

**SHACKELFORD COUNTY, TEXAS**

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

For the year ended  
September 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and  
Members of the Commissioners' Court  
Shackelford County, Texas:

We have audited the accompanying financial statements of the governmental activities and each major fund of Shackelford County, Texas (the County), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, and each major fund of Shackelford County, Texas, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the 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 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 Supplementary 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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor 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 nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Fullerton & Associates, PLLC*

Fullerton and Associates, PLLC  
Abilene, Texas

December 28, 2020

**SHACKELFORD COUNTY, TEXAS**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

This section of Shackelford County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2020. Please read it in conjunction with the County's financial statements, which follow this section.

**Overview of the Financial Statements**

This 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 themselves.

**Government-Wide Financial Statements**

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

The government-wide financial statements reflect functions of Shackelford County that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of Shackelford County include general administrative, judicial, public safety, public recreation, and public transportation. The government-wide financial statements can be found on pages 10 and 11 of this report.

The County's total combined net position was \$11,241,411 at September 30, 2020. Of this amount, \$4,784,162 is invested in capital assets, net of related debt, and \$516,089 is restricted for debt service. Unrestricted net position is \$5,941,160.

During the year, the County's expenses were \$136,895 less than the \$4,547,572 generated in taxes and other revenues for governmental activities.

The prior period adjustments made during the year ended September 30, 2020 resulted in an increase in prior periods' net position \$67,940. See more details about the prior period adjustments in Note 7 on page 30 of this report.

**Fund Financial Statements**

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

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

**SHACKELFORD COUNTY, TEXAS**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

**Governmental funds.** Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short term view that help the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

The governmental fund financial statements can be found on pages 12-17 of this report.

**Fiduciary fund.** The County is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the County's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operation.

The fiduciary fund financial statements can be found on page 18 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-40 of this report.

#### **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 Shackelford County, assets exceeded liabilities by \$11,241,411 at the end of 2020.

A large portion of the County's total assets (54%) consist of capital assets (for example, land, infrastructure, and buildings), but is 43% of net position net of the outstanding debt issued to finance their acquisition. The County uses these capital assets to provide services to citizens, and consequently, the assets are not available for future spending. Although, as mentioned, the County's investment in capital assets is reported net of related debt, it should be noted that the resources to re-pay this debt must be provided from other sources since the capital assets themselves cannot be used to do so. \$516,089 of the County's net position is restricted for repaying long term debt. The remaining balance of net position, \$5,941,160, is unrestricted and available to meet the government's ongoing obligations to citizens and creditors.

**SHACKELFORD COUNTY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

A summary of the County's net position as of September 30, 2020 compared to September 30, 2019 is as follows:

**Shackelford County's Net Position**

	Governmental Activities	
	2020	2019, as restated
Current assets		
Pooled cash and cash equivalents	\$ 5,724,541	\$ 5,765,095
Investments	1,078,767	1,116,555
Receivables (net of allowance for uncollectibles)	231,721	251,999
Prepaid expenses	92,643	1,713
Total current assets	<u>7,127,672</u>	<u>7,135,362</u>
Noncurrent assets	9,676,241	9,374,264
Restricted assets	869,519	765,059
Total noncurrent assets	<u>10,545,760</u>	<u>10,139,323</u>
Deferred outflows of resources	168,679	738,109
Total assets and deferred outflows	<u>\$ 17,842,111</u>	<u>\$ 18,012,794</u>
Current liabilities	\$ 180,977	\$ 54,992
Noncurrent liabilities		
Due within one year	516,089	1,012,438
Due in more than one year	5,612,241	5,800,000
Total noncurrent liabilities	<u>6,128,330</u>	<u>6,812,438</u>
Total liabilities	<u>6,309,307</u>	<u>6,867,430</u>
Deferred inflows of resources	291,393	40,848
Net position		
Net investment in capital assets	4,784,162	3,797,995
Restricted	516,089	1,012,438
Unrestricted	5,941,160	6,294,083
Total net position (2019, as restated)	<u>11,241,411</u>	<u>11,104,516</u>
Total liabilities, deferred inflows and net position	<u>\$ 17,842,111</u>	<u>\$ 18,012,794</u>

Important items to note on the changes between September 30, 2020 and September 30, 2019 are:

- One of the Road & Bridges precincts cashed out their investment in a certificate of deposit in the year ended September 30, 2020, causing a decrease to investment balances.
- The County entered into four new lease agreements for equipment used in the Road & Bridges precincts, replacing older and depreciated equipment. This increased the capital asset balances included in Noncurrent assets. The noncurrent liabilities appear to have decreased because the older equipment leases were paid off during the year ended September 30, 2020.
- Net position restricted for debt service is substantially less at September 30, 2020 than it was at September 30, 2019 due to the maturity of the old equipment leases in the year ended September 30, 2020.

**SHACKELFORD COUNTY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

A summary of the changes in the County's net position for the year ended September 30, 2020 compared to the year ended September 30, 2019 is as follows:

**Shackelford County's Changes in Net Position**

	Governmental Activities	
	2020	2019, as restated
Program revenues:		
Charges for services	\$ 735,252	\$ 823,693
Operating grants and contributions	51,592	-
General revenues:		
Property taxes, general	3,119,115	2,927,299
Property taxes, debt service	513,294	512,605
Miscellaneous	35,135	181,037
Investment earnings	101,197	145,346
Gain (loss) on disposition of assets	(8,013)	40,800
<b>Total revenues</b>	<b>4,547,572</b>	<b>4,630,780</b>
Expenses:		
General administration	839,239	679,482
Judicial	484,116	537,608
Public safety	1,264,420	1,287,950
Public recreation	12,648	12,648
Agriculture extension service	46,545	49,103
Facilities	388,755	233,366
Non-departmental	49,668	54,321
Elections	29,268	17,917
Public transportation	1,063,564	939,420
Interest and fiscal charges	232,454	254,318
<b>Total expenses</b>	<b>4,410,677</b>	<b>4,066,133</b>
<b>Change in net position</b>	<b>136,895</b>	<b>564,647</b>
<b>Beginning balance, net position (2019 as restated)</b>	<b>11,104,516</b>	<b>10,539,869</b>
<b>Ending balance, net position (2019, as restated)</b>	<b>\$ 11,241,411</b>	<b>\$ 11,104,516</b>

Important items to note on the changes between the years ended September 30, 2020 and 2019 are:

- The cost of all governmental activities this year was \$4,410,677, and the increase over the 2019 costs can primarily be attributed to depreciation expense, as the new equipment under capital leases will be depreciated over the life of the lease—a shorter term than what the previous equipment was assigned.
- The amount that County taxpayers paid for these activities through property taxes was only \$3,632,409.
- \$735,252 of the cost was paid by those who directly benefited from the programs, and the remaining \$179,911 is comprised of investment income, miscellaneous income, and grants or contributions not related to the routine operations of the County.

**SHACKELFORD COUNTY, TEXAS**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

**GOVERNMENT-WIDE FINANCIAL ANALYSIS—CONTINUED**

As noted earlier, Shackelford County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The general governmental functions are reported in the general, capital projects, debt service, and special revenue funds. The focus of the County's 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 annual financing and budgeting requirements. In particular, unassigned fund balance may serve as a useful measure of the County'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 \$7,655,494, a decrease of \$32,046 as the result of operations net against an increase of \$190,951 as the result of prior period adjustments, described further in Note 7 to the financial statements. The cause of this decrease in fund balances was due to expending more money than produced through revenue activities, primarily in the Road and Bridges funds.

Of the total ending fund balances, \$6,183,775 constitutes unassigned fund balance, \$608,693 constitutes assigned fund balance, and \$770,383 constitutes restricted fund balance, and \$92,643 constitutes nonspendable fund balance. Unassigned fund balance is available for spending at the County's discretion, assigned fund balance represents amounts that may only be used for special revenue fund purposes, and restricted fund balance represents amounts that can be used only for the specific purposes of debt service and enabling legislation.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,183,775. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 209% of total general fund expenditures.

During the year ended September 30, 2020, the County's total revenues were \$5,215,403. A significant portion, 70%, of the County's revenue came from property taxes. 14% came from charges for services, 13% came from proceeds or value received from sales or trade ins of capital equipment, and 3% came from contributions or gifts to the County, and investment returns.

The total cost of all County programs and services was \$5,247,449. 20% of these costs were for Public safety, 20% for debt service, 15% for Public transportation (Road and Bridges Precincts), 10% capital outlay, and 13% were for the general administration of the County. The remaining costs were below 10% of the total, individually.

**BUDGETARY HIGHLIGHTS**

The County budget is prepared in accordance with accounting principles generally accepted in the United States. The budget is prepared by the County Judge and approved by the Commissioners' Court. The approved budget is used as a management control device during the year, and appropriations are set at the expenditure type level. Budgetary transfers between expenditure types must be approved by the Commissioners' Court.

During the year, revenues were more than budgetary estimates and expenditures were less than budgetary estimates. Major variances include:

- Total general fund revenues were 14% more than budgeted.
- Total general fund expenditures were 90% of the amended budget, \$343,943 under budget.
- The Road and Bridges Precinct Funds 1, 3, and 4's actual expenditures were 55%, 35%, and 50% over budget, respectively, while Road and Bridges Precinct 2's expenditures were 41% under budget.

**SHACKELFORD COUNTY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**CAPITAL ASSETS**

At the end of 2020, the County had invested \$9,676,241 in a broad range of capital assets, including land, equipment, buildings, and vehicles.

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

	Governmental Activities	
	2020	2019
Land	\$ 60,578	\$ 60,578
Infrastructure	763,437	763,437
Buildings and improvements	10,801,280	10,641,051
Furniture and equipment	3,432,726	3,049,721
Total at historical cost	15,058,021	14,514,787
Total accumulated depreciation	(5,381,780)	(5,140,523)
Net capital assets	\$ 9,676,241	\$ 9,374,264

Additional information on County's capital assets can be found in Note 4 on page 26 of this report.

**DEBT ADMINISTRATION**

At year-end, the County had \$6,128,330 in liabilities that are considered long-term, as shown in the table below. More detailed information about the County's debt is presented in Note 6 to the financial statements on pages 27 through 29.

**Shackelford County's Long-Term Liabilities**

	Governmental Activities	
	2020	2019, as restated
Notes payable	\$ 695,000	\$ 868,000
Bonds payable	3,875,000	4,135,000
Capital lease payable	985,092	588,269
Compensated absences	9,560	5,846
Total OPEB liability	126,221	97,371
Net pension liability	437,457	1,117,952
Total long-term debt	\$ 6,128,330	\$ 6,812,438

**SHACKELFORD COUNTY, TEXAS**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES***

The County should maintain its financial health during the 2021 fiscal year. The property taxes levied on October 1, 2020 were essentially the same as those levied on October 1, 2019, and budgeted expenditures for next fiscal year are approximately the same as they were for the 2020 fiscal year.

***REQUESTS FOR INFORMATION***

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Treasurer's Office at: County of Shackelford, Texas, P.O. Box 3067, Albany, Texas 76430.

BASIC FINANCIAL STATEMENTS

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

		Governmental Activities
<b>ASSETS</b>		
Pooled cash and cash equivalents	\$	5,724,541
Investments		1,078,767
Receivables (net of allowance for uncollectibles)		
Taxes		227,297
Reimbursements		4,424
Prepaid expenses		92,643
Capital assets:		
Land		60,578
Infrastructure		763,437
Buildings and improvements		10,801,280
Furniture and equipment		3,432,726
Less: accumulated depreciation		<u>(5,381,780)</u>
Total capital assets (net of accumulated depreciation)		9,676,241
Restricted assets:		
Pooled cash and cash equivalents		869,519
Total assets		<u>17,673,432</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows - OPEB		23,314
Deferred outflows - pension		<u>145,365</u>
Total deferred outflows of resources		<u>168,679</u>
<b>LIABILITIES</b>		
Accounts payable and other current liabilities		152,648
Deferred revenue		
Accrued interest payable		28,329
Unearned revenue		
Accrued salaries and payroll taxes		
Current portion of long term liabilities		516,089
Noncurrent liabilities		
Compensated absences		9,560
Total OPEB liability		126,221
Net pension liability		437,457
Due in more than one year		<u>5,039,003</u>
Total liabilities		6,309,307
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows - OPEB		10,770
Deferred inflows - pension		<u>280,623</u>
Total deferred inflows of resources		<u>291,393</u>
<b>NET POSITION</b>		
Net investment in capital assets		4,784,162
Restricted for long term debt		516,089
Unrestricted		<u>5,941,160</u>
Total net position	\$	<u>11,241,411</u>

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

**SHACKELFORD COUNTY, TEXAS**  
**STATEMENT OF CHANGES IN NET POSITION**  
**SEPTEMBER 30, 2020**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Total
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
General administrative	\$ 839,239	\$ 78,448	\$ 51,592	\$ (709,199)	\$ (709,199)
Judicial	484,116	27,650	-	(456,466)	(456,466)
Public safety	1,264,420	249,887	-	(1,014,533)	(1,014,533)
Public recreation	12,648	522	-	(12,126)	(12,126)
Agriculture extension service	46,545	-	-	(46,545)	(46,545)
Facilities	388,755	-	-	(388,755)	(388,755)
Non-departmental	49,668	-	-	(49,668)	(49,668)
Elections	29,268	-	-	(29,268)	(29,268)
Public transportation	1,063,564	378,745	-	(684,819)	(684,819)
Debt service - interest on long-term debt	232,454	-	-	(232,454)	(232,454)
Total governmental activities	<u>4,410,677</u>	<u>735,252</u>	<u>51,592</u>	<u>(3,623,833)</u>	<u>(3,623,833)</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ <u>4,410,677</u></b>	<b>\$ <u>735,252</u></b>	<b>\$ <u>51,592</u></b>	<b><u>(3,623,833)</u></b>	<b><u>(3,623,833)</u></b>
General revenues:					
Property taxes, levied for general purposes				3,119,115	3,119,115
Property taxes, levied for debt service				513,294	513,294
Miscellaneous income				35,135	35,135
Investment income				101,197	101,197
Loss on disposition of assets				(8,013)	(8,013)
Total general revenues				<u>3,760,728</u>	<u>3,760,728</u>
CHANGE IN NET POSITION				136,895	136,895
NET POSITION AT BEGINNING OF YEAR				<u>11,036,576</u>	<u>11,036,576</u>
PRIOR PERIOD ADJUSTMENT				<u>67,940</u>	<u>67,940</u>
NET POSITION AT BEGINNING OF YEAR, AS RESTATED				<u>11,104,516</u>	<u>11,104,516</u>
NET POSITION AT END OF YEAR				<u>\$ 11,241,411</u>	<u>\$ 11,241,411</u>

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

**SHACKELFORD COUNTY, TEXAS**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2020**

	<u>General Fund</u>	<u>Road &amp; Bridge Precinct # 1</u>	<u>Road &amp; Bridge Precinct # 2</u>	<u>Road &amp; Bridge Precinct # 3</u>
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 4,663,173	\$ 241,989	\$ 226,658	\$ 290,847
Investments	974,402	11,523	-	-
Prepaid expenses	89,905	1,713	-	-
Taxes and accounts receivable, net	196,728	2,167	-	-
Restricted assets:				
Pooled cash and cash equivalents	-	-	-	-
<b>Total assets</b>	<b><u>\$ 5,924,208</u></b>	<b><u>\$ 257,392</u></b>	<b><u>\$ 226,658</u></b>	<b><u>\$ 290,847</u></b>
<b>INTERNAL BALANCES</b>				
Due (to)/from other funds	<b><u>\$ 556,156</u></b>	<b><u>\$ (346,335)</u></b>	<b><u>\$ (202,061)</u></b>	<b><u>\$ (39,647)</u></b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	<b><u>\$ 34,513</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 36,000</u></b>
<b>Total liabilities</b>	<b>34,513</b>	<b>-</b>	<b>-</b>	<b>36,000</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	<u>172,171</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total deferred inflows of resources</b>	<b>172,171</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>				
Nonspendable fund balance:				
Prepaid items	89,905	1,713	-	-
Restricted fund balance:				
Debt service	-	-	-	-
Assigned fund balance:				
Road and bridge	-	(90,656)	24,597	215,200
Other assigned fund balance	-	-	-	-
Unassigned fund balance	<u>6,183,775</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total fund balances</b>	<b><u>6,273,680</u></b>	<b><u>(88,943)</u></b>	<b><u>24,597</u></b>	<b><u>215,200</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 6,480,364</u></b>	<b><u>\$ (88,943)</u></b>	<b><u>\$ 24,597</u></b>	<b><u>\$ 251,200</u></b>

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

**SHACKELFORD COUNTY, TEXAS**  
 BALANCE SHEET, CONTINUED – GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2020

	<u>Road &amp; Bridge Precinct # 4</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmenta Funds</u>
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 301,874	\$ -	\$ -	\$ 5,724,541
Investments	92,842	-	-	1,078,767
Prepaid expenses	-	-	1,025	92,643
Taxes and accounts receivable, net	2,257	30,569	-	231,721
Restricted assets:				
Pooled cash and cash equivalents	-	461,380	408,139	869,519
<b>Total assets</b>	<b>\$ 396,973</b>	<b>\$ 491,949</b>	<b>\$ 409,164</b>	<b>\$ 7,997,191</b>
<b>INTERNAL BALANCES</b>				
Due (to)/from other funds	\$ (494,429)	\$ 295,312	\$ 231,004	\$ -
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 82,135	\$ 152,648
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>82,135</b>	<b>152,648</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	-	16,878	-	189,049
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>16,878</b>	<b>-</b>	<b>189,049</b>
<b>FUND BALANCES</b>				
Nonspendable fund balance:				
Prepaid items	-	-	1,025	92,643
Restricted fund balance:				
Debt service	-	770,383	-	770,383
Assigned fund balance:				
Road and bridge	(97,456)	-	-	51,685
Other assigned fund balance	-	-	557,008	557,008
Unassigned fund balance	-	-	-	6,183,775
<b>Total fund balances</b>	<b>(97,456)</b>	<b>770,383</b>	<b>558,033</b>	<b>7,655,494</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ (97,456)</b>	<b>\$ 787,261</b>	<b>\$ 640,168</b>	<b>\$ 7,997,191</b>

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

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

Total Fund Balances - Governmental Funds Balance Sheet	\$	7,655,494
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. The net effect is to increase net position.		9,676,241
Certain assets, such as property taxes receivable and imposed fines receivable, are not available to pay for current-period expenditures and are not recognized as revenue in the governmental funds. Deferred inflows of resources recognized in the government-wide financial statements results in a net increase to net position.		189,049
Long-term liabilities, including bonds payable, compensated absences and the County's net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds. The net effect is a decrease in net position.		(6,128,330)
Payables for bond interest which are not due in the current period are not reported in the funds. The net effect is a decrease in net position.		(28,329)
Included in the items related to long-term liabilities is the recognition of the County's deferred outflow of resources, and deferred inflow of resources relating to its pension liability.		<u>(122,714)</u>
Net Position of Governmental Activities - Statement of Net Position	\$	<u><u>11,241,411</u></u>

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

**SHACKELFORD COUNTY, TEXAS**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	General Fund	Road & Bridge Precinct #1	Road & Bridge Precinct #2	Road & Bridge Precinct #3
<b>REVENUES</b>				
Taxes	\$ 3,132,051	\$ -	\$ -	\$ -
Licenses and fees	-	83,432	76,037	106,976
Fines and fees	305,181	-	-	-
Investment earnings	85,911	2,906	-	-
Miscellaneous	-	195,428	167,750	165,100
Contributions and gifts	51,592	-	-	-
Total revenues	<u>3,574,735</u>	<u>281,766</u>	<u>243,787</u>	<u>272,076</u>
<b>EXPENDITURES</b>				
Current:				
General administrative	591,410	-	-	-
Judicial	451,213	-	-	-
Public safety	1,036,972	-	-	-
Agriculture extension service	44,861	-	-	-
Facilities	385,370	-	-	-
Non-departmental	49,668	-	-	-
Elections	29,268	-	-	-
Public transportation	-	182,666	162,935	174,218
Capital outlay	168,907	106,329	-	110,253
Debt service:				
Principal	173,000	177,683	167,769	150,156
Interest and fiscal charges	26,386	6,248	3,635	1,363
Total expenditures	<u>2,957,055</u>	<u>472,926</u>	<u>334,339</u>	<u>435,990</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>617,680</u>	<u>(191,160)</u>	<u>(90,552)</u>	<u>(163,914)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	8,118	-	-	-
Transfers in (out)	(320,000)	80,000	80,000	80,000
Total other financing sources (uses)	<u>(311,882)</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	305,798	(111,160)	(10,552)	(83,914)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	5,798,485	17,060	29,602	294,137
<b>PRIOR PERIOD ADJUSTMENT</b>	169,397	5,157	5,547	4,977
<b>FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED</b>	<u>5,967,882</u>	<u>22,217</u>	<u>35,149</u>	<u>299,114</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 6,273,680</u>	<u>\$ (88,943)</u>	<u>\$ 24,597</u>	<u>\$ 215,200</u>

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

**SHACKELFORD COUNTY, TEXAS**  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE, CONTINUED  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Road & Bridge Precinct #4	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ -	\$ 513,294	\$ -	\$ 3,645,345
Licenses and fees	112,300	-	51,326	430,071
Fines and fees	-	-	-	305,181
Investment earnings	1,119	5,935	5,326	101,197
Miscellaneous	153,739	-	-	682,017
Contributions and gifts	-	-	-	51,592
	<u>267,158</u>	<u>519,229</u>	<u>56,652</u>	<u>5,215,403</u>
<b>EXPENDITURES</b>				
Current:				
General administrative	-	-	78,538	669,948
Judicial	-	-	-	451,213
Public safety	-	-	-	1,036,972
Agriculture extension service	-	-	-	44,861
Facilities	-	-	-	385,370
Non-departmental	-	-	-	49,668
Elections	-	-	-	29,268
Public transportation	254,301	-	-	774,120
Capital outlay	140,760	-	-	526,249
Debt service:				
Principal	111,069	260,000	-	1,039,677
Interest and fiscal charges	2,001	200,470	-	240,103
	<u>508,131</u>	<u>460,470</u>	<u>78,538</u>	<u>5,247,449</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>(240,973)</u>	<u>58,759</u>	<u>(21,886)</u>	<u>(32,046)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	-	-	-	8,118
Transfers in (out)	80,000	-	-	-
	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>8,118</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(160,973)</u>	<u>58,759</u>	<u>(21,886)</u>	<u>(23,928)</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	57,644	711,624	579,919	7,488,471
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>5,873</u>	<u>-</u>	<u>-</u>	<u>190,951</u>
<b>FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED</b>	<u>63,517</u>	<u>711,624</u>	<u>579,919</u>	<u>7,679,422</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ (97,456)</u>	<u>\$ 770,383</u>	<u>\$ 558,033</u>	<u>\$ 7,655,494</u>

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

**SHACKELFORD COUNTY, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net Change in Fund Balances - Total Governmental Funds	\$ (23,928)
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net position.	1,529,749
Depreciation expense is not reflected in the governmental funds but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of recording current year depreciation expense is to decrease net position.	(564,759)
In the statement of activities, a loss of \$8,013 is recognized for the deficit of trade in value applied or buy back proceeds received from the net book value of the related assets traded in or sold. Conversely, in the fund financial statements the trade in and buy back proceeds totalling \$655,000 are recognized as miscellaneous revenues. The net of the two when a loss on disposal of capital assets is recognized is a decrease to net position.	(663,013)
Proceeds from issuance of new debt or value received for new capital lease agreements are revenues in the fund financial statements but are increases to long-term debt in the government-wide financial statements. The effect of new debt is a decrease to net position.	(1,003,500)
Current year long-term debt principal payments on long-term debt are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements. This results in an increase in net position.	1,039,677
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. The current year decrease in revenue recognized in the government-wide financial statements results in a decrease in net position.	(12,936)
The net increase in compensated absences payable is a decrease to net position.	(3,714)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas, in the fund financial statements, interest expense is reported when due. The net decrease in the accrual from the last fiscal year is an increase to net position.	7,649
Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase. The County's unrecognized deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the County's share of pension expense must be recognized.	(168,330)
Change in Net Position of Governmental Activities - Statement of Activities	\$ <u>136,895</u>

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

**SHACKELFORD COUNTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Pooled cash and cash equivalents	\$ <u>100,406</u>
<b>Total assets</b>	<b>\$ <u><u>100,406</u></u></b>
<b>LIABILITIES</b>	
Due to other governments	\$ <u>100,406</u>
<b>Total liabilities</b>	<b>\$ <u><u>100,406</u></u></b>

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

**SHACKELFORD COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Shackelford County, Texas (the County) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to County units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

**REPORTING ENTITY**

The County is a public Corporation and political subdivision of the State of Texas. The Commissioners' Court, which is made up of four commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general administration, tax and recording (e.g. tax collection), judicial (courts, juries, etc.), legal (district attorney, county attorney, etc.), public safety (sheriff, jail, etc.), and transportation.

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

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

The County also evaluated each legally separate tax-exempt organization whose resources are used principally to provide support to the County to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County, its component units, or its constituents, 2) the County or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization, and 3) such economic resources are significant to the County.

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

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

***BASIS OF PRESENTATION***

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses in the statement of activities.

**SHACKELFORD COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

*NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED*

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION—  
CONTINUED

*BASIS OF PRESENTATION—CONTINUED*

Program revenues include: (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Proprietary funds operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

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

Road and bridge funds: These funds account for accumulation of resources for, and the payment of maintenance and construction of roads and bridges within the County.

Debt service fund: This fund accounts for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

In addition, the County reports the following nonmajor governmental funds:

Special revenue funds: These funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

*FIDUCIARY FUND TYPES*

Agency funds: These funds are used to report funds of the County's fee offices and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Fees are generated and retained by the fee offices until notification is received to disburse funds to the proper individual or entity. Fees generated include fines, restitution, bail bond deposits, and inmate trust funds.

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

**SHACKELFORD COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

*NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED*

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION—  
CONTINUED

*MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

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

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

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

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.

CASH AND CASH INVESTMENTS

The County considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. The appraisal of property within the County is the responsibility of the Shackelford County Appraisal District as required by legislation passed by the Texas Legislature. The Appraisal District is required under such legislation to assess all property with the district on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The combined tax rate to finance general governmental services, including debt service, for the year ended September 30, 2020 was \$0.5499 per \$100 of assessed valuation.

**SHACKELFORD COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

*NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED*

PROPERTY TAXES—CONTINUED

Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available 1) when they become due or past due and receivable within the current period and 2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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

CAPITAL ASSETS

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. A capitalization threshold of \$5,000 is used.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current fiscal year.

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

Buildings and improvements	20-40 years
Streets	20 years
Vehicles	5 years
Equipment	10 years
Technology equipment	5 years

RECEIVABLE AND PAYABLE BALANCES

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

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue.

COMPENSATED ABSENCES

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

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

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

**SHACKELFORD COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

*NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED*

COMPENSATED ABSENCES—CONTINUED

In the fiscal year ended September 30, 2020, the County's policy was changed so that employees are only paid for one week of vacation (no matter what amount in excess of that may have been earned) upon termination of employment. Comp time or sick leave earned is not paid out upon termination.

INTERFUND ACTIVITY

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

LONG TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. On new bond issues, 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. Bond issuance costs are expensed during the current period.

In 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.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has deferred inflows of resources for the differences between expected and actual experience related to its pension plan and for unavailable revenue, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

PENSIONS AND OTHER POST EMPLOYMENT BENEFITS (OPEB)

The fiduciary net position of the Texas County & District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, total OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension and OPEB expense, and information about assets, liabilities and additions to/deductions from TCERS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**SHACKELFORD COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

*NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED*

FAIR VALUE MEASUREMENTS

The County adopted GASB Statement No. 72, Fair Value Measurement and Application, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

*NOTE 2: DEPOSITS AND INVESTMENTS*

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

CASH DEPOSITS

At September 30, 2020, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$7,672,827. The County's cash deposits at September 30, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the County's bank in the County's name.

INVESTMENTS

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

The Public Funds Investment Act (the Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies and that the County adhered to the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

**SHACKELFORD COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

*NOTE 2: DEPOSITS AND INVESTMENTS – CONTINUED*

INVESTMENTS - CONTINUED

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, obligations of the U.S. Treasury, certain U.S. agencies and the State of Texas, certificates of deposit, certain municipal securities, money market savings accounts, repurchasing agreements, bankers acceptance, mutual funds, investment pools, guaranteed investment contracts, and common trust funds.

The County's investments at September 30, 2020 are shown below.

<u>Investment Type</u>	<u>Fair Value</u>
Certificates of Deposit	\$ <u>1,078,767</u>

INTEREST RATE RISK

In accordance with its investment policy, the County manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than 365 days. The maximum allowable stated maturity of any individual investment owned by the County shall not exceed three years.

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. County policy limits investments in public funds investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. At year end, the County was not significantly exposed to credit risk.

CONCENTRATION OF CREDIT RISK

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

INVESTMENT ACCOUNTING POLICY

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

**SHACKELFORD COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 3: RECEIVABLES**

Receivables at September 30, 2020, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental				Total Governmenta Funds
	General Fund	Debt Service Fund	Road and Bridges Precinct 1	Road and Bridges Precinct 4	
Receivables					
Lease reimbursement receivable \$	-	-	\$ 2,167	\$ 2,257	\$ 4,424
Taxes	207,006	32,913			239,919
Total gross receivables	207,006	32,913	2,167	2,257	244,343
Less: Allowance for uncollectible					
Taxes	(10,278)	(2,344)	-	-	(12,622)
Net total receivables	<u>\$ 196,728</u>	<u>\$ 30,569</u>	<u>\$ 2,167</u>	<u>\$ 2,257</u>	<u>\$ 231,721</u>

**NOTE 4: CAPITAL ASSETS**

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

	Beginning Balances	Increases	Retirements	Ending Balances
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 60,578	\$ -	\$ -	\$ 60,578
Total capital assets not being depreciated	60,578	-	-	60,578
Capital assets being depreciated				
Infrastructure	763,437	-	-	763,437
Buildings and improvements	10,641,051	160,229	-	10,801,280
Furniture and equipment	3,049,721	1,369,520	(986,515)	3,432,726
Total capital assets being depreciated	14,454,209	1,529,749	(986,515)	14,997,443
Less accumulated depreciation for:				
Infrastructure	(659,142)	(17,177)		(676,319)
Buildings and improvements	(2,533,507)	(302,491)		(2,835,998)
Furniture and equipment	(1,947,874)	(245,091)	323,502	(1,869,463)
Total accumulated depreciation	(5,140,523)	(564,759)	323,502	(5,381,780)
Total capital assets being depreciated, net	<u>9,313,686</u>	<u>964,990</u>	<u>(663,013)</u>	<u>9,615,663</u>
Governmental activities capital assets, net \$	<u>9,374,264</u>	<u>\$ 964,990</u>	<u>\$ (663,013)</u>	<u>\$ 9,676,241</u>

Amortization expense on assets under capital lease is included in depreciation expense. Depreciation was charged to County functions as follows:

General administrative	\$ 137,001
Public safety	163,735
Public recreation	12,648
Transportation	251,375
Total depreciation expense	<u>\$ 564,759</u>

**SHACKELFORD COUNTY, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

**NOTE 5: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Balances due to and from other funds at September 30, 2020 consisted of the following:

<u>Due to Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Nonmajor governmental funds	\$ 231,004	General fund utilizing pooled cash
General fund	Road & Bridges Precinct #1	345,335	General fund utilizing pooled cash
General fund	Road & Bridges Precinct #2	202,061	General fund utilizing pooled cash
General fund	Road & Bridges Precinct #3	39,647	General fund utilizing pooled cash
General fund	Road & Bridges Precinct #4	494,429	General fund utilizing pooled cash
	Total	<u>\$ 1,312,476</u>	

Transfers between County funds during the year ended September 30, 2020 consisted of the following:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Road & Bridges Precinct #1	\$ 80,000	Annual payroll reimbursement
General fund	Road & Bridges Precinct #2	80,000	Annual payroll reimbursement
General fund	Road & Bridges Precinct #3	80,000	Annual payroll reimbursement
General fund	Road & Bridges Precinct #4	80,000	Annual payroll reimbursement
	Total	<u>\$ 320,000</u>	

**NOTE 6: LONG TERM OBLIGATIONS**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2020, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Note payable - First Financial Bank	\$ 868,000	\$ -	\$ (173,000)	\$ 695,000	\$ 174,000
Bonds payable - Law Enforcement Center	4,135,000	-	(260,000)	3,875,000	270,000
Capital lease - John Deere Credit Road & Bridges Precinct 1	160,978	-	(160,978)	-	-
Capital lease - John Deere Credit Road & Bridges Precinct 2	167,769	-	(167,769)	-	-
Capital lease - John Deere Credit Road & Bridges Precinct 3	150,157	-	(150,157)	-	-
Capital lease - John Deere Credit Road & Bridges Precinct 4	109,365	-	(109,365)	-	-
Capital lease - John Deere Credit Road & Bridges Precinct 1	-	258,450	(16,706)	241,744	18,032
Capital lease - Road & Bridges Precinct 2	-	268,262	-	268,262	18,323
Capital lease - FNB Wichita Falls Road & Bridges Precinct 3	-	244,278	-	244,278	14,964
Capital lease - John Deere Credit Road & Bridges Precinct 4	-	232,510	(1,702)	230,808	20,770
Total capital leases payable	<u>588,269</u>	<u>1,003,500</u>	<u>(606,677)</u>	<u>985,092</u>	<u>72,089</u>
Total Governmental Activities	<u>\$ 5,591,269</u>	<u>\$ 1,003,500</u>	<u>\$ (1,039,677)</u>	<u>\$ 5,555,092</u>	<u>\$ 516,089</u>

**SHACKELFORD COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 6: LONG TERM OBLIGATIONS - CONTINUED**

**NOTES PAYABLE**

On May 24, 2019, the County entered into a note agreement with First Financial Bank of Albany in the amount of \$1,215,000 at an annual interest rate of 2.99% for a period of seven years for the purpose of repairing and restoring the County Courthouse. Payments are due annually at amounts ranging between \$173,000 and \$174,000 with a final maturity in fiscal year 2024.

Debt service requirements on the note payable at September 30, 2020 are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 174,000	\$ 20,332	\$ 194,332
2022	174,000	15,129	189,129
2023	173,000	9,927	182,927
2024	174,000	4,754	178,754
<b>Totals</b>	<b>\$ 695,000</b>	<b>\$ 50,142</b>	<b>\$ 745,142</b>

Total interest expense on the note payable for the year ended September 30, 2020 was \$26,386 and is recorded in the General fund level financial statements.

**BONDS PAYABLE**

On June 7, 2011, the County issued general obligation bonds to provide funds for the construction of a new Law Enforcement Center. The original amount of the bonds issued was \$5,850,000. These bonds bear interest at rates ranging from 1 % to 5.45% with payments due February 15th and August 15th of each year beginning February 15, 2012 and ending February 15, 2031.

Annual debt service requirements to maturity for bond payable are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 270,000	\$ 189,265	\$ 459,265
2022	285,000	176,770	461,770
2023	300,000	163,165	463,165
2024	315,000	148,555	463,555
2025	330,000	132,910	462,910
2026-2030	1,925,000	387,625	2,312,625
2031	450,000	12,263	462,263
<b>Totals</b>	<b>\$ 3,875,000</b>	<b>\$ 1,210,553</b>	<b>\$ 5,085,553</b>

Total interest expense on the bonds payable for the year ended September 30, 2020 was \$200,470 and is recorded in the Debt Service fund level financial statements.

**SHACKELFORD COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 6: LONG TERM OBLIGATIONS - CONTINUED**

CAPITAL LEASES

Effective as of September 30, 2020, the County was a party to four individual long-term capital lease agreements with John Deere Financial, and First National Bank of Wichita Falls, Texas in the total amount of \$985,092 at an annual imputed rate of interest of 2.50% for a period of five years for the purpose of acquiring motor graders for the Roads and Bridges funds' use. Payments are due monthly at an amount of \$8,913 with final maturities in fiscal years 2025 and early 2026.

Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 72,089	\$ 22,584	\$ 94,673
2022	83,294	23,661	106,955
2023	85,572	21,382	106,954
2024	87,913	19,041	106,954
2025	355,188	12,462	367,650
Thereafter	<u>301,036</u>	<u>7,187</u>	<u>308,223</u>
Total minimum lease paymen	\$ <u>985,092</u>	\$ <u>106,317</u>	\$ <u>1,091,409</u>

Total interest expense on capital leases for the year ended September 30, 2020 was \$13,247 and is recorded in the Road and Bridges funds' fund level financial statements.

The following is an analysis of the leased assets:

John Deere motor graders	\$ 555,939
Caterpillar motor graders	548,561
Less accumulated depreciation	<u>(110,450)</u>
Net value of leased assets	<u>\$ 445,489</u>

Total depreciation expense on assets under capital lease totaled \$177,231 in the year ended September 30, 2020.

COMPENSATED ABSENCES

County employees are entitled to certain compensated absences based on their length of employment. Accrued compensated absences at September 30, 2020 totaled \$9,560.

**SHACKELFORD COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 7: PRIOR PERIOD ADJUSTMENT**

During the year ended September 30, 2020, it was determined that there were several accounting adjustments needed that affected prior periods. See a detail of those adjustments, how they are presented on the fund and government-wide financial statements, accompanied by a more detailed explanation of each, below:

Description of prior period adjustment	General fund	Road & Bridge Precinct # 1	Road & Bridge Precinct # 2	Road & Bridge Precinct # 3	Road & Bridge Precinct # 4	Net Prior Period Adjustment
(1) To write off old accounts payable balances that do not represent current liabilities of the County or its funds.	\$ 169,397	\$ 5,157	\$ 5,547	\$ 4,977	\$ 5,873	\$ 190,951
Total prior period effect in fund financial statements:	<u>\$ 169,397</u>	<u>\$ 5,157</u>	<u>\$ 5,547</u>	<u>\$ 4,977</u>	<u>\$ 5,873</u>	<u>\$ 190,951</u>
(2) To correct beginning balance of Courthouse Restoration Loan.	\$ (15,000)	\$ -	\$ -	\$ -	\$ -	\$ (15,000)
(3) To correct beginning balance of the County's OPEB liability, previously unrecorded.	(83,584)	(5,722)	(4,753)	(5,558)	(8,394)	(108,011)
Total prior period effect in government wide financial statements:	<u>\$ 70,813</u>	<u>\$ (565)</u>	<u>\$ 794</u>	<u>\$ (581)</u>	<u>\$ (2,521)</u>	<u>\$ 67,940</u>

- (1) It was noted during the audit of the fiscal year ended September 30, 2020 that there were substantial balances in each major fund's accounts payable detail dating back to 2012 that no longer represent current liabilities of the County. This entry is to write those obsolete payable items off against prior periods as to not overstate current year earnings.
- (2) It was discovered during the audit of the fiscal year ended September 30, 2020 that there was misinformation regarding principal payments on the County's Courthouse Restoration loan exchanged in the previous fiscal year's audit, resulting in an understatement of that balance in the amount of \$15,000. This entry is to write up the beginning balance of that debt to match the corrected bank records.
- (3) GASB Statement No. 75 now requires that County's liability, deferred inflows, and deferred outflows balances for Other Post Employment Benefits (OPEB) are now recognized and presented in a similar manner to County's Pension balances. This entry is to establish the County's total OPEB liability, deferred inflows related to OPEB and deferred outflows related to OPEB as of September 30, 2019 per Texas County and District Retirement System (TCDRS) reporting.

**NOTE 8: PENSION PLAN**

**PLAN DESCRIPTION**

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of 701 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

**SHACKELFORD COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 8: PENSION PLAN—CONTINUED**

**BENEFITS PROVIDED**

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or 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 8 years 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 deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

**MEMBERSHIP**

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

<u>Members</u>	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2019</u>
Number of inactive employees		
to but not yet receiving benefits	36	39
Number of active employees	41	49
Average monthly salary	\$2,556	\$2,681
Average age	46.95	44.27
Average length of service in years	9.73	6.91

**Inactive Employees (or their Beneficiaries) Receiving Benefits**

Number of benefit recipients	29	33
Average monthly benefit	\$1,160	\$1,232

**CONTRIBUTIONS**

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

A summary of the contribution rates and amounts for the valuation period ended December 31, 2019 is as follows:

<u>Contribution Rates</u>	<u>2019</u>
Member	7.00%
Employer	17.50%
Member Contributions	94,852
Employer Contributions	211,929

**SHACKELFORD COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

*NOTE 8: PENSION PLAN—CONTINUED*

ACTUARIAL ASSUMPTIONS

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using actuarial assumptions detailed in the accompanying required supplementary information, on page 49.

Except for the mortality assumptions, the actuarial assumptions were developed from an actuarial experience investigation of TCDRS over the years 2012-2017. Assumptions were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees and first used in the December 31, 2017 actuarial valuation. The mortality assumptions were developed by Milliman, Inc. and adopted by the TCDRS Board of Trustees in 2017, and first used in the December 31, 2017 actuarial valuation.

There were no changes in assumptions and methods reflected in the December 31, 2019 actuarial valuation.

DISCOUNT RATE

The discount rate used to measure the total pension liability was 8.1%. There was no change in the discount rate from the previous year. In order to determine the discount rate to be used, we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under our funding policy and the legal requirements under the TCDRS Act:

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

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 7 - 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is based on a 30-year time horizon; the most recent analysis was performed in 2013 based on the period January 1, 2009 - December 31, 2013.

**SHACKELFORD COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 8: PENSION PLAN - CONTINUED**

**DISCOUNT RATE - CONTINUED**

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

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

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

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.8%, per Cliffwater's 2020 capital market assumptions.

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

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

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

**SHACKELFORD COUNTY, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

*NOTE 8: PENSION PLAN – CONTINUED*

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED IN AND OUTFLOWS OF RESOURCES RELATED TO PENSIONS

At September 30, 2020, the County reported a net pension liability of \$437,457 for its net pension liability measured at December 31, 2019. There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

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

	Increase (Decrease)		Net Pension Liability / (Asset)
Changes in Net Pension Liability	Total Pension Liability (a)	Fiduciary Net Position (b)	(a) - (b)
Balances as of December 31, 2018	\$ 8,085,073	\$ 6,967,121	\$ 1,117,952
Changes for the year:			
Service cost	194,757		194,757
Interest on total pension liability- (1)	651,760		651,760
Effect of plan changes (2)	-		-
Effect of economic/demographic gains or losses	(86,656)		(86,656)
Effect of assumptions changes or inputs	-		-
Refund of contributions	(34,085)	(34,085)	-
Benefit payments	(442,037)	(442,037)	-
Administrative expenses		(6,044)	6,044
Member contributions		94,852	(94,852)
Net investment income		1,144,312	(1,144,312)
Employer contributions		211,929	(211,929)
Other-(3)		(4,693)	4,693
	<u>\$ 8,368,812</u>	<u>\$ 7,931,355</u>	<u>\$ 437,457</u>
Balances as of December 31, 2019	<u>\$ 8,368,812</u>	<u>\$ 7,931,355</u>	<u>\$ 437,457</u>

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

[2] No plan changes valued.

[3] Relates to allocation of system-wide items.

Discount Rate Sensitivity Analysis. The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 .10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease (7.10%)	Current Discount Rate (8.10%)	1% Increase (9.10%)
Total pension liability	\$ 9,262,953	\$ 8,368,812	\$ 7,601,237
Fiduciary net position	7,931,355	7,931,355	7,931,355
Net pension liability	<u>\$ 1,331,598</u>	<u>\$ 437,457</u>	<u>\$ (330,118)</u>

**SHACKELFORD COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

*NOTE 8: PENSION PLAN – CONTINUED*

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED IN AND OUTFLOWS OF RESOURCES RELATED TO PENSIONS - CONTINUED

At December 31, 2019, the County reported its share of the TCDRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$ 83,051	\$ 5,622
Changes in actuarial assumptions	-	17,552
Net difference between projected and actual investment earnings	197,572	-
Contributions paid to TCDRS subsequent to the measurement date	-	122,191
Total	<u>\$ 280,623</u>	<u>\$ 145,365</u>

\$122,191 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions (\$257,449), which excludes contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2020	\$ (56,508)
2021	(87,655)
2022	4,140
2023	(117,426)
Thereafter	-
	<u>\$ (257,449)</u>

*NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB)*

PLAN DESCRIPTION

Shackelford County participates in the retiree Group Term Life program for the Texas County & District Retirement System (TCDRS), which is a statewide, multiple-employer, public employee retirement system. As mentioned in Note 8, TCDRS issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034, or on the TCDRS website.

The County does not maintain a trust to pay for future OPEB expenses. However, the County annually budgets amounts necessary to cover the pay-as-you-go costs of benefits to retirees and eligible beneficiaries and their dependents. Contribution, adjustment, or elimination of the contribution and adjustments to OPEB eligibility are subject to Commissioners Court's annual budgetary discretion.

BENEFITS PROVIDED

All full and part-time, non-temporary employees participate in the plan, regardless of the number of hours they work in a year. The plan provides a fixed, lump sum benefit of \$5,000 in post-retirement death benefit to beneficiaries of service retirees and disability retirees. Benefit terms are established under the TCDRS Act. Participation in the program is optional and the County may elect to opt out of or into coverage as of January 1st each year.

**SHACKELFORD COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB)—CONTINUED**

MEMBERSHIP

At the December 31, 2019 valuation and measurement date, the following employees were covered by benefit terms:

<u>Members</u>	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2019</u>
Number of inactive employees entitled to but not yet receiving benefits	9	10
Number of active employees	41	49
Average age	46.95	44.27
Average length of service in years	9.73	6.91

Inactive Employees (or their Beneficiaries) Receiving Benefits

Number of benefit recipients (1)	25	33
----------------------------------	----	----

(1) "Receiving benefits" indicates the members is retired and receiving monthly pension benefits, and his or her beneficiary is eligible for the \$5,000 lump sum upon the retiree's death.

TOTAL OPEB LIABILITY AND ACTUARIAL ASSUMPTIONS

The County's total OPEB liability of \$126,221 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date. That valuation was based on the following actuarial assumptions that are based on an actuarial experience study for the period of January 1, 2013 through December 31, 2016, except where required to be different by GASB 75:

Valuation Date	December 31, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight- line amortization over expected working life
Investment Rate of Return (Discount Rate)	2.74%

TCDRS system-wide demographic assumptions:

- Disability— Members who become disabled are eligible to commence benefit payments regardless of age. Rates of disability are in a custom table based on TCDRS experience.
- Mortality—
  - Depositing members: 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
  - Service retirees, beneficiaries, and non-depositing members: 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
  - 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
- Service Retirement—Members eligible for service retirement are assumed to retire at rates between 4.5% and 22% dependent upon age and gender.

Employer-specific demographic assumptions:

- Other terminations of employment—the rate assumed future termination from active participation in the plan for reasons other than death, disability or retirement vary by length of service, entry age group (age at hire) and gender. No termination after eligibility for retirement is assumed.
- Withdrawals— Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. For non-depositing members who are not vested, 100% are assumed to elect a withdrawal.

**SHACKELFORD COUNTY, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

*NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB)—CONTINUED*

TOTAL OPEB LIABILITY AND ACTUARIAL ASSUMPTIONS—CONTINUED

Changes in the County's total OPEB liability for the valuation year ended December 31, 2019 are as follows:

Changes in Total OPEB Liability	Increase (Decrease)
Balances as of December 31, 2018	\$ 97,371
Changes for the year:	
Service cost	2,820
Interest on total pension liability-(1)	4,034
Effect of plan changes (2)	-
Effect of economic/demographic gains or losses	(562)
Effect of assumptions changes or inputs-(3)	26,217
Benefit payments	(3,659)
Other	-
Balances as of December 31, 2019	<u>\$ 126,221</u>

[1] Reflects the change in the liability due to the time value of money.

TCDRS does not charge fees or interest.

[2] No plan changes valued.

[3] Relates change in discount rate.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.74 %) or 1% higher (3.74%) than the current discount rate:

	1% Decrease (1.74%)	Current Discount Rate (2.74%)	1% Increase (3.74%)
Total pension liability	\$ 152,449	\$ 126,221	\$ 106,090

DEFERRED INFLOWS AND OUTFLOWS RELATED TO OPEB

At December 31, 2019, the County reported its share of the TCDRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$ 4,116	\$ -
Changes in actuarial assumptions	6,654	23,314
Total	<u>\$ 10,770</u>	<u>\$ 23,314</u>

**SHACKELFORD COUNTY, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

*NOTE 9: OTHER POST EMPLOYMENT BENEFITS (OPEB)—CONTINUED*

DEFERRED INFLOWS AND OUTFLOWS RELATED TO OPEB—CONTINUED

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>		
2020	\$	2,471
2021		2,471
2022		2,471
2023		5,131
Thereafter		-
	\$	<u>12,544</u>

*NOTE 10: COMMITMENTS AND CONTINGENCIES*

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

*NOTE 11: FUND BALANCE*

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

1. Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).
2. Restricted fund balance category includes amounts that can be spent for only the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Commissioners' Court (the County's highest level of decision-making authority).
4. Assigned fund balance classification includes amounts intended to be used by the County for specific purposes but that do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications.

Nonspendable Fund Balance: At September 30, 2020, the nonspendable fund balance of \$92,643 is comprised of prepaid expenditures.

Restricted Fund Balance: At September 30, 2020, the restricted fund of \$770,383 is comprised of funds reserved for future debt service.

Committed Fund Balance: The County's committed fund balance is the portion of the fund balance that may only be established and modified by a formal action of the Commissioners' Court. At September 30, 2020, there were no committed fund balances.

**SHACKELFORD COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

*NOTE 11: FUND BALANCE-- CONTINUED*

Assigned Fund Balance: The Commissioners' Court has the authority to assign fund balance to each of the four road and bridge precincts. At September 30, 2020, the following amounts of fund balance have been assigned:

Road and bridge operations	\$ 51,685
County Clerk records management	108,759
Courthouse security	86,362
District Clerk records management	14,351
Bureau of Vital Statistics	5,380
County Clerk archive	216,471
General records management	23,042
District Clerk archive	37,923
Court records preservation	10,828
Justice of the Peace technology	25,546
Sheriff seizure	8,161
Sheriff commissary	20,185

Order of Fund Balance Spending Policy. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: 1) Restricted; 2) Committed; 3) Assigned; and 4) Unassigned.

Minimum Fund Balance Policy. The County shall strive to maintain a yearly fund balance in the general operating fund in which the total fund balance is 12% of the total operating expenditures, and the Unassigned fund balance is 20% of the total operating expenditures.

*NOTE 12: SUBSEQUENT EVENTS*

The County has evaluated subsequent events through December 28, 2020, the date which the financial statements were available for issue and found it prudent to disclose the following:

- While impossible to predict all future effects of the Covid-19 outbreak, the County anticipates the facts described below will affect fiscal years after that ended September 30, 2020, stemming from the Country's response to Covid-19:
  - The interest rates at which the County earns interest on their Certificates of Deposit Investments, and the fair values of the County's Certificate of Deposit investments have fallen since September 30, 2020.
  - It is likely that Ad Valorem tax revenues will be negatively affected in the fiscal year ending September 30, 2021. Because the County's economy is greatly driven by the oil and gas industry, the appraised values of County residents' property have declined because of the market changes stemming from the Corona virus.
- The County essentially refinanced the capital lease agreements it entered into during the year ended September 30, 2020 subsequent to yearend. Details of those transactions are as follows:
  - Road and Bridges Precinct 1 refinanced their lease with John Deere Credit, Inc. for a John Deere Motor Grader through First National Bank in Wichita Falls, Texas on October 26, 2020. The terms of this lease are essentially the same as those through John Deere Credit, so no additional lease liabilities were recognized in the accompanying financial statements. Monthly payments of \$2,054 began November 12, 2020.

**SHACKELFORD COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

*NOTE 12: SUBSEQUENT EVENTS—CONTINUED*

- Road and Bridges Precinct 2 refinanced their lease with Warren Power & Machinery, Inc. for a Caterpillar Motor Grader through First National Bank in Wichita Falls, Texas on December 3, 2020. The terms of this lease are essentially the same as those through Warren Power, so no additional lease liabilities were recognized in the accompanying financial statements. Monthly payments of \$2,579 begin on January 14, 2021
- Road and Bridges Precinct 3 obtained a new Caterpillar Motor Grader prior to the fiscal yearend date of September 30, 2020, but financing through Warren CAT in Abilene, Texas, was incomplete as of that date. While there are still only intentions to sign an agreement with First National Bank in Wichita Falls, Texas on December 28, 2020, the same date these financial statements are available to be issued, the terms of that potential agreement were used in the accompanying financial statements because of the timing issues and County management's representation of their intentions. The down payment to be paid on this lease of \$36,000 is included in Precinct 3's accounts payable balance as of September 30, 2020, as are the values of the underlying equipment and capital lease liability in the accompanying government-wide financial statements. Monthly payments of \$1,991 are scheduled to begin January 29, 2021.
- Road and Bridges Precinct 4 refinanced their lease with John Deere Credit, Inc. for a John Deere Motor Grader through First National Bank in Wichita Falls, Texas on October 26, 2020. The terms of this lease are essentially the same as those through John Deere Credit, so no additional lease liabilities were recognized in the accompanying financial statements. Monthly payments of \$2,224 began November 12, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

**SHACKELFORD COUNTY, TEXAS**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGET AND ACTUAL COMPARISON – GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Final Budget	GAAP Basis Actual	Adjustments between GAAP and Budget Basis	Budget Basis Actual	Variance from Budget Favorable (Unfavorable)
<b>REVENUES</b>					
Taxes	\$ 3,294,054	\$ 3,132,051	\$ 525,059	\$ 3,657,110	\$ 363,056
Fines and fees	360,000	305,181	119,954	425,135	65,135
Investment earnings	60,000	85,911	5,935	91,846	31,846
Contributions and gifts	6,000	51,592	-	51,592	45,592
Total revenues	<u>3,720,054</u>	<u>3,574,735</u>	<u>650,948</u>	<u>4,225,683</u>	<u>505,629</u>
<b>EXPENDITURES</b>					
Current:					
General administrative	568,265	591,410	(30,232)	561,178	7,087
Judicial	531,267	451,213	30,232	481,445	49,822
Public safety	1,076,420	1,036,972	(8,118)	1,028,854	47,566
Agriculture extension service	61,391	44,861	-	44,861	16,530
Facilities	974,887	385,370	368,293	753,663	221,224
Non-departmental	51,100	49,668	-	49,668	1,432
Elections	29,550	29,268	-	29,268	282
Capital outlay	-	168,907	(168,907)	-	-
Debt service					
Principal	-	173,000	(173,000)	-	-
Interest and fiscal charges	-	26,386	(26,386)	-	-
Total expenditures	<u>3,292,880</u>	<u>2,957,055</u>	<u>(8,118)</u>	<u>2,948,937</u>	<u>343,943</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>427,174</u>	<u>617,680</u>	<u>659,066</u>	<u>1,276,746</u>	<u>849,572</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance recoveries	-	8,118	(8,118)	-	-
Transfers in (out)	-	(320,000)	(650,948)	(970,948)	(970,948)
Total other financing sources (uses)	<u>-</u>	<u>(311,882)</u>	<u>(659,066)</u>	<u>(970,948)</u>	<u>(970,948)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 427,174</u>	<u>\$ 305,798</u>	<u>\$ -</u>	<u>\$ 305,798</u>	<u>\$ (121,376)</u>

**SHACKELFORD COUNTY, TEXAS**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGET AND ACTUAL COMPARISON – ROAD AND BRIDGE PRECINCT #1  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Final Budget	GAAP Basis Actual	Adjustments between GAAP and Budget Basis	Budget Basis Actual	Variance from Budget Favorable (Unfavorable)
<b>REVENUES</b>					
Licenses and fees	\$ 144,000	\$ 83,432	\$ 80,000	\$ 163,432	\$ 19,432
Investment earnings	-	2,906	-	2,906	2,906
Miscellaneous	-	195,428	(195,428)	-	-
Total revenues	<u>144,000</u>	<u>281,766</u>	<u>(115,428)</u>	<u>166,338</u>	<u>22,338</u>
<b>EXPENDITURES</b>					
Current:					
Public transportation	169,349	182,666	91,329	273,995	(104,646)
Capital Outlay	-	106,329	(91,329)	15,000	(15,000)
Debt service:					
Principal	20,543	177,683	(171,435)	6,248	14,295
Interest and fiscal charges	-	6,248	(6,248)	-	-
Total expenditures	<u>189,892</u>	<u>472,926</u>	<u>(177,683)</u>	<u>295,243</u>	<u>(105,351)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(45,892)</u>	<u>(191,160)</u>	<u>62,255</u>	<u>(128,905)</u>	<u>(83,013)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	-	80,000	(80,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>80,000</u>	<u>(80,000)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (45,892)</u>	<u>\$ (111,160)</u>	<u>\$ (17,745)</u>	<u>\$ (128,905)</u>	<u>\$ (83,013)</u>

**SHACKELFORD COUNTY, TEXAS**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGET AND ACTUAL COMPARISON – ROAD AND BRIDGE PRECINCT #2  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Final Budget	GAAP Basis Actual	Adjustments between GAAP and Budget Basis	Budget Basis Actual	Variance from Budget Favorable (Unfavorable)
<b>REVENUES</b>					
Licenses and fees	\$ 138,200	\$ 76,037	\$ 80,000	\$ 156,037	\$ 17,837
Miscellaneous	-	167,750	(167,750)	-	-
Total revenues	138,200	243,787	(87,750)	156,037	17,837
<b>EXPENDITURES</b>					
Current:					
Public transportation	264,673	162,935	-	162,935	101,738
Debt service:					
Principal	20,000	167,769	(164,115)	3,654	16,346
Interest and fiscal charges	-	3,635	(3,635)	-	-
Total expenditures	284,673	334,339	(167,750)	166,589	118,084
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(146,473)	(90,552)	80,000	(10,552)	135,921
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	-	80,000	(80,000)	-	-
Total other financing sources (uses)	-	80,000	(80,000)	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (146,473)</b>	<b>\$ (10,552)</b>	<b>\$ -</b>	<b>\$ (10,552)</b>	<b>\$ 135,921</b>

**SHACKELFORD COUNTY, TEXAS**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGET AND ACTUAL COMPARISON – ROAD AND BRIDGE PRECINCT #3  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Final Budget	GAAP Basis Actual	Adjustments between GAAP and Budget Basis	Budget Basis Actual	Variance from Budget Favorable (Unfavorable)
<b>REVENUES</b>					
Licenses and fees	\$ 161,400	\$ 106,976	\$ 80,000	\$ 186,976	\$ 25,576
Miscellaneous	-	165,100	(165,100)	-	-
Total revenues	161,400	272,076	(85,100)	186,976	25,576
<b>EXPENDITURES</b>					
Current:					
Public transportation	179,229	174,218	95,309	269,527	(90,298)
Capital Outlay	-	110,253	(110,253)	-	-
Debt service:					
Principal	22,050	150,156	(148,793)	1,363	20,687
Interest and fiscal charges	-	1,363	(1,363)	-	-
Total expenditures	201,279	435,990	(165,100)	270,890	(69,611)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(39,879)	(163,914)	80,000	(83,914)	(44,035)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	-	80,000	(80,000)	-	-
Total other financing sources (uses)	-	80,000	(80,000)	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (39,879)</b>	<b>\$ (83,914)</b>	<b>\$ -</b>	<b>\$ (83,914)</b>	<b>\$ (44,035)</b>

**SHACKELFORD COUNTY, TEXAS**  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGET AND ACTUAL COMPARISON – ROAD AND BRIDGE PRECINCT #4  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Final Budget	GAAP Basis Actual	Adjustments between GAAP and Budget Basis	Budget Basis Actual	Variance from Budget Favorable (Unfavorable)
<b>REVENUES</b>					
Licenses and fees	\$ 165,800	\$ 112,300	\$ 80,000	\$ 192,300	\$ 26,500
Investment earnings	-	1,119	-	1,119	1,119
Miscellaneous	-	153,739	(153,739)	-	-
Total revenues	<u>165,800</u>	<u>267,158</u>	<u>(73,739)</u>	<u>193,419</u>	<u>27,619</u>
<b>EXPENDITURES</b>					
Current:					
Public transportation	243,019	254,301	140,760	395,061	(152,042)
Capital Outlay	-	140,760	(140,760)	-	-
Debt service:					
Principal	22,100	111,069	(109,068)	2,001	20,099
Interest and fiscal charges	-	2,001	(2,001)	-	-
Total expenditures	<u>265,119</u>	<u>508,131</u>	<u>(111,069)</u>	<u>397,062</u>	<u>(131,943)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(99,319)</u>	<u>(240,973)</u>	<u>37,330</u>	<u>(203,643)</u>	<u>(104,324)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	-	80,000	(80,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>80,000</u>	<u>(80,000)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (99,319)</u>	<u>\$ (160,973)</u>	<u>\$ (42,670)</u>	<u>\$ (203,643)</u>	<u>\$ (104,324)</u>

**SHACKELFORD COUNTY, TEXAS**  
NOTES TO BUDGETARY SCHEDULES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

*NOTE A: BUDGETARY INFORMATION*

The budget is prepared in accordance with accounting principles generally accepted in the United States of America by the County Judge with the assistance of the County Treasurer's Office and approved by the Commissioners' Court following a public hearing. The County maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County's governing body and, as such, is a good management control device.

The budget law of the State of Texas provides that "the amounts budgeted for current expenditures from the various funds of the County shall not exceed the balances in said funds plus the anticipated revenues for the current year for which the budget is made as estimated by the County Auditor." In addition, the law provides that the Commissioners' Court "may, upon proper application, transfer an existing budget surplus during the year to a budget of like kind and fund but no such transfer shall increase the total budget."

The County's legal level of control for appropriations is at the category level (i.e., salaries and fringe benefits, contract services, general operating, etc.) for each department/project within the general fund. Administrative control is maintained through the establishment of more detailed accounts within each category. Appropriation transfers and budget increases may be made between categories or departments only with the approval of the Commissioners' Court. The original budgets presented in the report are the approved budgets before amendments and transfers. The final budgets presented in this report reflect the budgets as amended for all appropriation transfers and increases processed during the fiscal year.

No total Fund expenditures exceeded budgeted amounts other than those disclosed in the accompanying notes to the financial statements.

**SHACKELFORD COUNTY, TEXAS**  
**SCHEDULE OF CHANGE IN NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**  
**FOR THE LAST TEN FISCAL YEARS**

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
<b>Total Pension Liability</b>						
Service cost	\$ 194,757	\$ 200,787	\$ 189,868	\$ 189,925	\$ 190,682	\$ 177,804
Interest on total pension liability	651,760	623,846	581,821	538,994	513,596	482,591
Effect of plan changes	-	-	-	-	(21,180)	-
Effect of assumption changes or inputs	-	-	70,210	-	73,814	-
Effect of economic/demographic (gains) or losses	(86,656)	(36,117)	22,487	18,432	(133,221)	(66,829)
Benefit payments/refunds of contributions	(476,122)	(401,097)	(313,566)	(317,119)	(252,077)	(234,078)
Net change in total pension liability	<u>283,739</u>	<u>387,419</u>	<u>550,820</u>	<u>430,232</u>	<u>371,614</u>	<u>359,488</u>
Total pension liability, beginning	<u>8,085,073</u>	<u>7,697,654</u>	<u>7,146,834</u>	<u>6,716,602</u>	<u>6,344,988</u>	<u>5,985,500</u>
Total pension liability, ending (a)	<u>\$ 8,368,812</u>	<u>\$ 8,085,073</u>	<u>\$ 7,697,654</u>	<u>\$ 7,146,834</u>	<u>\$ 6,716,602</u>	<u>\$ 6,344,988</u>
<b>Fiduciary Net Position</b>						
Employer contributions	\$ 211,929	\$ 200,249	\$ 181,545	\$ 170,200	\$ 181,075	\$ 264,991
Member contributions	94,852	88,438	85,347	82,966	81,429	79,115
Investment income net of investment expenses	1,144,312	(135,830)	926,077	440,398	(101,542)	373,465
Benefit payments/refunds of contributions	(476,122)	(401,097)	(313,566)	(317,119)	(252,077)	(234,078)
Administrative expenses	(6,044)	(5,596)	(4,804)	(4,783)	(4,317)	(4,493)
Other	(4,693)	(2,623)	(670)	29,914	(12,157)	(35,152)
Net change in fiduciary net position	<u>964,234</u>	<u>(256,459)</u>	<u>873,929</u>	<u>401,576</u>	<u>(107,589)</u>	<u>443,848</u>
Fiduciary net position, beginning	<u>6,967,121</u>	<u>7,223,580</u>	<u>6,349,651</u>	<u>5,948,075</u>	<u>6,055,664</u>	<u>5,611,816</u>
Fiduciary net position, ending (b)	<u>\$ 7,931,355</u>	<u>\$ 6,967,121</u>	<u>\$ 7,223,580</u>	<u>\$ 6,349,651</u>	<u>\$ 5,948,075</u>	<u>\$ 6,055,664</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 437,457</u>	<u>\$ 1,117,952</u>	<u>\$ 474,074</u>	<u>\$ 797,183</u>	<u>\$ 768,527</u>	<u>\$ 289,324</u>
Fiduciary net position as a percentage of total pension liability	94.77%	86.17%	93.84%	88.85%	88.56%	95.44%
Pensionable covered payroll	\$ 1,355,035	\$ 1,263,400	\$ 1,219,242	\$ 1,185,234	\$ 1,163,267	\$ 1,130,217
Net pension liability as a percentage of covered payroll	32.28%	88.49%	38.88%	67.26%	66.07%	25.60%

Only six years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10 year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.

**SHACKELFORD COUNTY, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS**  
**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**  
**FOR FISCAL YEAR 2020**

<u>Year Ending</u> <u>December 31,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution (1)</u>	<u>Actual</u> <u>Employer</u> <u>Contribution (1)</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Pensionable</u> <u>Covered</u> <u>Payroll (2)</u>	<u>Actual Contribution</u> <u>as a Percentage of</u> <u>Covered Payroll</u>
2006	\$ 58,865	\$ 58,865	\$ -	\$ 799,802	7.4%
2007	130,916	130,916	-	852,872	15.4%
2008	178,171	253,171	(75,000)	924,602	27.4%
2009	197,042	272,042	(75,000)	1,058,794	25.7%
2010	187,775	286,110	(98,335)	1,095,539	26.1%
2011	173,694	173,694	-	1,093,784	15.9%
2012	161,309	161,309	-	1,048,142	15.4%
2013	177,729	178,269	(540)	1,073,894	16.6%
2014	191,459	264,992	(73,533)	1,130,217	23.4%
2015	179,608	181,075	(1,467)	1,163,267	15.6%
2016	170,200	170,200	-	1,185,234	14.4%
2017	181,545	181,545	-	1,219,242	14.9%
2018	200,249	200,249	-	1,263,400	15.9%
2019	211,928	211,928	-	1,355,035	15.6%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

If additional assistance is needed, please contact TCDRS

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

**SHACKELFORD COUNTY, TEXAS**  
 NOTES TO TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM SCHEDULES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

*NOTE B: NET PENSION LIABILITY – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM*

**Notes to Schedule**

<b>Valuation Date</b>	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
<b>Actuarial Cost Method</b>	Entry Age
<b>Amortization Method</b>	Level percentage of payroll, closed
<b>Remaining Amortization Period</b>	10.0 years (based on contribution rate calculated in 12/31/2019 valuation)
<b>Asset Valuation Method</b>	5-year smoothed market
<b>Inflation</b>	2.75%
<b>Long-term expected Investment Rate of Return</b>	8.00%, net of administrative and investment expenses, including inflation
<b>Salary Increases</b>	Varies by age and service. 4.9% average over career, including inflation
<b>Retirement Age</b>	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at services retirement for recent retirees is 61.
<b>Mortality</b>	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.
<b><u>Changes in Plan Provisions</u></b>	
<b>Reflected in the Schedule</b>	2015: New inflation, mortality and other assumptions 2016: No changes in plan provisions were reflected 2017: New mortality assumptions were reflected, and new Annuity Purchase Rates were reflected for 2018: No changes in plan provisions were reflected 2019: No changes in plan provisions were reflected

**SHACKELFORD COUNTY, TEXAS**  
**SCHEDULE OF CHANGE IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**  
**FOR THE LAST TEN FISCAL YEARS**

	Year Ended December 31, <u>2019</u>	Year Ended December 31, <u>2018</u>	Year Ended December 31, <u>2017</u>
Total OPEB Liability			
Service cost	\$ 2,820	\$ 3,021	\$ 2,115
Interest on total OPEB liability	4,034	3,733	3,951
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	26,217	(11,090)	4,680
Effect of economic/demographic (gains) or losses	(562)	(2,260)	(4,620)
Benefit payments/refunds of contributions	<u>(3,659)</u>	<u>(3,032)</u>	<u>(3,048)</u>
Net change in total OPEB liability	28,850	(9,628)	3,078
Total OPEB liability, beginning	<u>97,371</u>	<u>106,999</u>	<u>103,921</u>
Total OPEB liability, ending	<u>\$ 126,221</u>	<u>\$ 97,371</u>	<u>\$ 106,999</u>
Pensionable covered payroll	\$ 1,355,035	\$ 1,263,400	\$ 1,219,242
Net pension liability as a percentage of covered payroll	9.31%	7.71%	8.78%

**SHACKELFORD COUNTY, TEXAS**  
 NOTES TO TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM SCHEDULES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

**Notes to Schedule**

<b>Valuation Date</b>	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.
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	Level percentage of payroll, closed
<b>Remaining Amortization Period</b>	
<ul style="list-style-type: none"> <li>Recognition of economic/demographic gains or losses</li> <li>Recognition of assumptions changes or inputs</li> </ul>	<ul style="list-style-type: none"> <li>Straight-Line amortization over Expected Working Life</li> <li>Straight-Line amortization over Expected Working Life</li> </ul>
<b>Asset Valuation Method</b>	Does not apply
<b>Inflation</b>	Does not apply
<b>Long-term expected Investment Rate of Return</b>	2.74% - 20 Year Bond GO Index published by bondbuyer.com as of December 26, 2019.
<b>Salary Increases</b>	Does not apply
<b>Cost of Living Adjustment</b>	Does not apply
<b>Disability</b>	The rates of disability used in the valuation are based on TCDRS experience, and are between 0.00% and 0.270% based on age, gender, and cause of disability.
<b>Mortality</b>	Depositing members, service retirees, beneficiaries, and non-depositing members, and disabled retirees mortality rates are 90%, 130%, and 130%, respectively, of the RP-2014 Active Employee Mortality Table for males and 90%, 110%, and 115%, respectively of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
<b>Retirement</b>	Service Retirement rates used in the valuation are based on TCDRS experience, and vary between 4.5% and 25% depending on age and gender.
<b>Other Termination of Employment</b>	The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement vary by length of service, entry-age group (age at hire) and gender. No termination after eligibility for retirement is assumed.

COMBINING STATEMENTS AS SUPPLEMENTARY INFORMATION

*(Combining statements are broken down by non-major governmental fund so that portions of the combining balance sheet and portions of the combining statement of revenues, expenditures, and changes in fund balance are shown on the same page, for ease of readability)*

**SHACKELFORD COUNTY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS' COMBINING BALANCE SHEET**  
**SEPTEMBER 30, 2020**

	County Clerk Records Management	Courthouse Security	District Clerk Records Management	BVS
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 134,832	\$ 70,451	\$ 9,985	\$ 4,758
Prepaid expenses	1,025	-	-	-
Due from other funds	47,969	15,911	4,366	622
Total assets	<u>\$ 183,826</u>	<u>\$ 86,362</u>	<u>\$ 14,351</u>	<u>\$ 5,380</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 74,042	\$ -	\$ -	\$ -
Total liabilities	74,042	-	-	-
<b>FUND BALANCES</b>				
Assigned	109,784	86,362	14,351	5,380
Total fund balance	<u>109,784</u>	<u>86,362</u>	<u>14,351</u>	<u>5,380</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 183,826</u>	<u>\$ 86,362</u>	<u>\$ 14,351</u>	<u>\$ 5,380</u>

**SHACKELFORD COUNTY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS'**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	County Clerk Records Management	Courthouse Security	District Clerk Records Management	BVS
<b>REVENUES</b>				
Licenses and fees	\$ 9,740	\$ 1,948	\$ 1,310	\$ 68
Investment earnings	1,687	1,682	118	53
Gifts and contributions	-	-	-	-
Total revenues	11,427	3,630	1,428	121
<b>EXPENDITURES</b>				
Current:				
General administrative	75,273	1,590	206	-
Total expenditures	<u>75,273</u>	<u>1,590</u>	<u>206</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(63,846)	2,040	1,222	121
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>173,630</u>	<u>84,322</u>	<u>13,129</u>	<u>5,259</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 109,784</u>	<u>\$ 86,362</u>	<u>\$ 14,351</u>	<u>\$ 5,380</u>

**SHACKELFORD COUNTY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS'**  
**NONMAJOR GOVERNMENTAL FUNDS' COMBINING BALANCE SHEET, CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	County Clerk Archive	General Records Management	District Clerk Archive	Court Records Preservation
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 104,275	\$ 15,925	\$ 5,274	\$ 7,995
Prepaid expenses	-	-	-	-
Due from other funds	112,196	7,117	32,649	2,833
Total assets	<u>\$ 216,471</u>	<u>\$ 23,042</u>	<u>\$ 37,923</u>	<u>\$ 10,828</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
<b>FUND BALANCES</b>				
Assigned	216,471	23,042	37,923	10,828
Total fund balance	<u>216,471</u>	<u>23,042</u>	<u>37,923</u>	<u>10,828</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 216,471</u>	<u>\$ 23,042</u>	<u>\$ 37,923</u>	<u>\$ 10,828</u>

**SHACKELFORD COUNTY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS'**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	County Clerk Archive	General Records Management	District Clerk Archive	Court Records Preservation
<b>REVENUES</b>				
Licenses and fees	\$ 26,908	\$ 1,061	\$ 10,290	\$ -
Investment earnings	1,274	188	30	45
Gifts and contributions	-	-	-	-
Total revenues	28,182	1,249	10,320	45
<b>EXPENDITURES</b>				
Current:				
General administrative	-	-	-	-
Total expenditures	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	28,182	1,249	10,320	45
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	188,289	21,793	27,603	10,783
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 216,471</u>	<u>\$ 23,042</u>	<u>\$ 37,923</u>	<u>\$ 10,828</u>

**SHACKELFORD COUNTY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS'**  
**NONMAJOR GOVERNMENTAL FUNDS' COMBINING BALANCE SHEET, CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>JP Technology</u>	<u>Sheriff Seizure</u>	<u>Sheriff Commissary</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 19,214	\$ 11,828	\$ 23,602	\$ 408,139
Prepaid expenses	-	-	-	1,025
Due from other funds	<u>7,182</u>	<u>159</u>	<u>-</u>	<u>231,004</u>
Total assets	<u>\$ 26,396</u>	<u>\$ 11,987</u>	<u>\$ 23,602</u>	<u>\$ 640,168</u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 850</u>	<u>\$ 3,826</u>	<u>\$ 3,417</u>	<u>\$ 82,135</u>
Total liabilities	850	3,826	3,417	82,135
<b>FUND BALANCES</b>				
Assigned	<u>25,546</u>	<u>8,161</u>	<u>20,185</u>	<u>558,033</u>
Total fund balance	<u>25,546</u>	<u>8,161</u>	<u>20,185</u>	<u>558,033</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 26,396</u>	<u>\$ 11,987</u>	<u>\$ 23,602</u>	<u>\$ 640,168</u>

**SHACKELFORD COUNTY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS'**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>JP Technology</u>	<u>Sheriff Seizure</u>	<u>Sheriff Commissary</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>				
Licenses and fees	\$ 1	\$ -	\$ -	\$ 51,326
Investment earnings	249	-	-	5,326
Gifts and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	250	-	-	56,652
<b>EXPENDITURES</b>				
Current:				
General administrative	<u>1,469</u>	<u>-</u>	<u>-</u>	<u>78,538</u>
Total expenditures	<u>1,469</u>	<u>-</u>	<u>-</u>	<u>78,538</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,219)	-	-	(21,886)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>26,765</u>	<u>8,161</u>	<u>20,185</u>	<u>579,919</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 25,546</u>	<u>\$ 8,161</u>	<u>\$ 20,185</u>	<u>\$ 558,033</u>

COMPLIANCE AND INTERNAL CONTROL SECTION



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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 the Financial Statements performed in accordance with Government Auditing Standards

To the Honorable Judge and  
Members of the Commissioners' Court  
Shackelford County, Texas:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shackelford County, Texas (the County) as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 28, 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the following schedule of findings that we consider to be significant deficiencies.

*Schedule of Findings:*

- Preparation of financial statements—the County does not prepare its financial statements, notes to the financial statements, or management's discussion and analysis, in accordance with Generally Accepted Accounting Principles (GAAP). Therefore, the County does not have any internal controls over a financial statement preparation or reporting cycle. Additionally, some accounting records are not maintained in accordance with GAAP.
- Bank reconciliations—the County does not always record its bank activity within the financial statements, resulting in potential misinformation reported to Commissioner's Court. We recommend that the County record every transaction into the accounting software as part of its monthly bank reconciliation procedures in order to avoid misstatements.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance that 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

### **Shackelford County's Response to Findings**

The County has analyzed the risks and does not believe that the benefits of preparing their own financial statements outweigh the costs of doing so. However, the County prepares budgetary reports on a routine basis, and presents them to the Commissioner's Court, which adds a layer of accountability to those responsible for maintaining the accounting records. We do recommend that the County maintain all records in accordance with GAAP.

The County's response was not subjected to the auditing procedures applied in the audit of the 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.



Fullerton and Associates, PLLC  
Abilene, Texas

December 28, 2020