

SHACKELFORD COUNTY, TEXAS

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the year ended
September 30, 2019

SHACKELFORD COUNTY, TEXAS

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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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 financials 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

June 8, 2020

SHACKELFORD COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

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, 2019. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

The County's total combined net position was \$11,036,576 at September 30, 2019. Of this amount, \$3,797,995 is invested in capital assets, net of related debt, and \$1,012,438 is restricted for debt service. Unrestricted net position is \$6,226,143.

During the year, the County's expenses were \$587,831 less than the \$4,630,780 generated in taxes and other revenues for governmental activities.

The general fund reported a fund balance this year of \$5,798,485, an increase of \$431,591 over the prior year, \$278,122 as a result of 2019 operations and \$153,469 related to prior period adjustments identified during the audit, described below.

The prior period adjustments made during the year ended September 30, 2019 resulted in an increase in prior periods' fund balances in the General and Road and Bridges Precincts' fund balances of \$211,511. See more details about the prior period adjustments in Note 7 on page 31 of this report.

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.

SHACKELFORD COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

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.

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 19-39 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 \$11,036,576 at the end of 2019.

A large portion of the County's total assets (54%) consist of capital assets (for example, land, infrastructure, and buildings), but is 34% 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. \$1,012,438 of the County's net position is restricted for repaying long term debt, as the County's capital lease arrangements mature in the next fiscal year. The remaining balance of net position (\$6,226,143) 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, 2019

Shackelford County's Net Position

	Governmental Activities	
	2019	2018, as restated
Current assets		
Pooled cash and cash equivalents	\$ 5,765,095	\$ 5,859,336
Investments	1,116,555	1,098,673
Receivables (net of allowance for uncollectibles)		
Taxes	251,999	210,468
Prepaid expenses	1,713	-
Total current assets	7,135,362	7,168,477
Noncurrent assets		
Land	60,578	60,578
Infrastructure	763,437	763,437
Buildings and improvements	10,641,051	10,407,700
Furniture and equipment	3,049,721	3,114,817
Less: accumulated depreciation	(5,140,523)	(4,799,934)
Restricted assets:		
Pooled cash and cash equivalents	765,059	410,273
Total noncurrent assets	10,139,323	9,956,871
Deferred outflows of resources		
Deferred outflows - pensions	734,989	323,840
Total assets and deferred outflows	18,009,674	17,449,188
Current liabilities		
Accounts payable	209,965	321,088
Accrued interest payable	35,978	39,985
Total current liabilities	245,943	361,073
Noncurrent liabilities		
Due within one year	1,012,438	493,843
Due in more than one year	5,687,629	6,061,202
Total noncurrent liabilities	6,700,067	6,555,045
Total liabilities	6,946,010	6,916,118
Deferred inflows of resources		
Deferred inflows - pensions	27,088	84,325
Net position		
Net investment in capital assets	3,797,995	3,479,201
Restricted	1,012,438	659,326
Unrestricted	6,226,143	6,310,218
Total net position (2018, as restated)	11,036,576	10,448,745
Total liabilities, deferred inflows and net position	\$ 18,009,674	\$ 17,449,188

SHACKELFORD COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

- The County's net position (as restated) increased by \$587,831. Since the County presently engages in no business-type activities, governmental activities account for all of the changes in net position at the government-wide reporting level.
- Governmental Activities: The County's total revenues were \$4,630,780. A significant portion, 74%, of the County's revenue came from property taxes. 18% came from charges for services, and 8% came from contributions or gifts to the County, investment returns, and other miscellaneous income.
- The total cost of all County programs and services was \$4,042,949. 32% of these costs were for Public safety, 23% for Public transportation (Road and Bridges Precincts), 17% for General government administration, and 13% were Judicial. The remaining costs were below 10% of the aforementioned total, individually.

Shackelford County's Changes in Net Position

	Governmental Activities	
	2019	2018, as restated
Program revenues:		
Charges for services	\$ 823,693	\$ 1,103,036
Operating grants and contributions	-	56,740
General revenues:		
Property taxes, general	2,927,299	2,924,925
Property taxes, debt service	512,605	525,417
Miscellaneous	181,037	20,287
Investment earnings	145,346	88,122
Gain on disposition of assets	40,800	-
Total revenues	4,630,780	4,718,527
Expenses:		
General administration	679,482	484,985
Judicial	537,608	484,481
Public safety	1,287,950	1,146,081
Public recreation	12,648	12,520
Agriculture extension service	49,103	34,330
Facilities	233,366	341,753
Non-departmental	54,321	38,120
Elections	17,917	23,850
Public transportation	916,236	676,879
Interest and fiscal charges	254,318	293,238
Total expenses	4,042,949	3,536,237
Change in net position	587,831	1,182,290
Beginning balance, net position (2018 as restated)	10,448,745	9,266,455
Ending balance, net position (2018, as restated)	\$ 11,036,576	\$ 10,448,745

- The cost of all governmental activities this year was \$4,042,949.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$3,439,904.
- \$823,693 of the cost was paid by those who directly benefited from the programs, and the remaining \$367,183 is comprised of investment income and miscellaneous income 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, 2019

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, Shackelford County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds: 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 \$7,488,471, an increase of \$276,448 as the result of operations and an increase of \$211,511 as the result of prior period adjustments from the prior year. The cause of this increase in fund balances was due to expending less money than produced through revenue activities, and more non-routine income received in 2019 like investment and miscellaneous income related to the sale of County property and insurance recovery proceeds.

Of the total ending fund balances, \$5,798,485 constitutes unassigned fund balance, \$976,649 constitutes assigned fund balance, and \$711,624 constitutes restricted 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 construction of the Law Enforcement Center, 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 \$5,798,485. 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 217% of total general fund expenditures.

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 9% more than budgeted.
- Total general fund expenditures were 80% of the amended budget, \$681,060 under budget.
- The Road and Bridges Precinct Funds 1, 2, 3, and 4 actual expenditures were 28%, 25%, 32%, and 18% under budget, respectively.

SHACKELFORD COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

CAPITAL ASSETS

At the end of 2019, the County had invested \$9,374,264 in a broad range of capital assets, including land, equipment, buildings, and vehicles.

Shackelford County's Capital Assets
(net of depreciation)

	Governmental Activities	
	2019	2018
Land	\$ 60,578	\$ 60,578
Construction in progress	-	-
Infrastructure	763,437	763,437
Buildings and improvements	10,641,051	10,407,700
Furniture and equipment	3,049,721	3,114,817
Total at historical cost	14,514,787	14,346,532
Total accumulated depreciation	(5,140,523)	(4,799,934)
Net capital assets	\$ 9,374,264	\$ 9,546,598

Additional information on County's capital assets can be found in Note 4 on pages 27 and 28 of this report.

DEBT ADMINISTRATION

At year-end, the County had \$6,700,067 in notes payable, capital leases, compensated absences, and bonds payable outstanding, 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 29 and 30.

	Governmental Activities	
	2019	2018
Notes payable	\$ 853,000	\$ 1,026,000
Capital lease payable	588,269	656,397
Compensated absences	5,846	13,574
Bonds payable	4,135,000	4,385,000
Net pension liability	1,117,952	474,074
Total long-term debt	\$ 6,700,067	\$ 6,555,045

SHACKELFORD COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County should maintain its financial health during the 2020 fiscal year. Taxable values for the County have increased, 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, 2019

	Governmental Activities
ASSETS	
Pooled cash and cash equivalents	\$ 5,765,095
Investments	1,116,555
Receivables (net of allowance for uncollectibles)	
Taxes	251,999
Prepaid expenses	1,713
Capital assets:	
Land	60,578
Infrastructure	763,437
Buildings and improvements	10,641,051
Furniture and equipment	3,049,721
Less: accumulated depreciation	(5,140,523)
Total capital assets (net of accumulated depreciation)	9,374,264
Restricted assets:	
Pooled cash and cash equivalents	765,059
Total assets	17,274,685
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	734,989
LIABILITIES	
Accounts payable and other current liabilities	209,965
Accrued interest payable	35,978
Noncurrent liabilities	
Due within one year	1,012,438
Due in more than one year	5,687,629
Total liabilities	6,946,010
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	27,088
NET POSITION	
Net investment in capital assets	3,797,995
Restricted for long term debt	1,012,438
Unrestricted	6,226,143
Total net position	\$ 11,036,576

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

SHACKELFORD COUNTY, TEXAS
STATEMENT OF CHANGES IN NET POSITION
SEPTEMBER 30, 2019

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	Total
PRIMARY GOVERNMENT					
Governmental activities					
General administrative	\$ 679,482	\$ 140,214	\$ -	\$ (539,268)	\$ (539,268)
Judicial	537,608	28,103	-	(509,505)	(509,505)
Public safety	1,287,950	338,423	-	(949,527)	(949,527)
Public recreation	12,648	1,030	-	(11,618)	(11,618)
Agriculture extension service	49,103	-	-	(49,103)	(49,103)
Facilities	233,366	-	-	(233,366)	(233,366)
Non-departmental	54,321	-	-	(54,321)	(54,321)
Elections	17,917	-	-	(17,917)	(17,917)
Public transportation	916,236	315,923	-	(600,313)	(600,313)
Debt service - interest on long-term debt	254,318	-	-	(254,318)	(254,318)
Total governmental activities	4,042,949	823,693	-	(3,219,256)	(3,219,256)
TOTAL PRIMARY GOVERNMENT	\$ 4,042,949	\$ 823,693	\$ -	\$ (3,219,256)	\$ (3,219,256)
General revenues:					
Property taxes, levied for general purposes				2,927,299	2,927,299
Property taxes, levied for debt service				512,605	512,605
Miscellaneous income				181,037	181,037
Investment income				145,346	145,346
Gain on disposition of assets				40,800	40,800
Total general revenues				3,807,087	3,807,087
CHANGE IN NET POSITION				587,831	587,831
NET POSITION AT BEGINNING OF YEAR				10,237,234	10,237,234
PRIOR PERIOD ADJUSTMENT				211,511	211,511
NET POSITION AT BEGINNING OF YEAR, AS RESTATED				10,448,745	10,448,745
NET POSITION AT END OF YEAR				\$ 11,036,576	\$ 11,036,576

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

SHACKELFORD COUNTY, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Road & Bridge Precinct # 1	Road & Bridge Precinct # 2	Road & Bridge Precinct # 3
ASSETS				
Pooled cash and cash equivalents	\$ 5,585,101	\$ -	\$ -	\$ 179,994
Investments	961,205	63,627	-	-
Prepaid expenses	-	1,713	-	-
Taxes receivables (net of allowances)	214,487	-	-	-
Due from other funds	-	-	35,872	120,000
Restricted assets:				
Pooled cash and cash equivalents	-	-	-	-
Total assets	\$ 6,760,793	\$ 65,340	\$ 35,872	\$ 299,994
LIABILITIES				
Accounts payable and accrued expenses	\$ 187,096	\$ 5,933	\$ 6,270	\$ 5,857
Due to other funds	603,294	42,347	-	-
Total liabilities	790,390	48,280	6,270	5,857
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	171,918	-	-	-
Total deferred inflows of resources	171,918	-	-	-
FUND BALANCES				
Nonspendable fund balance:				
Prepaid items	-	1,713	-	-
Restricted fund balance:				
Debt service	-	-	-	-
Assigned fund balance:				
Road and bridge	-	15,347	29,602	294,137
Other assigned fund balance	-	-	-	-
Unassigned fund balance	5,798,485	-	-	-
Total fund balances	5,798,485	17,060	29,602	294,137
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,760,793	\$ 65,340	\$ 35,872	\$ 299,994

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

SHACKELFORD COUNTY, TEXAS
BALANCE SHEET, Continued – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	Road & Bridge Precinct # 4	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Pooled cash and cash equivalents	\$ -	\$ -	\$ -	\$ 5,765,095
Investments	91,723	-	-	1,116,555
Prepaid expenses	-	-	-	1,713
Taxes receivables (net of allowances)	-	37,512	-	251,999
Due from other funds	-	313,323	205,716	674,911
Restricted assets:				
Pooled cash and cash equivalents	-	390,856	374,203	765,059
Total assets	<u>\$ 91,723</u>	<u>\$ 741,691</u>	<u>\$ 579,919</u>	<u>\$ 8,575,332</u>
LIABILITIES				
Accounts payable	\$ 4,809	\$ -	\$ -	\$ 209,965
Due to other funds	29,270	-	-	674,911
Total liabilities	34,079	-	-	884,876
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	30,067	-	201,985
Total deferred inflows of resources	-	30,067	-	201,985
FUND BALANCES				
Nonspendable fund balance:				
Prepaid items	-	-	-	1,713
Restricted fund balance:				
Debt service	-	711,624	-	711,624
Assigned fund balance:				
Road and bridge	57,644	-	-	396,730
Other assigned fund balance	-	-	579,919	579,919
Unassigned fund balance	-	-	-	5,798,485
Total fund balances	<u>57,644</u>	<u>711,624</u>	<u>579,919</u>	<u>7,488,471</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 91,723</u>	<u>\$ 741,691</u>	<u>\$ 579,919</u>	<u>\$ 8,575,332</u>

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, 2019

Total Fund Balances - Governmental Funds Balance Sheet	\$	7,488,471
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. The net effect is to increase net position.</p>		9,374,264
<p>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.</p>		201,985
<p>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.</p>		(6,700,067)
<p>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.</p>		(35,978)
<p>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.</p>		<u>707,901</u>
Net Position of Governmental Activities - Statement of Net Position	\$	<u>11,036,576</u>

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

SHACKELFORD COUNTY, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Road & Bridge Precinct #1	Road & Bridge Precinct #2	Road & Bridge Precinct #3
REVENUES				
Taxes	\$ 2,780,055	\$ -	\$ -	\$ -
Licenses and fees	-	69,610	63,452	89,215
Fines and fees	441,348	-	-	-
Intergovernmental	-	-	-	-
Investment earnings	124,626	776	-	-
Miscellaneous	-	-	5,424	30,500
Contributions and gifts	-	-	-	-
Total revenues	3,346,029	70,386	68,876	119,715
EXPENDITURES				
Current:				
General administrative	530,034	-	-	-
Judicial	504,707	-	-	-
Public safety	1,052,144	-	-	-
Agriculture extension service	46,219	-	-	-
Facilities	230,011	-	-	-
Non-departmental	54,321	-	-	-
Elections	17,917	-	-	-
Public transportation	-	174,715	152,983	190,526
Capital outlay	233,351	-	-	-
Debt service:				
Principal	-	15,877	15,353	18,106
Interest and fiscal charges	-	4,664	4,332	3,920
Total expenditures	2,668,704	195,256	172,668	212,552
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	677,325	(124,870)	(103,792)	(92,837)
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	177,437	-	-	-
Transfers in (out)	(576,640)	80,000	80,000	50,664
Total other financing sources (uses)	(399,203)	80,000	80,000	50,664
NET CHANGE IN FUND BALANCES	278,122	(44,870)	(23,792)	(42,173)
FUND BALANCES AT BEGINNING OF YEAR	5,366,894	49,248	41,913	319,803
PRIOR PERIOD ADJUSTMENT	153,469	12,682	11,481	16,507
FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED	5,520,363	61,930	53,394	336,310
FUND BALANCES AT END OF YEAR	\$ 5,798,485	\$ 17,060	\$ 29,602	\$ 294,137

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, 2019

	Road & Bridge Precinct #4	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ -	\$ 503,502	\$ -	\$ 3,283,557
Licenses and fees	93,646	-	66,422	382,345
Fines and fees	-	-	-	441,348
Intergovernmental	-	-	-	-
Investment earnings	1,163	9,155	9,626	145,346
Miscellaneous	8,476	-	-	44,400
Contributions and gifts	-	-	-	-
Total revenues	<u>103,285</u>	<u>512,657</u>	<u>76,048</u>	<u>4,296,996</u>
EXPENDITURES				
Current:				
General administrative	-	-	5,437	535,471
Judicial	-	-	-	504,707
Public safety	-	-	-	1,052,144
Agriculture extension service	-	-	-	46,219
Facilities	-	-	-	230,011
Non-departmental	-	-	-	54,321
Elections	-	-	-	17,917
Public transportation	256,167	-	-	774,391
Capital outlay	-	-	-	233,351
Debt service:				
Principal	18,792	423,000	-	491,128
Interest and fiscal charges	3,289	242,120	-	258,325
Total expenditures	<u>278,248</u>	<u>665,120</u>	<u>5,437</u>	<u>4,197,985</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(174,963)</u>	<u>(152,463)</u>	<u>70,611</u>	<u>99,011</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	-	177,437
Transfers in (out)	109,336	204,761	51,879	-
Total other financing sources (uses)	<u>109,336</u>	<u>204,761</u>	<u>51,879</u>	<u>177,437</u>
NET CHANGE IN FUND BALANCES	(65,627)	52,298	122,490	276,448
FUND BALANCES AT BEGINNING OF YEAR	105,899	659,326	457,429	7,000,512
PRIOR PERIOD ADJUSTMENT	<u>17,372</u>	<u>-</u>	<u>-</u>	<u>211,511</u>
FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED	<u>123,271</u>	<u>659,326</u>	<u>457,429</u>	<u>7,212,023</u>
FUND BALANCES AT END OF YEAR	<u>\$ 57,644</u>	<u>\$ 711,624</u>	<u>\$ 579,919</u>	<u>\$ 7,488,471</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, 2019

Net Change in Fund Balances - Total Governmental Funds	\$	276,448
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		233,351
<p>Depreciation expense is not reflected in the governmental funds but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of recording current year depreciation expense is to decrease net position.</p>		(405,685)
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. The current year increase in revenue recognized in the government-wide financial statements results in an increase in net position.</p>		156,346
<p>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.</p>		491,128
<p>The net decrease in compensated absences payable is an increase to net position.</p>		7,728
<p>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. This is a net increase in accrual and a decrease to net position.</p>		4,007
<p>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.</p>		<u>(175,492)</u>
Change in Net Position of Governmental Activities - Statement of Activities	\$	<u>587,831</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, 2019

	<u>Agency Funds</u>
ASSETS	
Pooled cash and cash equivalents	\$ <u>163,935</u>
Total assets	\$ <u><u>163,935</u></u>
LIABILITIES	
Due to other governments	\$ <u>163,935</u>
Total liabilities	\$ <u><u>163,935</u></u>

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, 2019

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.

SHACKELFORD COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

SHACKELFORD COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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.

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.

SHACKELFORD COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 assessed value upon which the fiscal 2018-2019 levy was based was approximately \$391,499,164. The combined tax rate to finance general governmental services, including debt service, for the year ended September 30, 2019 was \$0.6151 per \$100 of assessed valuation.

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. Current tax collections for the year were 96% of the tax levy.

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

SHACKELFORD COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

During the year ended September 30, 2019, upon termination from County employment, an employee was entitled to payment for total accrued but unused days of vacation not accumulated beyond 150 hours. Comp time earned, but not taken, was paid at termination. Sick leave accrued at one day per month with no maximum limit, but compensation is paid only for an illness-related absence. Unused sick leave is non-vesting and was not paid on termination; thus, vacation and comp time were the only accrued compensation liabilities recorded.

In the fiscal year ended September 30, 2020, this policy was changed so that employees are only paid for one week of vacation (no matter what was accrued) upon termination of employment.

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.

SHACKELFORD COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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.

SHACKELFORD COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FAIR VALUE MEASUREMENTS - CONTINUED

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, 2019, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$7,646,709. The County's cash deposits at September 30, 2019 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.

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.

SHACKELFORD COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 2: DEPOSITS AND INVESTMENTS – CONTINUED

INVESTMENTS - CONTINUED

The County's investments at September 30, 2019 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>
Certificates of Deposit	\$ <u>1,116,555</u>
Total investment pools	\$ <u>1,116,555</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, 2019

NOTE 3: RECEIVABLES

Receivables at September 30, 2019, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental		Total Governmental Funds
	General Fund	Debt Service Fund	
Receivables			
Taxes	\$ 224,765	\$ 39,310	\$ 264,075
Less: Allowance for uncollectibles			
Taxes	(10,278)	(1,798)	(12,076)
Net total receivables	\$ 214,487	\$ 37,512	\$ 251,999

NOTE 4: CAPITAL ASSETS

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

	Beginning Balances	Increases	Retirements	Transfers	Ending Balances
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 60,578	\$ -	\$ -	\$ -	\$ 60,578
Construction in progress	113,298	-	-	(113,298)	-
Total capital assets not being depreciated	173,876	-	-	(113,298)	60,578
Capital assets being depreciated					
Infrastructure	763,437	-	-	-	763,437
Buildings and improvements	10,294,402	233,351	-	113,298	10,641,051
Furniture and equipment	3,114,817	-	(65,096)	-	3,114,817
Total capital assets being depreciated	14,172,656	233,351	(65,096)	113,298	14,519,305
Less accumulated depreciation for:					
Infrastructure	(641,965)	(17,177)	-	-	(659,142)
Buildings and improvements	(2,247,041)	(286,466)	-	-	(2,533,507)
Furniture and equipment	(1,910,928)	(102,042)	65,096	-	(2,012,970)
Total accumulated depreciation	(4,799,934)	(405,685)	65,096	-	(5,205,619)
Total capital assets being depreciated, net	9,372,722	(172,334)	-	113,298	9,313,686
Governmental activities capital assets, net	\$ 9,546,598	\$ (172,334)	\$ -	\$ -	\$ 9,374,264

The Courthouse restoration project was included in Construction in progress at the beginning of the fiscal year. Because the contractor's last pay application was dated the day of the fiscal yearend, the total cost of the project was transferred to Buildings and improvements and has begun being depreciated (for government wide financial presentation).

SHACKELFORD COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 4: CAPITAL ASSETS- CONTINUED

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

General administrative	\$	126,195
Public safety		155,707
Public recreation		12,648
Transportation		<u>111,135</u>
Total depreciation expense	\$	<u><u>405,685</u></u>

NOTE 5: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Balances due to and from other funds at September 30, 2019 consisted of the following:

Due to Fund	Due From Fund	Amount	Purpose
Nonmajor governmental funds	General fund	\$ 205,716	Short-term loans
Debt service fund	General fund	241,706	Short-term loans
Debt service fund	Road and bridge #1	42,347	
Debt service fund	Road and bridge #4	29,270	Short-term loans
Road and bridge #2	General fund	35,872	Short-term loans
Road and bridge #3	General fund	<u>120,000</u>	Short-term loans
	Total	<u>\$ 674,911</u>	

Transfers between County funds during the year ended September 30, 2019 consisted of the following:

Transfers from	Transfers to	Amount	Purpose
General fund	Road and bridge #1	\$ 80,000	Supplement other funds
General fund	Road and bridge #2	80,000	Supplement other funds
General fund	Road and bridge #3	50,664	Supplement other funds
General fund	Road and bridge #4	109,336	Supplement other funds
General fund	Nonmajor governmental funds	51,879	Supplement other funds
General fund	Debt service fund	<u>204,761</u>	Supplement other funds
	Total	<u>\$ 576,640</u>	

SHACKELFORD COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

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, 2019, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Note payable - First Financial Bank	\$ 1,026,000	\$ -	\$ (173,000)	\$ 853,000	\$ 173,000
Total notes payable	1,026,000	-	(173,000)	853,000	173,000
Bonds payable - Law Enforcement Center	4,385,000	-	(250,000)	4,135,000	250,000
Capital lease - Marlin Leasing	176,856	-	(15,878)	160,978	160,978
Capital lease - Marlin Leasing	128,157	-	(18,792)	109,365	109,365
Capital lease - Marlin Leasing	168,263	-	(18,106)	150,157	150,157
Capital lease - Marlin Leasing	183,121	-	(15,352)	167,769	167,769
Total capital leases payable	656,397	-	(68,128)	588,269	588,269
Compensated absences	13,574	-	(7,728)	5,846	1,169
Net pension liability	474,074	-	643,878	1,117,952	-
Total Governmental Activities	\$ 6,555,045	\$ -	\$ 145,022	\$ 6,700,067	\$ 1,012,438

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, 2019 are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 173,000	\$ 25,505	\$ 198,505
2021	174,000	20,332	194,332
2022	174,000	15,129	189,129
2023	173,000	9,927	182,927
2024	159,000	4,754	163,754
Totals	\$ 853,000	\$ 75,647	\$ 928,647

SHACKELFORD COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 6: LONG TERM OBLIGATIONS - CONTINUED

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,	Year ending September 30, Governmental Activities		
	Principal	Interest	Total
2020	\$ 260,000	\$ 200,470	\$ 460,470
2021	270,000	189,265	459,265
2022	285,000	176,770	461,770
2023-2027	1,655,000	659,098	2,314,098
2028-2031	1,665,000	185,420	1,850,420
Totals	\$ 4,135,000	\$ 1,411,023	\$ 5,546,023

CAPITAL LEASES

On July 27, 2015, the County entered into four individual long-term capital lease agreements with John Deere Financial in the total amount of \$877,100 at an annual imputed rate of interest of 2.46% for a period of five years for the purpose of acquiring tractors and other equipment. Payments are due monthly at an amount of \$7,028 with a final maturity in fiscal year 2020.

Year Ending September 30,	Principal	Interest	Total
2020	\$ 588,269	\$ 12,249	\$ 600,518
Total minimum lease paymen	\$ 588,269	\$ 12,249	\$ 600,518

Total interest expense on capital leases for the year ended September 30, 2019 was \$17,955.

The following is an analysis of the leased assets:

John Deere motor graders	\$ 973,060
Less accumulated depreciation	<u>(243,265)</u>
Net value of leased assets	<u>\$ 729,795</u>

COMPENSATED ABSENCES

County employees are entitled to certain compensated absences based on their length of employment. Accrued compensated absences at September 30, 2019 totaled \$13,574.

SHACKELFORD COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 7: PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2019, it was determined that there were several accounting errors on the audited financial report for the year ended September 30, 2018. A summary of those misstatements is below, followed by explanations of the misstatements' impact on the current and prior year financial statements:

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) Correct fund classification of General and Agency fund bank accounts.	\$ 179,765	\$ -	\$ -	\$ -	\$ -	\$ 179,765
(2) To show portions of the County's Vehicle Registration bank account that belong to the Road and Bridges Funds (Precincts 1-4).	-	12,682	11,481	16,507	17,372	58,042
(3) To correct the recognition of a 2018 expenditure in fiscal year 2019.	(26,296)	-	-	-	-	(26,296)
	<u>\$ 153,469</u>	<u>\$ 12,682</u>	<u>\$ 11,481</u>	<u>\$ 16,507</u>	<u>\$ 17,372</u>	<u>\$ 211,511</u>

- (1) The County has previously included bank account balances in the General Fund cash and cash equivalents line item that actually pertain to entities that utilize the County's tax ID number for banking purposes, but for which the County Treasurer's office has no signature rights or control over. These accounts were properly identified during the audit of the year ended September 30, 2019, and appropriately reclassified through this prior period adjustment to the County's Agency Fund's cash and cash equivalents balance, as shown on the Fiduciary Funds' Statement of Net Position on page 18 of this report.
- (2) Similar to number (1) above, it was discovered during the audit of the year ended September 30, 2019 that portions of the County's "Vehicle Registration" bank account that belong to the four Road & Bridge Precinct funds were accounted for under the General Fund. The prior period adjustment reclassified these cash and cash equivalents to the appropriate funds.
- (3) It was identified during the audit of the year ended September 30, 2019, that the payment to the Shackelford County Appraisal District for fees incurred during July 1, 2018 through September 30, 2018 were paid in October 2018 and were improperly excluded from the 2018 fiscal year. This was corrected through this prior period adjustment so that only the fees pertaining to October 1, 2018 through September 30, 2019 are included in the accompanying financial statements for the year ended September 30, 2019.

SHACKELFORD COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

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.

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

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	36
Active employees	<u>41</u>
Total covered employees	<u><u>106</u></u>

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.

SHACKELFORD COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 8: PENSION PLAN - CONTINUED

CONTRIBUTIONS - CONTINUED

<u>Contribution Rates</u>	<u>2018</u>	<u>2019</u>
Member	7.00%	7.00%
Employees	14.36%	14.36%
Employer Contributions	181,545	200,249
Member Contributions	85,347	88,438

ACTUARIAL ASSUMPTIONS

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

Valuation Date	December 31, 2018
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	12 years
Asset Valuation Method	5-year smoothed market
Discount Rate	8.10%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.9% average
Payroll Growth Rate	1.50%

* Includes Inflation of 2.75%

Except for the mortality assumptions, the actuarial assumptions were developed from an actuarial experience investigation of TCDRS over the years 2009 - 2012. Assumptions were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees in 2013 and first used in the December 31, 2013 actuarial valuation. The mortality assumptions were developed by Milliman, Inc. and adopted by the TCDRS Board of Trustees in 2015, and first used in the December 31, 2015 actuarial valuation.

There were no changes in assumptions and methods reflected in the December 31, 2018 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.

SHACKELFORD COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 8: PENSION PLAN - CONTINUED

DISCOUNT RATE - CONTINUED

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.

SHACKELFORD COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 8: PENSION PLAN – CONTINUED

DISCOUNT RATE - CONTINUED

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

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

(1) Target asset allocation adopted at the April 2017 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per Cliffwater's 2017 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, 2019

NOTE 8: PENSION PLAN – CONTINUED

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

At September 30, 2019, the County reported a net pension liability of \$1,117,952 for its net pension liability measured at December 31, 2018. For the year ended September 30, 2019, the County recognized pension expense of \$175,492. 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, 2018 are as follows:

Changes in Net Pension Liability / (A)	Increase (Decrease)		Net Pension Liability / (Asset) (a) - (b)
	Total Pension Liability (a)	Fiduciary Net Position (b)	
Balances as of December 31, 2017	\$ 7,697,654	\$ 7,223,580	\$ 474,074
Changes for the year:			
Service cost	200,787		200,787
Interest on total pension liability- (1)	623,846		623,846
Effect of plan changes (2)	-		-
Effect of economic/demographic gains or losses	(36,117)		(36,117)
Effect of assumptions changes or inputs	-		-
Refund of contributions	(48,827)	(48,827)	-
Benefit payments	(352,270)	(352,270)	-
Administrative expenses		(5,596)	5,596
Member contributions		88,438	(88,438)
Net investment income		(135,830)	135,830
Employer contributions		200,249	(200,249)
Other-(3)		(2,623)	2,623
Balances as of December 31, 2017	<u>\$ 8,085,073</u>	<u>\$ 6,967,121</u>	<u>\$ 1,117,952</u>

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

[2] Reflects new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018.

[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.

	Current		
	1% Decrease (7.10%)	Discount Rate (8.10%)	1% Increase (9.10%)
Total pension liability	\$ 8,973,504	\$ 8,085,073	\$ 7,321,249
Fiduciary net position	6,967,121	6,967,121	6,967,121
Net pension liability	<u>\$ 2,006,383</u>	<u>\$ 1,117,952</u>	<u>\$ 354,128</u>

SHACKELFORD COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 8: PENSION PLAN – CONTINUED

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

At December 31, 2018, 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	\$ 27,088	\$ 11,244
Changes in actuarial assumptions	-	35,105
Net difference between projected and actual investment earnings	-	459,791
Contributions paid to TCDRS subsequent to the measurement date	-	228,849
Total	<u>\$ 27,088</u>	<u>\$ 734,989</u>

The \$35,105 changes in actuarial assumptions are the results of new Annuity Purchase Rates reflected for benefits earned after 2018 in the Schedule of Contributions, included in the supplementary information to this report on page 47 of this report.

\$228,849 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, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions (\$479,052), which excludes contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2019	\$ 201,808
2020	82,581
2021	51,434
2022	143,229
2023	-
	<u>\$ 479,052</u>

NOTE 9: 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 10: 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.

SHACKELFORD COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 10: FUND BALANCE - CONTINUED

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, 2019, the nonspendable fund balance of \$1,713 is comprised of prepaid expenditures.

Restricted Fund Balance: At September 30, 2019, the restricted fund of \$711,624 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, 2019, there were no committed fund balances.

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, 2019, the following amounts of fund balance have been assigned:

Road and bridge operations	\$	396,730
County Clerk records management		173,630
Courthouse security		84,322
District Clerk records management		13,129
Bureau of Vital Statistics		5,259
County Clerk archive		188,289
General records management		21,793
District Clerk archive		27,603
Court records preservation		10,783
Justice of the Peace technology		26,765
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.

SHACKELFORD COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 11: SUBSEQUENT EVENTS

The County has evaluated subsequent events through June 8, 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, 2019, stemming from the County'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, 2019.
 - 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's capital lease terms have ended or are scheduled to end in the County's fiscal year ending September 30, 2020, and the County has or will exercise the purchase options in those lease agreements to keep the leased equipment for a sales price of \$1 each. The leases for each Road and Bridges Precinct ended or are scheduled to end in the following months:
 - Precinct 1 – November 15, 2019
 - Precinct 2 – August 27, 2020
 - Precinct 3 – August 27, 2020
 - Precinct 4 – April 24, 2020
- The County has entered into new capital lease agreements for machinery and equipment to be utilized by the Road and Bridges funds. See information regarding these leases summarized by the Road and Bridges Precincts responsible for the lease payments, below:
 - Precinct 1 – Capital lease for Motor-grader totaling \$258,439, dated November 2019, requiring monthly payments of \$2,086.45 beginning November 12, 2019.
 - Precinct 4 –
 - Capital lease for Motor-grader totaling \$232,500, dated May 2020, requiring monthly payments of \$2,239.
 - Capital lease for John Deere Loader totaling \$265,405, dated March 2020, requiring monthly payments of \$5,800.
- In April of 2020, Road and Bridges Precinct 4 purchased a Backhoe loader for approximately \$69,343.
- In May of 2020, Road and Bridges Precinct 1 cashed in its CD investment for approximately \$53,010 for the purpose of purchasing a truck and trailer to be used for the service of the Precinct.

REQUIRED SUPPLEMENTARY INFORMATION

SHACKELFORD COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL COMPARISON – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Final		GAAP Basis		Adjustments		Budget Basis		Variance	
	Budget	Actual	Budget	Actual	between GAAP and Budget Basis	Budget Basis	Actual	from Final Budget		
REVENUES										
Taxes	\$ 3,216,323	\$ 2,780,055	\$ 503,502	\$ 3,283,557	\$ 67,234	\$ 67,234	\$ 158,370	\$ 109,626		
Fines and fees	349,400	441,348	66,422	507,770	158,370	158,370	109,626	109,626		
Investment earnings	15,000	124,626	-	124,626	-	124,626	109,626	109,626		
Total revenues	3,580,723	3,346,029	569,924	3,915,953	335,230	3,915,953	335,230	335,230		
EXPENDITURES										
Current:										
General administrative	639,296	530,034	-	530,034	109,262	530,034	109,262	109,262		
Judicial	537,398	504,707	-	504,707	32,691	504,707	32,691	32,691		
Public safety	1,064,299	1,052,144	-	1,052,144	12,155	1,052,144	12,155	12,155		
Agriculture extension service	63,405	46,219	-	46,219	17,186	46,219	17,186	17,186		
Facilities	957,538	230,011	233,351	463,362	494,176	463,362	494,176	494,176		
Non-departmental	54,400	54,321	-	54,321	79	54,321	79	79		
Elections	33,428	17,917	-	17,917	15,511	17,917	15,511	15,511		
Capital outlay	-	233,351	(233,351)	-	-	-	-	-		
Total expenditures	3,349,764	2,668,704	-	2,668,704	681,060	2,668,704	681,060	681,060		
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	230,959	677,325	569,924	1,247,249	1,016,290	1,247,249	1,016,290	1,016,290		
OTHER FINANCING SOURCES (USES)										
Insurance recoveries	-	177,437	-	177,437	177,437	177,437	177,437	177,437		
Transfers in (out)	-	(576,640)	(569,924)	(1,146,564)	(1,146,564)	(1,146,564)	(1,146,564)	(1,146,564)		
Total other financing sources (uses)	-	(399,203)	(569,924)	(969,127)	(969,127)	(969,127)	(969,127)	(969,127)		
NET CHANGE IN FUND BALANCES	230,959	278,122	-	278,122	47,163	278,122	47,163	47,163		
FUND BALANCES AT BEGINNING OF YEAR	5,366,894	5,366,894	-	5,366,894	-	5,366,894	-	-		
PRIOR PERIOD ADJUSTMENT	-	153,469	-	153,469	-	153,469	-	153,469		
FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED	5,366,894	5,520,363	-	5,520,363	-	5,520,363	-	153,469		
FUND BALANCES AT END OF YEAR	\$ 5,597,853	\$ 5,798,485	\$ -	\$ 5,798,485	\$ 200,632	\$ 5,798,485	\$ 200,632	\$ 200,632		

SHACKELFORD COUNTY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL COMPARISON – ROAD AND BRIDGE PRECINCT #1
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Final Budget	GAAP Basis Actual	Adjustments between GAAP and Budget Basis	Budget Basis Actual	Variance from Final Budget
REVENUES					
Licenses and fees	\$ 142,200	\$ 69,610	\$ 80,000	\$ 149,610	\$ 7,410
Investment earnings	-	776	-	776	776
Total revenues	142,200	70,386	80,000	150,386	8,186
EXPENDITURES					
Current:					
Public transportation	244,087	174,715	-	174,715	69,372
Debt service:	27,000	20,541	-	20,541	6,459
Total expenditures	271,087	195,256	-	195,256	75,831
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(128,887)</u>	<u>(124,870)</u>	<u>80,000</u>	<u>(44,870)</u>	<u>84,017</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	80,000	(80,000)	-	-
Total other financing sources (uses)	-	80,000	(80,000)	-	-
NET CHANGE IN FUND BALANCES	<u>(128,887)</u>	<u>(44,870)</u>	<u>-</u>	<u>(44,870)</u>	<u>84,017</u>
FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED	61,930	61,930	-	61,930	-
FUND BALANCES AT END OF YEAR	<u>\$ (66,957)</u>	<u>\$ 17,060</u>	<u>\$ -</u>	<u>\$ 17,060</u>	<u>\$ 84,017</u>

SHACKELFORD COUNTY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL COMPARISON – ROAD AND BRIDGE PRECINCT #2
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Final Budget	GAAP Basis		Adjustments between GAAP and Budget Basis		Budget Basis Actual	Variance from Final Budget
		Actual					
REVENUES							
Licenses and fees	\$ 137,600	\$ 63,452	\$ 80,000	\$ 143,452	\$ 5,852		
Miscellaneous	-	5,424	-	5,424	5,424		
Total revenues	137,600	68,876	80,000	148,876	11,276		
EXPENDITURES							
Current:							
Public transportation	197,742	152,983	-	152,983	44,759		
Debt service:	33,500	19,685	-	19,685	13,815		
Total expenditures	231,242	172,668	-	172,668	58,574		
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(93,642)</u>	<u>(103,792)</u>	<u>80,000</u>	<u>(23,792)</u>	<u>69,850</u>		
OTHER FINANCING SOURCES (USES)							
Transfers in (out)	-	80,000	(80,000)	-	-		
Total other financing sources (uses)	-	80,000	(80,000)	-	-		
NET CHANGE IN FUND BALANCES	<u>(93,642)</u>	<u>(23,792)</u>	<u>-</u>	<u>(23,792)</u>	<u>69,850</u>		
FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED	<u>53,394</u>	<u>53,394</u>	<u>-</u>	<u>53,394</u>	<u>-</u>		
FUND BALANCES AT END OF YEAR	<u>\$ (40,248)</u>	<u>\$ 29,602</u>	<u>\$ -</u>	<u>\$ 29,602</u>	<u>\$ 69,850</u>		

SHACKELFORD COUNTY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL COMPARISON – ROAD AND BRIDGE PRECINCT #3
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Final Budget	GAAP Basis Actual	Adjustments between GAAP and Budget Basis	Budget Basis Actual	Variance from Final Budget
REVENUES					
Licenses and fees	\$ 160,600	\$ 89,215	\$ 80,000	\$ 169,215	\$ 8,615
Miscellaneous	-	30,500	-	30,500	30,500
Total revenues	160,600	119,715	80,000	199,715	39,115
EXPENDITURES					
Current:					
Public transportation	288,714	190,526	-	190,526	98,188
Debt service:	23,200	22,026		22,026	1,174
Total expenditures	311,914	212,552	-	212,552	99,362
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(151,314)</u>	<u>(92,837)</u>	<u>80,000</u>	<u>(12,837)</u>	<u>138,477</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	50,664	(80,000)	(29,336)	(29,336)
Total other financing sources (uses)	-	50,664	(80,000)	(29,336)	(29,336)
NET CHANGE IN FUND BALANCES	(151,314)	(42,173)	-	(42,173)	109,141
FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED	336,310	336,310	-	336,310	-
FUND BALANCES AT END OF YEAR	<u>\$ 184,996</u>	<u>\$ 294,137</u>	<u>\$ -</u>	<u>\$ 294,137</u>	<u>\$ 109,141</u>

SHACKELFORD COUNTY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL COMPARISON – ROAD AND BRIDGE PRECINCT #4
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Final Budget	GAAP Basis Actual	Adjustments between GAAP and Budget Basis	Budget Basis Actual	Variance from Final Budget
REVENUES					
Licenses and fees	\$ 163,700	\$ 93,646	\$ 80,000	\$ 173,646	9,946
Investment earnings	-	1,163	-	1,163	1,163
Miscellaneous	-	8,476	-	8,476	8,476
Total revenues	163,700	103,285	80,000	183,285	19,585
EXPENDITURES					
Current:					
Public transportation	313,376	256,167	-	256,167	57,209
Debt service:	26,600	22,081	-	22,081	4,519
Total expenditures	339,976	278,248	-	278,248	61,728
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(176,276)</u>	<u>(174,963)</u>	<u>80,000</u>	<u>(94,963)</u>	<u>81,313</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	109,336	(80,000)	29,336	29,336
Total other financing sources (uses)	-	109,336	(80,000)	29,336	29,336
NET CHANGE IN FUND BALANCES	<u>(176,276)</u>	<u>(65,627)</u>	<u>-</u>	<u>(65,627)</u>	<u>110,649</u>
FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED	<u>123,271</u>	<u>123,271</u>	<u>-</u>	<u>123,271</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ (53,005)</u>	<u>\$ 57,644</u>	<u>\$ -</u>	<u>\$ 57,644</u>	<u>110,649</u>

SHACKELFORD COUNTY, TEXAS
NOTES TO BUDGETARY SCHEDULES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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.

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, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Pension Liability					
Service cost	\$ 200,787	\$ 189,868	\$ 189,925	\$ 190,682	\$ 177,804
Interest on total pension liability	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	(36,117)	22,487	18,432	(133,221)	(66,829)
Benefit payments/refunds of contributions	(401,097)	(313,566)	(317,119)	(252,077)	(234,078)
Net change in total pension liability	387,419	550,820	430,232	371,614	359,488
Total pension liability, beginning	7,697,654	7,146,834	6,716,602	6,344,988	5,985,500
Total pension liability, ending (a)	\$ 8,085,073	\$ 7,697,654	\$ 7,146,834	\$ 6,716,602	\$ 6,344,988
Fiduciary Net Position					
Employer contributions	\$ 200,249	\$ 181,545	\$ 170,200	\$ 181,075	\$ 264,991
Member contributions	88,438	85,347	82,966	81,429	79,115
Investment income net of investment expenses	(135,830)	926,077	440,398	(101,542)	373,465
Benefit payments/refunds of contributions	(401,097)	(313,566)	(317,119)	(252,077)	(234,078)
Administrative expenses	(5,596)	(4,804)	(4,783)	(4,317)	(4,493)
Other	(2,623)	(670)	29,914	(12,157)	(35,152)
Net change in fiduciary net position	(256,459)	873,929	401,576	(107,589)	443,848
Fiduciary net position, beginning	7,223,580	6,349,651	5,948,075	6,055,664	5,611,816
Fiduciary net position, ending (b)	\$ 6,967,121	\$ 7,223,580	\$ 6,349,651	\$ 5,948,075	\$ 6,055,664
Net pension liability / (asset), ending = (a) - (b)	\$ 1,117,952	\$ 474,074	\$ 797,183	\$ 768,527	\$ 289,324
Fiduciary net position as a percentage of total pension liability	86.17%	93.84%	88.85%	88.56%	95.44%
Pensionable covered payroll	\$ 1,263,400	\$ 1,219,242	\$ 1,185,234	\$ 1,163,267	\$ 1,130,217
Net pension liability as a percentage of covered payroll	88.49%	38.88%	67.26%	66.07%	25.60%

Only three 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 2019

Year Ending December 31,	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a Percentage of Covered Payroll
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%

(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.

(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, 2019

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

Assumptions. The following methods and assumptions were used to determine contribution rates:

Valuation Date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	11.8 years (based on contribution rate calculated in 12/31/2018 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Long-term expected Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Salary Increases	Varies by age and service. 4.9% average over career, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at services retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Plan Provisions Reflected in the Schedule	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

COMBINING STATEMENTS AS SUPPLEMENTARY INFORMATION

SHACKELFORD COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS' COMBINING BALANCE SHEET
SEPTEMBER 30, 2019

	County Clerk Records Management	Courthouse Security	District Clerk Records Management	BVS
ASSETS				
Pooled cash and cash equivalents	\$ 126,730	\$ 66,992	\$ 9,671	\$ 4,647
Due from other funds	<u>46,900</u>	<u>17,330</u>	<u>3,458</u>	<u>612</u>
Total assets	<u>\$ 173,630</u>	<u>\$ 84,322</u>	<u>\$ 13,129</u>	<u>\$ 5,259</u>
FUND BALANCES				
Assigned	<u>173,630</u>	<u>84,322</u>	<u>13,129</u>	<u>5,259</u>
Total fund balance	<u>173,630</u>	<u>84,322</u>	<u>13,129</u>	<u>5,259</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 173,630</u>	<u>\$ 84,322</u>	<u>\$ 13,129</u>	<u>\$ 5,259</u>

SHACKELFORD COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS'
NONMAJOR GOVERNMENTAL FUNDS' COMBINING BALANCE SHEET, Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	County Clerk Archive	General Records Management	District Clerk Archive	Court Records Preservation
ASSETS				
Pooled cash and cash equivalents	\$ 94,300	\$ 14,057	\$ 4,610	\$ 7,260
Due from other funds	<u>93,989</u>	<u>7,736</u>	<u>22,993</u>	<u>3,523</u>
Total assets	<u>\$ 188,289</u>	<u>\$ 21,793</u>	<u>\$ 27,603</u>	<u>\$ 10,783</u>
FUND BALANCES				
Assigned	<u>188,289</u>	<u>21,793</u>	<u>27,603</u>	<u>10,783</u>
Total fund balance	<u>188,289</u>	<u>21,793</u>	<u>27,603</u>	<u>10,783</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 188,289</u>	<u>\$ 21,793</u>	<u>\$ 27,603</u>	<u>\$ 10,783</u>

SHACKELFORD COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS'
NONMAJOR GOVERNMENTAL FUNDS' COMBINING BALANCE SHEET, Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>JP Technology</u>	<u>Sheriff Seizure</u>	<u>Sheriff Commissary</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Pooled cash and cash equivalents	\$ 17,749	\$ 8,002	\$ 20,185	\$ 374,203
Due from other funds	<u>9,016</u>	<u>159</u>	<u>-</u>	<u>205,716</u>
Total assets	<u>\$ 26,765</u>	<u>\$ 8,161</u>	<u>\$ 20,185</u>	<u>\$ 579,919</u>
FUND BALANCES				
Assigned	<u>26,765</u>	<u>8,161</u>	<u>20,185</u>	<u>579,919</u>
Total fund balance	<u>26,765</u>	<u>8,161</u>	<u>20,185</u>	<u>579,919</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 26,765</u>	<u>\$ 8,161</u>	<u>\$ 20,185</u>	<u>\$ 579,919</u>

SHACKELFORD COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS'
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	County Clerk Records Management	Courthouse Security	District Clerk Records Management	BVS
REVENUES				
Licenses and fees	\$ 11,640	\$ 2,626	\$ 1,285	\$ 97
Investment earnings	3,370	2,584	224	112
Gifts and contributions	-	-	-	-
Total revenues	15,010	5,210	1,509	209
EXPENDITURES				
General administrative	1,705	810	-	-
Capital outlay	-	-	-	-
Total expenditures	1,705	810	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	13,305	4,400	1,509	209
OTHER FINANCING SOURCES				
Transfers in (out)	16,450	8,234	708	232
Total other financing sources (uses)	16,450	8,234	708	232
NET CHANGE IN FUND BALANCES	29,755	12,634	2,217	441
FUND BALANCES AT BEGINNING OF YEAR	143,875	71,688	10,912	4,818
FUND BALANCES AT END OF YEAR	\$ 173,630	\$ 84,322	\$ 13,129	\$ 5,259

SHACKELFORD COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS'
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	County Clerk Archive	General Records Management	District Clerk Archive	Court Records Preservation
REVENUES				
Licenses and fees	\$ 37,309	\$ 1,178	\$ 12,286	\$ -
Investment earnings	2,445	354	25	13
Gifts and contributions	-	-	-	-
Total revenues	39,754	1,532	12,311	13
EXPENDITURES				
General administrative	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	39,754	1,532	12,311	13
OTHER FINANCING SOURCES				
Transfers in (out)	16,240	2,268	1,174	1,360
Total other financing sources (uses)	16,240	2,268	1,174	1,360
NET CHANGE IN FUND BALANCES	55,994	3,800	13,485	1,373
FUND BALANCES AT BEGINNING OF YEAR	132,295	17,993	14,118	9,410
FUND BALANCES AT END OF YEAR	\$ 188,289	\$ 21,793	\$ 27,603	\$ 10,783

SHACKELFORD COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS'
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, Continued
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	JP Technology	Sheriff Seizure	Sheriff Commissary	Total Nonmajor Governmental Funds
REVENUES				
Licenses and fees	\$ 1	\$ -	\$ -	\$ 66,422
Investment earnings	499	-	-	9,626
Gifts and contributions	-	-	-	-
	<u>500</u>	<u>-</u>	<u>-</u>	<u>76,048</u>
EXPENDITURES				
General administrative	2,922	-	-	5,437
Capital outlay	-	-	-	-
	<u>2,922</u>	<u>-</u>	<u>-</u>	<u>5,437</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,422)	-	-	70,611
OTHER FINANCING SOURCES				
Transfers in (out)	5,213	-	-	51,879
	<u>5,213</u>	<u>-</u>	<u>-</u>	<u>51,879</u>
NET CHANGE IN FUND BALANCES	2,791	-	-	122,490
FUND BALANCES AT BEGINNING OF YEAR	<u>23,974</u>	<u>8,161</u>	<u>20,185</u>	<u>457,429</u>
FUND BALANCES AT END OF YEAR	<u>\$ 26,765</u>	<u>\$ 8,161</u>	<u>\$ 20,185</u>	<u>\$ 579,919</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, the business-type activities, the aggregate, each major fund, and the aggregate remaining fund information of Shackelford County, Texas (the County) as of and for the year ended September 30, 2019 and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 8, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about 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.



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Abilene, Texas

June 8, 2020