management fees. Disbursements are for record management purposes.

Additionally, Falls County, Texas reports the following fund types:

Fiduciary Funds are used to account for assets held by Falls County, Texas as an agent for individuals and other governments. Agency Funds are custodial in nature and do not include measurements of results of operations.

The government-wide and fund financial statements are presented under the cash basis of accounting. The cash basis of accounting involves the measurement of cash and investments and changes in cash and investments resulting from cash receipt and disbursement transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets, and their related receipts (such as capital assets, accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as long-term debt, accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If Falls County, Texas utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the government-wide financials would be presented on the accrual basis of accounting.

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

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

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The government's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Government and the District to invest in obligations of the U.S. Treasury. Investments for the Government are reported at fair value. For purposes of the statement of cash flows, the County considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

2. Property Taxes

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

The County bills and collects property taxes for itself and for certain government entities within the County. Collections of the property taxes and subsequent remittances to the proper entities are accounted for in the tax assessor's agency fund. Tax collections deposited for the County are distributed on a periodic basis to the general, road and bridge, and Debt Service Funds of the County. This distribution is based upon the tax rate established for each fund by order of the Commissioners' Court for the tax year for which the collections are made.

The appraisal of property within the County is the responsibility of the County-wide appraisal district, which is required under the Property Tax Code to assess all property within the appraisal district based on 100 percent of its appraised value and is prohibited from applying any assessment ratios. The appraisal district must review the value of the property within the County every three years unless the County, at its own expense, requires more frequent reviews. The County may challenge the appraised values through various appeals and, if necessary, legal action. Under this legislation, the County sets tax rates on County property.

3. Net Position

Equity is classified as net position and displayed in two components:

Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - net position that does not meet the definition of "restricted."

It is Falls County, Texas' policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

4. Fund Balance

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:

- **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 resolution of the Commissioners ' Court, the County's highest level of decision-making authority. 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.
- **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.

- II. When a disbursement 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 a disbursement 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.

Fund Balances:	
Restricted	
Administration	\$231,293
Culture and Recreation	2,450
Debt Service	5,033
Elections	40,723
Judicial	372,290
Legal	12,600
Public Facilities	572,343
Public Safety	12,576
Public Transportation	1,254,939
Committed	
Cemetery	476
Equipment Replacement	148,831
Other	182,343
Unassigned	<u>1,856,615</u>
Total Fund Balance	<u><u>\$4,692,512</u></u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

The original budget is adopted by the Commissioner's Court and filed with the County Clerk. Amendments are made during the year on approval by the Commissioner's Court.

The final amended budget is used in this report. The budget should not be exceeded in any expenditure category under State law. Unused appropriations lapse at the end of each year. The County Judge is, by statute, the Budget Officer of the County. He usually requests and relies on the assistance of the County Auditor to prepare the annual budget. After being furnished budget guidelines by the Commissioner's Court, the County Auditor prepares an estimate of receipts and a compilation of requested departmental disbursements and submits this data to the Commissioner's Court.

The Commissioner's Court invites various department heads to appear for a hearing concerning the departments' budget requests. Before determining the final budget, the Commissioner's Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the County Auditor's estimate of receipts and available cash. The final budget can be legally amended by the Commissioner's Court to whatever extent the Court desires if the amended figures do not exceed the County Auditor's estimate of receipts and available cash.

When the Budget has been adopted by the Commissioner's Court, the County Auditor is responsible for monitoring the disbursements of the various departments of the County to prevent disbursements from exceeding budgeted appropriations and for keeping the members of the Commissioner's Court advised of the condition of the various funds and accounts. The level of control for each legally adopted annual operating budget is the fund.

Budgets for the 2020 fiscal year were adopted for the General Fund, the Road and Bridge Fund, and the Farm-to-Market Lateral Road Fund.

B. Excess of Disbursements over Appropriations

For the year ended September 30, 2020, disbursements did not exceed appropriations in any funds except for the general fund where total actual expenditures of \$6,954,057 exceeded the budgeted expenditures of \$6,899,409 by \$54,648.

C. Deficit fund equity

The county had no deficit fund balances as of September 30, 2020, except for the Courthouse Security Fund (\$21,194), 911 Fund (3,882), the D.A. State Fund (\$9,580), the Law Library Fund (\$56,606), the VAWA (\$25,262), and the Office of AG-VCLG (\$14,857).

IV. Detailed Notes on All Funds

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

Policies Governing Deposits and Investments

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

As of September 30, 2020, the government had the following investments: None.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government has a deposit policy for custodial credit risk. As of September 30, 2020, the government's bank balance of \$6,565,113 with the Bancorp Bank was not exposed to custodial credit risk because it was fully insured by the U.S. Government and/or the State of Texas and/or is collateralized with securities held by the pledging financial institution's trust department or agent. The book balance of the cash on September 30, 2020, is \$4,692,912.

V. Other Information

A. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no instances where settlements exceeded insurance coverage in any of the three previous years.

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 number of payouts), 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 claim's liability estimate.

1. General Liability Insurance

The County is insured for general, police officers and automobile liability.

The County has joined with other governments in the Texas Association of Counties Risk Management Pool. The County pays an annual premium to Risk Management for auto vehicle insurance coverage. The agreement with Risk Management provides that Risk Management will be self-sustaining through member premiums and will reinsure through commercial companies for claims more than \$100,000 to \$300,000 for each insurance event. The County anticipates no contingent losses.

Texas Association of Counties Risk Management Pool has published its own financial report that can be obtained from the Texas Association of Counties Risk Management Pool.

The County continues to carry commercial fidelity bonds for elected officials and for management.

2. Property and Casualty Insurance

Property, casualty, mobile equipment insurance is provided by Texas Association of Counties Risk Management Pool.

3. Workers' Compensation Insurance

The County insures against workers' compensation claims through Texas Association of Counties Risk Management Pool.

4. Group Health and Life Insurance

The County maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

5. Unemployment Compensation Insurance

The County insures for unemployment compensation claims through an agreement with the Texas Association of Counties.

B. Related Party Transaction

Angel Butler (Payroll & HR) and Jay Butler Jr. (Contract Juv. Probation Youth Worker) are married. Mr. Butler received compensation from the County in the amount of \$12,201.92 for FY 2020.

Ricky Scaman, the former Sheriff, used Autos Unlimited which is a towing company and is owned by his cousin Richard Johnson. Mr. Johnson received compensation from the County in the amount of \$6,588.65 for FY 2020.

Milton Albright (Commissioner) and Sheryl Pringle (Treasurer) are cousins.

Preble Polk (Justice of the Peace #4) is Kristy Pruitt's (TAC) mother.

C. Subsequent Events

On November 15, 2020, the County was awarded the County Victim Services Grant #4182301 for \$56,613.48 and the County Special Crimes Investigation Grant #4182401 for \$70,759.00.

On May 24, 2021, the County was awarded the American Rescue Plan Information and Resources grant for \$3.3 million, the County will receive \$1.7 million in 2021 and \$1.7 million in 2022. \$1,679,869.50 was deposited on June 11, 2021.

In January 2021, a wrongful termination suit was filed by an employee who was terminated on January 8, 2021.

D. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of disbursements that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

There was no litigation at September 30, 2020.

E. Other Matters

1. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the System. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

FALLS COUNTY, TEXAS
 COMBINING BALANCE SHEET - CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020

	SPECIAL REVENUE					
	911 FUND	2018 FALLS COUNTY GRANT	CHAPTER 19 FUND	CHILD SAFETY FUND	CHILTON WATER/SEWER PROJECT	COURT REPORTER
ASSETS						
Cash and Cash Equivalents	(\$3,882)	\$185,708	\$1,689	\$67,961		\$12,600
Total Assets	(\$3,882)	\$185,708	\$1,689	\$67,961	\$0	\$12,600

FUND BALANCES - CASH BASIS

Fund Balance - Cash Basis						
Restricted						
Administration				67,961		
Culture and Recreation						
Debt Service						
Elections			1,689			
Judicial						
Legal						12,600
Public Facilities		185,708				
Public Safety	(3,882)					
Other						
Committed						
Cemetery						
Equipment Replacement						
Unassigned						
Total Fund Balance - Cash Basis	(3,882)	185,708	1,689	67,961	0	12,600
TOTAL LIABILITIES AND FUND BALANCES - CASH BASIS	(\$3,882)	\$185,708	\$1,689	\$67,961	\$0	\$12,600

(continued)

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

SPECIAL REVENUE

COURTHOUSE SECURITY	COST EQUIP	CO & DIST COURT TECH	D.A. - DEPT HUMAN SERVICES	DISTRICT ATTORNEY	D.A. - STATE FUND	ELECTION SERVICE FUND	ESTRAY FUND	FAMILY PROTECTION FUND
(\$21,194)	\$148,831	\$5,089	\$85	\$5,296	(\$9,580)	\$39,034	\$2,062	\$9,425
(\$21,194)	\$148,831	\$5,089	\$85	\$5,296	(\$9,580)	\$39,034	\$2,062	\$9,425
		5,089	85	5,296		39,034		
							2,062	9,425
(21,194)	148,831				(9,580)			
(\$21,194)	\$148,831	\$5,089	\$85	\$5,296	(\$9,580)	\$39,034	\$2,062	\$9,425
(\$21,194)	\$148,831	\$5,089	\$85	\$5,296	(\$9,580)	\$39,034	\$2,062	\$9,425

FALLS COUNTY, TEXAS
 COMBINING BALANCE SHEET - CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020
 (continued)

	SPECIAL REVENUE					
	FMRF	GASSAWAY	GRANT	JURY	JUSTICE	JUSTICE
	GRANT	CEMETERY TRUST	FUND	FUND	COURT TECH	COURT SECURITY
ASSETS						
Cash and Cash Equivalents		\$476	\$163,332	\$18,221	\$12,430	\$20,559
Total Assets	\$0	\$476	\$163,332	\$18,221	\$12,430	\$20,559

FUND BALANCES - CASH BASIS

Fund Balance - Cash Basis						
Restricted						
Administration			163,332			
Culture and Recreation						
Debt Service						
Elections						
Judicial				18,221	12,430	20,559
Legal						
Public Facilities						
Public Safety						
Other						
Committed						
Cemetery		476				
Equipment Replacement						
Unassigned						
Total Fund Balance - Cash Basis	0	476	163,332	18,221	12,430	20,559
TOTAL LIABILITIES AND FUND BALANCES - CASH BASIS	\$0	\$476	\$163,332	\$18,221	\$12,430	\$20,559

(continued)

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

SPECIAL REVENUE

KEEP FALLS CO BEAUTIFUL	LAW LIBRARY FUND	LAW ENFORCEMENT EDUCATION	OFFICE OF AG-VCLG	PERM IMPROV- MENT	RECORDS MGMT	SHERIFF FORFEITURE FUND	TX DOT CO INFRA- STRUCTURE	VAWA INVESTIGATOR
\$2,450	(\$56,606)	\$24,088	(\$14,857)	\$182,343	\$310,610	\$6,145		(\$25,262)
\$2,450	(\$56,606)	\$24,088	(\$14,857)	\$182,343	\$310,610	\$6,145	\$0	(\$25,262)

2,450

310,610

24,088

182,343

6,145

(25,262)

	(56,606)		(14,857)					
2,450	(56,606)	24,088	(14,857)	182,343	310,610	6,145	0	(25,262)
\$2,450	(\$56,606)	\$24,088	(\$14,857)	\$182,343	\$310,610	\$6,145	\$0	(\$25,262)

FALLS COUNTY, TEXAS
 COMBINING BALANCE SHEET - CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020
 (continued)

	I&S 2010	
	FUND	TOTAL
ASSETS		
Cash and Cash Equivalents	\$5,033	\$1,092,086
Total Assets	\$5,033	\$1,092,086

FUND BALANCES - CASH BASIS

Fund Balance - Cash Basis		
Restricted		
Administration		231,293
Culture and Recreation		2,450
Debt Service	5,033	5,033
Elections		40,723
Judicial		372,290
Legal		12,600
Public Facilities		185,708
Public Safety		12,576
Other		182,343
Committed		
Cemetery		476
Equipment Replacement		148,831
Unassigned		(102,237)
Total Fund Balance - Cash Basis	5,033	1,092,086

TOTAL LIABILITIES AND FUND BALANCES - CASH BASIS	\$5,033	\$1,092,086
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The notes to the financial statements are an integral part of this statement.

FALLS COUNTY, TEXAS
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	SPECIAL REVENUE					
	911 FUND	2018 FALLS COUNTY GRANT	CHAPTER 19 FUND	CHILD SAFETY FUND	CHILTON WATER/SEWER PROJECT	COURT REPORTER
<i>RECEIPTS</i>						
Taxes						
Property						
Intergovernmental					21,140	
Charges for Services				14,517		3,311
Interest						
Miscellaneous	10,022					152
Total Receipts	10,022	0	0	14,517	21,140	3,463
<i>DISBURSEMENTS</i>						
Current:						
General Administration				402		
Judicial						853
Public Facilities		461			21,140	
Public Safety	19,978					
Debt Service						
Principal Retirement						
Interest and Fiscal Charges						
Total Disbursements	19,978	461	0	402	21,140	853
Excess (Deficiency) of Receipts Over (Under)						
Disbursements	(9,956)	(461)	0	14,115	0	2,610
OTHER FINANCING SOURCES (USES):						
Operating Transfers In						
Operating Transfers Out		(100,000)				
Total Other Financing Sources (Uses)	0	(100,000)	0	0	0	0
Net Changes in Fund Balance - Cash Basis	(9,956)	(100,461)	0	14,115	0	2,610
Fund Balance - Cash Basis - Beginning	6,074	286,169	1,689	53,846	0	9,990
Fund Balance - Cash Basis - Ending	(\$3,882)	\$185,708	\$1,689	\$67,961	\$0	\$12,600

(continued)

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

FALLS COUNTY, TEXAS
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (continued)

	SPECIAL REVENUE					
	FMRF	GASSAWAY	GRANT	JURY	JUSTICE	JUSTICE
	GRANT	CEMETERY TRUST	FUND	FUND	COURT TECH	COURT SECURITY
<i>RECEIPTS</i>						
Taxes						
Property				\$5,614		
Intergovernmental			301,025			
Charges for Services				1,356	1,695	612
Interest				108		
Miscellaneous	65,000			2,515		
Total Receipts	65,000	0	301,025	9,593	1,695	612
<i>DISBURSEMENTS</i>						
Current:						
General Administration			36,825			
Judicial				3,680	3,266	1,086
Public Facilities						
Public Safety			74,900			
Debt Service						
Principal Retirement						
Interest and Fiscal Charges						
Total Disbursements	0	0	111,725	3,680	3,266	1,086
Excess (Deficiency) of Receipts Over (Under)						
Disbursements	65,000	0	189,300	5,913	(1,571)	(474)
<i>OTHER FINANCING SOURCES (USES):</i>						
Operating Transfers In						
Operating Transfers Out						
Total Other Financing Sources (Uses)	0	0	0	0	0	0
Net Changes in Fund Balance - Cash Basis	65,000	0	189,300	5,913	(1,571)	(474)
Fund Balance - Cash Basis - Beginning	(65,000)	476	(25,968)	12,308	14,001	21,033
Fund Balance - Cash Basis - Ending	\$0	\$476	\$163,332	\$18,221	\$12,430	\$20,559

(continued)

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

SPECIAL REVENUE

KEEP FALLS CO BEAUTIFUL	LAW LIBRARY FUND	LAW ENFORCEMENT EDUCATION	OFFICE OF AG-VCLG	PERM IMPROV- MENT	RECORDS MGMT	SHERIFF FORFEITURE FUND	TX DOT CO INFRA- STRUCTURE	VAWA INVESTIGATOR
				\$77,710				66,709
	7,805	5,834	54,094					
				7,857				
0	7,805	5,834	54,094	85,567	0	0	0	66,709
			54,790	53,698	5,935			
	20,513							
		1,918				2,479	58	
0	20,513	1,918	54,790	53,698	5,935	2,479	58	73,473
0	(12,708)	3,916	(696)	31,869	(5,935)	(2,479)	(58)	(6,764)
				100,000				
0	0	0	0	100,000	0	0	0	0
0	(12,708)	3,916	(696)	131,869	(5,935)	(2,479)	(58)	(6,764)
2,450	(43,898)	20,172	(14,161)	50,474	316,545	8,624	58	(18,498)
\$2,450	(\$56,606)	\$24,088	(\$14,857)	\$182,343	\$310,610	\$6,145	\$0	(\$25,262)

FALLS COUNTY, TEXAS
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (continued)

	I&S 2010	
	FUND	TOTAL
<i>RECEIPTS</i>		
Taxes		
Property	\$268,774	\$407,353
Intergovernmental		388,874
Charges for Services		124,457
Interest	704	812
Miscellaneous		136,556
Total Receipts	<u>269,478</u>	<u>1,058,052</u>
<i>DISBURSEMENTS</i>		
Current:		
General Administration		178,788
Judicial		100,822
Public Facilities		21,601
Public Safety		103,646
Debt Service		0
Principal Retirement	150,000	150,000
Interest and Fiscal Charges	117,431	190,904
Total Disbursements	<u>267,431</u>	<u>745,761</u>
Excess (Deficiency) of Receipts Over (Under)		
Disbursements	<u>2,047</u>	<u>312,291</u>
<i>OTHER FINANCING SOURCES (USES):</i>		
Operating Transfers In		100,000
Operating Transfers Out		<u>(100,000)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>
Net Changes in Fund Balance - Cash Basis	2,047	312,291
Fund Balance - Cash Basis - Beginning	<u>2,986</u>	<u>779,795</u>
Fund Balance - Cash Basis - Ending	<u>\$5,033</u>	<u>\$1,092,086</u>

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

FALLS COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS - CASH BASIS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Permanent School Fund	Prosecutors	County Clerk	District Clerk	Sheriff	Justice of the Peace 1	Justice of the Peace 2	Justice of the Peace 3	Justice of the Peace 4	Probation	Other	TOTAL
<i>ASSETS</i>												
Cash and Cash Equivalents	\$7,961	\$15,789	\$15,579	\$4,312	\$1,986	\$3,024	\$2,483	\$2,449	\$3,227	\$466,958	\$942,052	\$1,465,820
Total	\$7,961	\$15,789	\$15,579	\$4,312	\$1,986	\$3,024	\$2,483	\$2,449	\$3,227	\$466,958	\$942,052	\$1,465,820
<i>DUE TO OTHERS</i>												
Due to Others	7,961	15,789	15,579	4,312	1,986	3,024	2,483	2,449	3,227	466,958	942,052	1,465,820
Total	7,961	15,789	15,579	4,312	1,986	3,024	2,483	2,449	3,227	466,958	942,052	\$1,465,820

SINGLE AUDIT SECTION

FALLS COUNTY, TEXAS
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

SOURCE AND TITLE OF GRANT	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PASS-THROUGH TO SUBRECIPIENTS	TOTAL STATE EXPENDI- TURES
Texas Attorney General (OAG) VINE/SAVNS	3214001	NONE	\$10,016
Texas Attorney General (OAG) VCLG	3631801	NONE	54,791
Texas Attorney General (OAG) VAWA Investigator	3631802	NONE	73,473
Total Texas Attorney General (OAG)			<u>138,280</u>
Texas Historical Commission (THC) THCPP (courthouse renovation)	Round X	NONE	2,975,676
Total Texas Historical Commission (THC)			<u>2,975,676</u>
Office of Texas Governor (OOG) Passed Through Texas Division of Emergency Management (TDEM) CESF 16.034	4151901	NONE	7,500
Total Office of Texas Governor (OOG)			<u>7,500</u>
TOTAL EXPENDITURES OF STATE AWARDS			<u><u>\$3,121,456</u></u>

See Accompanying Notes to Schedule of State Financial Assistance

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

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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 STATE OF TEXAS *AUDITING STANDARDS*

To the County Judge and Commissioners Court
Falls County, Texas

We have audited, in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Falls County, Texas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Falls County, Texas's basic financial statements, and have issued our report thereon dated July 23, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 cash basis financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2020-003 and 2020-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Falls County, Texas' cash basis 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 cash basis 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 State of Texas *Auditing Standards*.

Falls County, Texas' Response to Findings

Falls County, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Falls County, Texas' response was not subjected to the auditing procedures applied in the audit of the cash basis financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Beyer & Co.

BEYER & COMPANY
Certified Public Accountants
July 23, 2021

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND REQUIRED BY UNIFORM GRANT STANDARDS PROMULGATED BY THE OFFICE OF THE GOVERNOR UNDER 34 TAX PART 1, CHAPTER 20, SUBCHAPTER I - COMPTROLLER

To the County Judge and Commissioners' Court
Falls County, Texas

Report on Compliance for Each Major State Program

We have audited Falls County, Texas' compliance with the types of compliance requirements that could have a direct and material effect on each of Falls County, Texas' major state programs for the year ended September 30, 2020. Falls County, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Falls County, Texas' major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter I- Comptroller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Falls County, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Falls County, Texas's compliance.

Opinion on Each Major State Program

In our opinion, Falls County, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2020.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control over Compliance

Management of Falls County, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Falls County, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and with Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter I- Comptroller, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Falls County, Texas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and with Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter I- Comptroller. Accordingly, this report is not suitable for any other purpose.



BEYER & COMPANY
Certified Public Accountants
July 23, 2021

FALLS COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of state awards (the Schedule) includes the state award activity of the Falls County, Texas under programs of the state government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller. Because the Schedule presents only a selected portion of the operations of the Falls County, Texas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Falls County, Texas.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Grant Management Standards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C-INDIRECT COST RATE

The Falls County, Texas has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Grant Management Standards.

FALLS COUNTY, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Section II-Financial Statement Findings

Material Weaknesses:

Tax Office – The tax office was unauditible. We were unable to perform our major procedures which included performing “sufficiency of ending cash”, “reconciliation of Motor vehicle and Ad Valorem reports to the bank account(s)”, and “performing a proof of cash.” ***This condition has been corrected.***

Sheriff Department – We found that four (4) bank accounts have not been reconciled. ***This condition has not been corrected.***

Sheriff Department – We found that the Inmate Balance Report is not being run every month and that reports are not being turned into the auditor’s office monthly. ***This condition has not been corrected.***

Significant Deficiencies:

Segregation of Duties – Due to the limited number of people working in the office, many critical duties are combined and given to the available employees. ***This condition has been corrected.***

Justice of the Peace #1 – We noted that cash is accepted but the office does not have startup money on hand and that no reason is given for voided tickets. ***This condition has been corrected.***

District Clerk – We were unable to determine what makes up the balance in the District Clerk’s registry/non-interest bank account for the year ending September 30, 2019. Apparently, most of the money has been in there for years and no one knows who it belongs to until an individual comes forward to claim it. There is approximately \$431,382.51 in the account as of September 30, 2019. The current District Clerk can account for approximately \$61,581.02. ***This condition has not been corrected.***

Payroll – We found that time sheets are turned in before the pay period ends. ***This condition has not been corrected.***

Section III-Federal or State Award findings & Questioned Costs

None

FALLS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Section I Summary of Auditors Results

Financial Statements Section

1. The auditor's report expresses an unmodified opinion on the cash basis financial statements of Falls County, Texas.
2. There were two significant deficiencies disclosed during the audit. There were two material weakness disclosed during the audit.

State Awards Section

3. There were no instances of noncompliance material to the financial statements of the Falls County, Texas, which would be required to be reported in accordance with the State of Texas Auditing Standards.
4. There were no significant deficiencies over major State award programs disclosed during the audit. There were no material weaknesses over major State award programs disclosed during the audit.
5. The auditor's report on compliance for the major State award programs for the Falls County, Texas expresses an unmodified opinion on all major State programs.
6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance.
7. The programs tested as major programs: Courthouse Renovation Grant.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Falls County did not qualify as a low-risk auditee.

Section II-Financial Statement Findings

Material Weaknesses:

2020-001 Sheriff Department

Condition: Sheriff Department – We found that three (3) bank accounts have not been reconciled.

Criteria: All bank accounts should be reconciled in a timely manner.

Effect: Since the bank accounts are not reconciled in a timely manner, the financial statements could be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because the County is understaffed.

Recommendation: We recommend the Sheriff Department reconcile all bank accounts monthly to ensure proper cash controls.

2020-002 Sheriff Department

Condition: Sheriff Department – We found that the Inmate Balance Report is not being run every month and that the reports are not turned into the auditor's office.

Criteria: The Inmate Balance Report should be run monthly and turned into the Auditor's office in a timely manner.

Effect: Since the Inmate Balance Report is not run and turned into the Auditor's Office in a timely manner, the financial statements could be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because of possible oversight by the County.

Recommendation: We recommend that the Inmate Balance reports are run every month and turned into the auditor's office.

Significant Deficiencies:

2020-003 District Clerk

Condition: District Clerk – The Registry Non-Interest account has a total of \$264,153.82 and the list of monies held for cases total \$267,547.96, showing a shortage of \$3,394.14.

Criteria: The list of monies held for cases should be reconciled to the Registry Non-Interest account monthly.

Effect: Since the list of monies is not reconciled to the Registry Non-Interest account in a timely manner, the financial statements could be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because of possible oversight by the County.

Recommendation: We recommend that the list of monies held for cases and the Registry Non-Interest account be reconciled monthly to avoid the possibility of the financial statements being materially misstated either through mistake, error, or fraud.

2020-004 Payroll

Condition: Payroll – We found that time sheets are turned in before the pay period ends.

Criteria: Employee time sheets should be turned in after the pay period has ended.

Effect: Since the timesheets are turned in before the pay period has ended the County cannot ensure they are paying employees for actual time worked.

Cause of Condition: This condition exists because of possible oversight by the County.

Recommendation: We recommend that County employees turn their timesheets in after the pay period has ended.

Section III-State Award findings & Questioned Costs

None

FALLS COUNTY, TEXAS

TO: BEYER & CO.
Certified Public Accountants

FROM: Falls County, Texas

DATE: July 23, 2021

SUBJECT: Response to Findings – Fiscal Year Ending September 30, 2020

Below are the County's responses to the Auditors findings.

Auditors Findings (Material Weaknesses):

2020-001 Sheriff Department Condition: Sheriff Department – We found that three (3) bank accounts have not been reconciled.

County's Response: The county auditor will ask that monthly reconciliations be delivered to the auditor's office on a monthly basis. The county auditor will discuss the matter with the Sheriff and his administrative assistant to ensure complete understanding of the matter. The auditor will suggest to the Sheriff to reevaluate the duties at hand and delegate accordingly within the sheriff department.

2020-002 Sheriff Department Condition: Sheriff Department – We found that the Inmate Balance Report is not being run every month and that the reports are not turned into the auditor's office.

County's Response: The county auditor will require the inmate balance report to be delivered to the auditor's office on a monthly basis. The county auditor will discuss the matter with the Sheriff and his administrative assistant to ensure complete understanding of the matter. This report should be turned into the auditor's office when the monthly civil and bond reports are turned in – no later than the 10th day of each month.

Auditors Findings (Significant Weaknesses):

2020-003 District Clerk Condition: District Clerk – The Registry Non-Interest account has a total of \$264,153.82 and the list of monies held for cases total \$267,547.96, showing a shortage of \$3,394.14.

County's Response: The county auditor will discuss the matter with the District Clerk and will conduct random internal audits to review the accuracy of the monthly reconciliations.

2020-004 Payroll Condition: Payroll – We found that time sheets are turned in before the pay period ends.

County's Response: The changing of the payroll process will be discussed again in commissioners' court. The auditor's office will suggest changing the county payroll schedule to biweekly beginning January 01, 2022. With this change, employees will be able to turn their timesheets in after the pay period has ended; hence, timesheets for the entire pay period will be reviewed prior to processing the county payroll. However, this change must be approved by commissioners' court.

Respectfully,

Georgie Patterson

Georgie Patterson, County Auditor