

**SHACKELFORD COUNTY, TEXAS**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**For the year ended  
September 30, 2018**



**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, 2018, 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, 2018, 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

November 25, 2019





**SHACKELFORD COUNTY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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, 2018. 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 \$10,237,234 at September 30, 2018. Of this amount, \$3,479,201 is invested in capital assets, net of related debt, and \$659,326 is restricted for debt service. Unrestricted net position is \$6,098,707.

During the year, the County's expenses were \$558,543 more than the \$4,661,787 generated in taxes and other revenues for governmental activities.

The general fund reported a fund balance this year of \$5,366,894.

There were prior period adjustments made during the year ended September 30, 2018, that net to a reduction in prior periods' fund balances in the General and Debt Service fund of \$339,111. 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, 2018**

***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 \$10,237,234 at the end of 2018.

A large portion of the County's net position (56.53%) comprises capital assets (for example, land, infrastructure, and buildings), but is 33.94% 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. \$659,326 of the County's net position is restricted for repaying long term debt. The remaining balance of net position (\$6,098,707) 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, 2018**

**Shackelford County's Net Position**

	Governmental Activities	
	2018	2017, as restated
<b>Current assets</b>		
Pooled cash and cash equivalents	\$ 6,031,802	\$ 5,432,610
Investments	1,098,673	1,100,548
Receivables (net of allowance for uncollectibles)		
Taxes	210,468	60,403
Fines, fees, and court costs		11,120
Due from other governments		6,903
Prepaid expenses	-	255
<b>Total current assets</b>	<b>7,340,943</b>	<b>6,611,839</b>
<b>Noncurrent assets</b>		
Land	60,578	60,578
Infrastructure	763,437	763,437
Buildings and improvements	10,407,700	8,918,214
Furniture and equipment	3,114,817	3,083,077
Construction in progress		113,298
Less: accumulated depreciation	(4,799,934)	(4,439,498)
<b>Restricted assets:</b>		
Pooled cash and cash equivalents	-	1,218,059
<b>Total noncurrent assets</b>	<b>9,546,598</b>	<b>9,717,165</b>
<b>Deferred outflows of resources</b>		
Deferred outflows - pensions	323,840	635,449
<b>Total assets and deferred outflows</b>	<b>17,211,381</b>	<b>16,964,453</b>
<b>Current liabilities</b>		
Accounts payable	294,792	218,707
Deferred revenue	-	3,814
Accrued interest payable	39,985	19,633
Unearned revenue	-	13,990
<b>Total current liabilities</b>	<b>334,777</b>	<b>256,144</b>
<b>Noncurrent liabilities</b>		
Due within one year	493,843	483,094
Due in more than one year	6,061,202	6,875,442
<b>Total noncurrent liabilities</b>	<b>6,555,045</b>	<b>7,358,536</b>
<b>Total liabilities</b>	<b>6,889,822</b>	<b>7,614,680</b>
<b>Deferred inflows of resources</b>		
Deferred inflows - pensions	84,325	83,318
<b>Net position</b>		
Net investment in capital assets	3,479,201	2,051,331
Restricted	659,326	1,505,918
Unrestricted	6,098,707	5,709,206
<b>Total net position (2017, as restated)</b>	<b>10,237,234</b>	<b>9,266,455</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 17,211,381</b>	<b>\$ 16,964,453</b>

**SHACKELFORD COUNTY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS**

- The County's net position (as restated) increased by \$970,779. 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 \$4,718,527. A significant portion, 73.12%, of the County's revenue comes from property taxes. 23.38% comes from charges for services, and 3.5% comes from contributions or gifts to the County, investment returns, and other miscellaneous income.
- The total cost of all County programs and services was \$3,747,748. 12.93% of these costs were Judicial, 30.58% were for Public safety, and 18.06% were for Public transportation.

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

	Governmental Activities	
	2018	2017, as restated
Program revenues:		
Charges for services	\$ 1,103,036	\$ 849,464
Operating grants and contributions	56,740	-
General revenues:		
Property taxes, general	2,924,925	2,563,665
Property taxes, debt service	525,417	495,049
Miscellaneous	20,287	508,527
Investment earnings	88,122	28,842
Total revenues	4,718,527	4,445,547
Expenses:		
General administration	696,496	458,897
Judicial	484,481	489,031
Public safety	1,146,081	1,092,972
Public recreation	12,520	12,391
Agriculture extension service	34,330	65,923
Facilities	341,753	420,249
Non-departmental	38,120	38,338
Elections	23,850	15,958
Public transportation	676,879	985,190
Interest and fiscal charges	293,238	235,541
Total expenses	3,747,748	3,814,490
Change in net position	970,779	631,057
Beginning balance, net position (2018 as restated)	9,266,455	8,635,398
Ending balance, net position (2017, as restated)	\$ 10,237,234	\$ 9,266,455

- The cost of all governmental activities this year was \$3,747,748.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$3,450,342.
- \$1,103,036 of the cost was paid by those who directly benefited from the programs, and \$56,740 were donations or gifts to the County.

**SHACKELFORD COUNTY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**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 \$7,000,512, a decrease of \$558,543 as the result of operations and a decrease of \$339,111 (as the result of prior period adjustments) from the prior year. The cause of this decrease in fund balances was due to expending more money than produced through revenue activities, primarily through the \$1,225,000 in capital outlay for the Courthouse renovation, alone.

Of the total ending fund balances, \$5,366,894 constitutes unassigned fund balance, \$974,292 constitutes assigned fund balance, and \$659,326 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 \$5,366,894. 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 206% of total general fund expenditures.

**GENERAL FUND 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 less than budgetary estimates and expenditures were less than budgetary estimates. Major variances include:

- Tax revenues were less than budgeted by 5%, \$155,828.
- Total general fund expenditures were 81% of the amended budget, \$601,098 under budget.

**SHACKELFORD COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**CAPITAL ASSETS**

At the end of 2018, the County had invested \$9,546,598 in a broad range of capital assets, including land, equipment, buildings, and vehicles.

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

	Governmental Activities	
	2018	2017
Land	\$ 60,578	\$ 60,578
Construction in progress	-	113,298
Infrastructure	763,437	763,437
Buildings and improvements	10,407,700	8,918,214
Furniture and equipment	3,114,817	3,083,077
Total at historical cost	14,346,532	12,938,604
 Total accumulated depreciation	 (4,799,934)	 (4,439,498)
 Net capital assets	 \$ 9,546,598	 \$ 8,499,106

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 \$6,555,045 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	
	2018	2017
Notes payable	\$ 1,026,000	\$ 1,200,000
Capital lease payable	656,397	722,779
Compensated absences	13,574	13,574
Bonds payable	4,385,000	4,625,000
Net pension liability	474,074	797,183
 Total long-term debt	 \$ 6,555,045	 \$ 7,358,536

**SHACKELFORD COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

The County should maintain its financial health during the 2019 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 2019 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, 2018**

	Governmental Activities
<b>ASSETS</b>	
Pooled cash and cash equivalents	\$ 6,031,802
Investments	1,098,673
Receivables (net of allowance for uncollectibles)	
Taxes	210,468
Capital assets:	
Land	60,578
Construction in progress	
Infrastructure	763,437
Buildings and improvements	10,407,700
Furniture and equipment	3,114,817
Less: accumulated depreciation	(4,799,934)
Total capital assets (net of accumulated depreciation)	9,546,598
Total assets	16,887,541
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pension	323,840
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	294,792
Deferred revenue	
Accrued interest payable	39,985
Noncurrent liabilities	
Due within one year	493,843
Due in more than one year	6,061,202
Total liabilities	6,889,822
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pension	84,325
<b>NET POSITION</b>	
Net investment in capital assets	3,479,201
Restricted for long term debt	659,326
Unrestricted	6,098,707
Total net position	\$ 10,237,234

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



**SHACKELFORD COUNTY, TEXAS**  
**STATEMENT OF CHANGES IN NET POSITION**  
**SEPTEMBER 30, 2018**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Total	
<b>PRIMARY GOVERNMENT</b>						
Governmental activities	\$	\$	\$	\$	\$	\$
General administrative	696,496	355,788	56,740	(283,968)	(283,968)	(283,968)
Judicial	484,481	27,624	-	(456,857)	(456,857)	(456,857)
Public safety	1,146,081	400,892	-	(745,189)	(745,189)	(745,189)
Public recreation	12,520	1,061	-	(11,459)	(11,459)	(11,459)
Agriculture extension service	34,330	-	-	(34,330)	(34,330)	(34,330)
Facilities	341,753	-	-	(341,753)	(341,753)	(341,753)
Non-departmental	38,120	-	-	(38,120)	(38,120)	(38,120)
Elections	23,850	-	-	(23,850)	(23,850)	(23,850)
Public transportation	676,879	317,671	-	(359,208)	(359,208)	(359,208)
Debt service - interest on long-term debt	293,238	-	-	(293,238)	(293,238)	(293,238)
Total governmental activities	3,747,748	1,103,036	56,740	(2,587,972)	(2,587,972)	(2,587,972)
<b>TOTAL PRIMARY GOVERNMENT</b>	\$	\$	\$	\$	\$	\$
	3,747,748	1,103,036	56,740	(2,587,972)	(2,587,972)	(2,587,972)
<b>General revenues:</b>						
Property taxes, levied for general purposes				2,924,925	2,924,925	2,924,925
Property taxes, levied for debt service				525,417	525,417	525,417
Miscellaneous income				20,287	20,287	20,287
Investment income				88,122	88,122	88,122
Gain on disposition of assets				-	-	-
Total general revenues				3,558,751	3,558,751	3,558,751
<b>CHANGE IN NET POSITION</b>				970,779	970,779	970,779
<b>NET POSITION AT BEGINNING OF YEAR</b>				9,605,566	9,605,566	9,605,566
<b>PRIOR PERIOD ADJUSTMENT</b>				(339,111)	(339,111)	(339,111)
<b>NET POSITION AT BEGINNING OF YEAR, AS RESTATED</b>				9,266,455	9,266,455	9,266,455
<b>NET POSITION AT END OF YEAR</b>				\$ 10,237,234	\$ 10,237,234	\$ 10,237,234

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

**SHACKELFORD COUNTY, TEXAS**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2018**

	General Fund	Road & Bridge Precinct # 1	Road & Bridge Precinct # 2	Road & Bridge Precinct # 3
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 5,363,703	\$ (131,131)	\$ (75,784)	\$ 203,048
Investments	945,262	62,851	-	-
Prepaid expenses	-	-	-	-
Taxes receivables (net of allowances)	179,138	-	-	-
Fines and fees receivable (net of allowances)	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	120,000	120,000	120,000
Restricted assets:				
Pooled cash and cash equivalents	-	-	-	-
<b>Total assets</b>	<b>\$ 6,488,103</b>	<b>\$ 51,720</b>	<b>\$ 44,216</b>	<b>\$ 323,048</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 164,271	\$ 2,472	\$ 2,303	\$ 3,245
Due to other funds	932,263	-	-	-
<b>Total liabilities</b>	<b>1,096,534</b>	<b>2,472</b>	<b>2,303</b>	<b>3,245</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	24,675	-	-	-
<b>Total deferred inflows of resources</b>	<b>24,675</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>				
Restricted fund balance:				
Debt service	-	-	-	-
Assigned fund balance:				
Road and bridge	-	49,248	41,913	319,803
Other assigned fund balance	-	-	-	-
Unassigned fund balance	5,366,894	-	-	-
<b>Total fund balances</b>	<b>5,366,894</b>	<b>49,248</b>	<b>41,913</b>	<b>319,803</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 6,488,103</b>	<b>\$ 51,720</b>	<b>\$ 44,216</b>	<b>\$ 323,048</b>

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

**SHACKELFORD COUNTY, TEXAS**  
**BALANCE SHEET, Continued – GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2018**

	Road & Bridge Precinct # 4	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ (73,944)	\$ 335,637	\$ 410,273	\$ 6,031,802
Investments	90,560	-	-	1,098,673
Prepaid expenses	-	-	-	-
Taxes receivables (net of allowances)	-	31,330	-	210,468
Fines and fees receivable (net of allowances)	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	120,000	313,323	138,940	932,263
Restricted assets:				
Pooled cash and cash equivalents	-	-	-	-
<b>Total assets</b>	<b>\$ 136,616</b>	<b>\$ 680,290</b>	<b>\$ 549,213</b>	<b>\$ 8,273,206</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 30,717	\$ -	\$ 91,784	\$ 294,792
Due to other funds	-	-	-	932,263
<b>Total liabilities</b>	<b>30,717</b>	<b>-</b>	<b>91,784</b>	<b>1,227,055</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	-	20,964	-	45,639
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>20,964</b>	<b>-</b>	<b>45,639</b>
<b>FUND BALANCES</b>				
Restricted fund balance:				
Debt service	-	659,326	-	659,326
Assigned fund balance:				
Road and bridge	105,899	-	-	516,863
Other assigned fund balance	-	-	457,429	457,429
Unassigned fund balance	-	-	-	5,366,894
<b>Total fund balances</b>	<b>105,899</b>	<b>659,326</b>	<b>457,429</b>	<b>7,000,512</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 136,616</b>	<b>\$ 680,290</b>	<b>\$ 549,213</b>	<b>\$ 8,273,206</b>

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





**SHACKELFORD COUNTY, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

Total Fund Balances - Governmental Funds Balance Sheet	\$	7,000,512
<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>		9,546,598
<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>		45,639
<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>		(6,555,044)
<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>		(39,985)
<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>239,514</u>
Net Position of Governmental Activities - Statement of Net Position	\$	<u>10,237,234</u>

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

**SHACKELFORD COUNTY, TEXAS**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	General Fund	Road & Bridge Precinct #1	Road & Bridge Precinct #2	Road & Bridge Precinct #3
<b>REVENUES</b>				
Taxes	\$ 2,941,270	\$ -	\$ -	\$ -
Licenses and fees	-	70,160	64,076	89,528
Fines and fees	729,329	-	-	-
Intergovernmental	-	-	-	-
Investment earnings	70,494	214	183	275
Miscellaneous	-	1,474	-	11,742
Contributions and gifts	31,740	-	-	-
<b>Total revenues</b>	<b>3,772,833</b>	<b>71,848</b>	<b>64,259</b>	<b>101,545</b>
<b>EXPENDITURES</b>				
Current:				
General administrative	548,759	-	-	-
Judicial	486,448	-	-	-
Public safety	1,027,234	-	-	-
Agriculture extension service	34,503	-	-	-
Facilities	447,299	-	-	-
Non-departmental	38,120	-	-	-
Elections	23,850	-	-	-
Public transportation	-	138,781	101,404	120,856
Capital outlay	-	-	-	-
Debt service:				
Principal	-	15,452	14,980	17,668
Interest and fiscal charges	-	5,095	4,705	4,358
<b>Total expenditures</b>	<b>2,606,213</b>	<b>159,328</b>	<b>121,089</b>	<b>142,882</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>1,166,620</b>	<b>(87,480)</b>	<b>(56,830)</b>	<b>(41,337)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	(854,321)	80,000	80,000	80,000
<b>Total other financing sources (uses)</b>	<b>(854,321)</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>312,299</b>	<b>(7,480)</b>	<b>23,170</b>	<b>38,663</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>5,434,976</b>	<b>56,728</b>	<b>18,743</b>	<b>281,140</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>(380,381)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED</b>	<b>5,054,595</b>	<b>56,728</b>	<b>18,743</b>	<b>281,140</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 5,366,894</b>	<b>\$ 49,248</b>	<b>\$ 41,913</b>	<b>\$ 319,803</b>

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, 2018**

	Road & Bridge Precinct #4	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ -	\$ 497,765	\$ -	\$ 3,439,035
Licenses and fees	93,907	-	56,036	373,707
Fines and fees	-	-	-	729,329
Intergovernmental	-	-	-	-
Investment earnings	275	6,496	10,185	88,122
Miscellaneous	7,071	-	-	20,287
Contributions and gifts	-	-	25,000	56,740
<b>Total revenues</b>	<b>101,253</b>	<b>504,261</b>	<b>91,221</b>	<b>4,707,220</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General administrative	-	-	118,590	667,349
Judicial	-	-	-	486,448
Public safety	-	-	-	1,027,234
Agriculture extension service	-	-	-	34,503
Facilities	-	-	-	447,299
Non-departmental	-	-	-	38,120
Elections	-	-	-	23,850
Public transportation	201,650	-	-	562,691
Capital outlay	-	-	1,225,000	1,225,000
<b>Debt service:</b>				
Principal	18,283	414,000	-	480,383
Interest and fiscal charges	3,798	254,930	-	272,886
<b>Total expenditures</b>	<b>223,731</b>	<b>668,930</b>	<b>1,343,590</b>	<b>5,265,763</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>(122,478)</b>	<b>(164,669)</b>	<b>(1,252,369)</b>	<b>(558,543)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	80,000	523,248	11,073	-
<b>Total other financing sources (uses)</b>	<b>80,000</b>	<b>523,248</b>	<b>11,073</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(42,478)</b>	<b>358,579</b>	<b>(1,241,296)</b>	<b>(558,543)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>148,377</b>	<b>259,477</b>	<b>1,698,725</b>	<b>7,898,166</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>-</b>	<b>41,270</b>	<b>-</b>	<b>(339,111)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED</b>	<b>148,377</b>	<b>300,747</b>	<b>1,698,725</b>	<b>7,559,055</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 105,899</b>	<b>\$ 659,326</b>	<b>\$ 457,429</b>	<b>\$ 7,000,512</b>

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, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$ (558,543)
<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>	1,407,928
<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>	(360,436)
<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 a</p>	11,307
<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</p>	480,382
<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>	(20,352)
<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</p>	10,493
Change in Net Position of Governmental Activities - Statement of Activities	\$ 970,779

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, 2018**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Pooled cash and cash equivalents	\$ <u>350,636</u>
<b>Total assets</b>	<b>\$ <u>350,636</u></b>
<b>LIABILITIES</b>	
Due to other governments	\$ <u>350,636</u>
<b>Total liabilities</b>	<b>\$ <u>350,636</u></b>

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



**SHACKELFORD COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**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, 2018**

*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:

Capital projects fund: This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

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, 2018**

*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, 2018**

**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 2017-2018 levy was based was approximately \$704,839,834. The combined tax rate to finance general governmental services, including debt service, for the year ended September 30, 2018 was \$0.5758 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 98.12% 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, 2018**

**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.

The County expects that the following receivables will not be collected within one year:

Property taxes	\$ 45,639
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**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, 2018, 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, 2019, 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, 2018**

**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 TCERS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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, 2018**

**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, 2018, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,031,802. The County's cash deposits at September 30, 2018 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, 2018**

**NOTE 2: DEPOSITS AND INVESTMENTS – CONTINUED**

**INVESTMENTS - CONTINUED**

The County's investments at September 30, 2018 are shown below.

Investment or Investment Type	Weighted Average Maturity (Days)	Fair Value
Certificates of Deposit	N/A	\$ <u>1,098,673</u>
Total investment pools		\$ <u>1,098,673</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, 2018**

**NOTE 3: RECEIVABLES**

Receivables at September 30, 2018, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental		Total Governmental Funds
	General Fund	Debt Service Fund	
Receivables			
Taxes	\$ 187,641	\$ 32,817	\$ 220,458
Less: Allowance for uncollectibles			
Taxes	(8,503)	(1,487)	(9,990)
Net total receivables	<u>\$ 179,138</u>	<u>\$ 31,330</u>	<u>\$ 210,468</u>

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018 was as follows:

	Beginning Balances	Increases	Transfers	Ending Balances
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 60,578	\$ -	\$ -	\$ 60,578
Construction in progress	113,298	1,369,475	(1,369,475)	113,298
Total capital assets not being depreciated	173,876	1,369,475	(1,369,475)	173,876
Capital assets being depreciated				
Infrastructure	763,437	-	-	763,437
Buildings and improvements	8,918,214	6,713	1,369,475	10,294,402
Furniture and equipment	3,083,077	31,740	-	3,114,817
Total capital assets being depreciated	12,764,728	38,453	1,369,475	14,172,656
Less accumulated depreciation for:				
Infrastructure	(625,182)	(16,783)	-	(641,965)
Buildings and improvements	(2,015,929)	(231,112)	-	(2,247,041)
Furniture and equipment	(1,798,387)	(112,541)	-	(1,910,928)
Total accumulated depreciation	(4,439,498)	(360,436)	-	(4,799,934)
Total capital assets being depreciated, net	8,325,230	(321,983)	1,369,475	9,372,722
Governmental activities capital assets, net	<u>\$ 8,499,106</u>	<u>\$ 1,047,492</u>	<u>\$ -</u>	<u>\$ 9,546,598</u>

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, 2018**

**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	\$	71,701
Public safety		157,941
Public recreation		12,520
Transportation		118,274
Total depreciation expense	\$	<u>360,436</u>

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

Balances due to and from other funds at September 30, 2018 consisted of the following:

Due to Fund	Due From Fund	Amount	Purpose
Road and bridge #1	General fund	\$ 120,000	Short-term loans
Road and bridge #2	General fund	120,000	Short-term loans
Road and bridge #3	General fund	120,000	Short-term loans
Road and bridge #4	General fund	120,000	Short-term loans
Nonmajor governmental funds	General fund	138,940	Short-term loans
Debt service fund	General fund	313,323	Short-term loans
	Total	\$ <u>932,263</u>	

Transfers between County funds during the year ended September 30, 2018 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	80,000	Supplement other funds
General fund	Road and bridge #4	80,000	Supplement other funds
General fund	Nonmajor governmental funds	11,073	Supplement other funds
General fund	Debt service fund	523,248	Supplement other funds
	Total	\$ <u>854,321</u>	



**SHACKELFORD COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**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, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Note payable - First Financial Bank	\$ 1,200,000	\$ -	\$ (174,000)	\$ 1,026,000	\$ 173,000
Total notes payable	1,200,000	-	(174,000)	1,026,000	173,000
Bonds payable - Law Enforcement Center	4,625,000	-	(240,000)	4,385,000	250,000
Capital lease - Marlin Leasing	192,308	-	(15,452)	176,856	15,878
Capital lease - Marlin Leasing	146,440	-	(18,283)	128,157	18,792
Capital lease - Marlin Leasing	185,931	-	(17,668)	168,263	18,106
Capital lease - Marlin Leasing	198,100	-	(14,979)	183,121	15,352
Total capital leases payable	722,779	-	(66,382)	656,397	68,128
Compensated absences	13,574	-	-	13,574	2,715
Net pension liability	797,183	-	(323,109)	474,074	-
Total Governmental Activities	\$ 7,358,536	\$ -	\$ (803,491)	\$ 6,555,045	\$ 493,843

**NOTES PAYABLE**

On May 24, 2018, 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, 2018 are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 173,000	\$ 30,677	\$ 203,677
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	\$ 1,026,000	\$ 106,324	\$ 1,132,324

**SHACKELFORD COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**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:

	<u>Year ending September 30, Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 250,000	\$ 210,360	\$ 460,360
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	<u>1,665,000</u>	<u>185,420</u>	<u>1,850,420</u>
<b>Totals</b>	<b>\$ 4,385,000</b>	<b>\$ 1,621,383</b>	<b>\$ 6,006,383</b>

**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.

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 68,129	16,206	84,335
2020	<u>588,268</u>	<u>12,249</u>	<u>600,517</u>
<b>Total minimum lease payments</b>	<b><u>656,397</u></b>	<b><u>28,455</u></b>	<b><u>684,852</u></b>

Total interest expense on capital leases for the year ended September 30, 2018 was \$17,955.

The following is an analysis of the leased assets:

John Deere motor graders	\$ 973,060
Less accumulated depreciation	<u>194,612</u>
<b>Net value of leased assets</b>	<b><u>\$ 778,448</u></b>

**COMPENSATED ABSENCES**

County employees are entitled to certain compensated absences based on their length of employment. Accrued compensated absences at September 30, 2018 totaled \$13,574.

**SHACKELFORD COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 7: PRIOR PERIOD ADJUSTMENT**

During the year ended September 30, 2018, it was determined that there were several accounting errors on the audited financial report for the year ended September 30, 2017. A summary of those misstatements is below, followed by explanations of the misstatements' impact on the current and prior year financial statements:

<u>Description of prior period adjustment</u>	<u>General fund</u>	<u>Debt Service Fund</u>	<u>Net Prior Period Adjustment</u>
(1) Under/(over)statement of Property Tax Revenue	\$ (380,381)	\$ 27,280	\$ (353,101)
(2) Overstatement of Debt Service Fund Unearned Revenue	-	13,990	13,990
	<u>\$ (380,381)</u>	<u>\$ 41,270</u>	<u>\$ (339,111)</u>

- (1) Because the County does not segregate its accounting for Debt Service outside of the General fund, the Debt Service Fund's activity must be manually entered and manually removed from the General Fund activity at the end of each accounting period for proper financial statement presentation.

There were errors made in the journal entries that segregated the Debt Service Fund's income for the year ended September 30, 2017, that resulted in a \$27,280 understatement of Debt Service Fund revenues. Where the Statement of Changes in Net Position for the year ended September 30, 2017 reported Property taxes, levied for debt service of \$467,769, the proper total was \$495,049.

Additionally, there were errors made in the journal entries to remove the Debt Service fund's 2017 activity from the General fund accounting records in that the Debt Service fund's revenue was established at the Debt Service fund but was not completely removed from General fund activity, resulting in an overstatement of General fund revenues of \$380,381. Where the Statement of Changes in Net Position for the year ended September 30, 2017 reported Property taxes, levied for general purposes of \$2,944,046, the proper total was \$2,563,665.

The impact of the accounting errors described above was a \$353,101 overstatement of change in net position, net position at the end of the year, change in fund balance, and total ending fund balance in the September 30, 2017 financial statements.

- (2) In conjunction with the errors that caused the misstatements described in number (1), above, the Debt Service fund unearned revenue balance was overstated by \$13,990 on the Statement of Net Position as of September 30, 2017 as a result of errors in the manual entries made to establish the Debt Service fund's activity outside of the General fund in the County's accounting software.

The impact of this accounting error was that the Statement of Net Position as of September 30, 2017 included unearned revenues of \$13,990 that did not exist, and the Statement of Changes in Net Position included property tax revenues that were understated by the same amount, resulting in an understated ending net position at September 30, 2017.

**SHACKELFORD COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	32
Active employees	<u>40</u>
Total covered employees	<u><u>99</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, 2018**

**NOTE 8: PENSION PLAN - CONTINUED**

**CONTRIBUTIONS - CONTINUED**

<u>Contribution Rates</u>	<u>2017</u>	<u>2018</u>
Member	7.00%	7.00%
Employees	14.36%	14.36%
Employer Contributions	170,200	181,545
Member Contributions	82,966	85,347

**ACTUARIAL ASSUMPTIONS**

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016
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 changes in assumptions and methods reflected in the December 31, 2017 actuarial valuation. Mortality assumptions have been changed to reflect projected improvements. All other assumptions and methods are the same as used in the prior valuation. Refer to the most recent CAFR issued by TCDRS for a complete discussion of all assumptions.

**DISCOUNT RATE**

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

- 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, 2018**

**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 2017 information for a 7 - 10 year time horizon.

**SHACKELFORD COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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:

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (2)
US Equities	Dow Jones US Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
Int'l Equities - Developed Markets	MSCI World Ex USA (net)	11.00%	4.55%
Int'l Equities - Emerging Markets	MSCI EM Standard (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays US Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index (4)	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (5)	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

(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, 2018**

**NOTE 8: PENSION PLAN – CONTINUED**

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

At September 30, 2018, the County reported a net pension liability of \$474,074 for its net pension liability measured at December 31, 2017. For the year ended September 30, 2018, the County recognized pension expense of \$169,186. 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, 2017 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, 2016	\$ 7,146,835	\$ 6,349,652	\$ 797,183
Changes for the year:			
Service cost	189,868		189,868
Interest on total pension liability- (1)	581,821		581,821
Effect of plan changes (2)	-		-
Effect of economic/demographic gains or losses	22,487		22,487
Effect of assumptions changes or inputs	70,210		70,210
Refund of contributions	(9,339)	(9,339)	-
Benefit payments	(304,227)	(304,227)	-
Administrative expenses		(4,804)	4,804
Member contributions		85,347	(85,347)
Net investment income		926,077	(926,077)
Employer contributions		181,545	(181,545)
Other-(3)		(670)	670
Balances as of December 31, 2017	\$ 7,697,655	\$ 7,223,581	\$ 474,074

[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	\$ 8,556,623	\$ 7,697,655	\$ 6,959,194
Fiduciary net position	7,223,580	7,223,581	7,223,580
Net pension liability	\$ 1,333,043	\$ 474,074	\$ (264,386)



**SHACKELFORD COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 8: PENSION PLAN – CONTINUED**

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

At December 31, 2017, 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	\$	33,305	\$	23,010
Changes in actuarial assumptions		-		71,111
Net difference between projected and actual investment earnings		51,020		-
Contributions paid to TCDRS subsequent to the measurement date		-		229,719
<b>Total</b>	<b>\$</b>	<b>84,325</b>	<b>\$</b>	<b>323,840</b>

The \$71,111 changes in actuarial assumptions are the results of new Annuity Purchase Rates reflected for benefits earned after 2017 in the Schedule of Employer Contributions, included in the supplementary information to this report starting on page 47.

\$229,719 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, 2018. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions (\$9,796), which excludes contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2018	\$ 76,574
2019	67,606
2020	(51,620)
2021	(82,764)
2022	-
	<u>\$ 9,796</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, 2018**

**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.

Restricted Fund Balance: At September 30, 2018, the restricted fund balance is composed of the following:

Debt service	659,326
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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, 2018, 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, 2018, the following amounts of fund balance have been assigned:

Road and bridge operations	\$ 516,863
County Clerk records management	143,491
Courthouse security	71,688
District Clerk records management	10,912
Bureau of Vital Statistics	4,818
County Clerk archive	132,295
General records management	17,993
District Clerk archive	14,118
Court records preservation	9,410
District Clerk technology	384
Justice of the Peace technology	23,974
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, 2018**

*NOTE 11: SUBSEQUENT EVENT*

The County has evaluated subsequent events through November 25, 2019, the date which the financial statements were available for issue and found nothing of importance to disclose.



REQUIRED SUPPLEMENTARY INFORMATION



**SHACKELFORD COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGET AND ACTUAL COMPARISON – GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	2018		Variance from Final Budget
	Final Budget	Actual	
<b>REVENUES</b>			
Taxes	\$ 3,097,098	\$ 2,941,270	\$ (155,828)
Fines and fees	355,650	729,329	373,679
Intergovernmental	-	-	-
Investment earnings	12,000	70,494	58,494
Contributions and gifts	-	31,740	31,740
<b>Total revenues</b>	<b>3,464,748</b>	<b>3,772,833</b>	<b>308,085</b>
<b>EXPENDITURES</b>			
<b>Current:</b>			
General administrative	526,892	548,759	(21,867)
Judicial	539,188	486,448	52,740
Public safety	1,007,447	1,027,234	(19,787)
Agriculture extension service	86,802	34,503	52,299
Facilities	963,829	447,299	516,530
Non-departmental	50,099	38,120	11,979
Veteran's service office	-	-	-
Elections	33,054	23,850	9,204
<b>Debt service:</b>			
Principal	-	-	-
<b>Total expenditures</b>	<b>3,207,311</b>	<b>2,606,213</b>	<b>601,098</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>257,437</b>	<b>1,166,620</b>	<b>909,183</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	(854,321)	(854,321)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(854,321)</b>	<b>(854,321)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>257,437</b>	<b>312,299</b>	<b>54,862</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>5,434,976</b>	<b>5,434,976</b>	<b>-</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>-</b>	<b>(380,381)</b>	<b>(380,381)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR, AS RESTATED</b>	<b>5,434,976</b>	<b>5,054,595</b>	<b>(380,381)</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 5,692,413</b>	<b>\$ 5,366,894</b>	<b>\$ 54,862</b>

**SHACKELFORD COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGET AND ACTUAL COMPARISON – ROAD AND BRIDGE PRECINCT #1**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	2018		Variance from Final Budget
	Final Budget	Actual	
<b>REVENUES</b>			
Licenses and fees	\$ 140,100	\$ 70,160	\$ (69,940)
Miscellaneous	-	1,474	1,474
<b>Total revenues</b>	<b>140,100</b>	<b>71,848</b>	<b>(68,252)</b>
<b>EXPENDITURES</b>			
Current:			
Public transportation	170,033	138,781	31,252
Debt service:			
Principal	20,000	15,452	4,548
Interest and fiscal charges	-	5,095	(5,095)
<b>Total expenditures</b>	<b>190,033</b>	<b>159,328</b>	<b>30,705</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>(49,933)</b>	<b>(87,480)</b>	<b>(37,547)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	80,000	80,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>80,000</b>	<b>80,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(49,933)</b>	<b>(7,480)</b>	<b>42,453</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>56,728</b>	<b>56,728</b>	<b>-</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 6,795</b>	<b>\$ 49,248</b>	<b>\$ 42,453</b>



**SHACKELFORD COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGET AND ACTUAL COMPARISON – ROAD AND BRIDGE PRECINCT #2**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	2018		Variance from Final Budget
	Final Budget	Actual	
<b>REVENUES</b>			
Licenses and fees	\$ 135,000	\$ 64,076	\$ (70,924)
Investment earnings	-	183	183
Total revenues	135,000	64,259	(70,741)
<b>EXPENDITURES</b>			
Current:			
Public transportation	137,289	101,404	35,885
Debt service:			
Principal	20,000	14,980	5,020
Interest and fiscal charges	-	4,705	(4,705)
Total expenditures	157,289	121,089	36,200
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	(22,289)	(56,830)	(34,541)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	80,000	80,000
Total other financing sources (uses)	-	80,000	80,000
<b>NET CHANGE IN FUND BALANCES</b>	(22,289)	23,170	45,459
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	18,743	18,743	-
<b>FUND BALANCES AT END OF YEAR</b>	\$ (3,546)	\$ 41,913	\$ 45,459

**SHACKELFORD COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGET AND ACTUAL COMPARISON – ROAD AND BRIDGE PRECINCT #3**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	2018		Variance from Final Budget
	Final Budget	Actual	
<b>REVENUES</b>			
Licenses and fees	\$ 160,400	\$ 89,528	\$ (70,872)
Miscellaneous	-	11,742	11,742
Total revenues	160,400	101,545	(58,855)
<b>EXPENDITURES</b>			
Current:			
Public transportation	161,684	120,856	40,828
Debt service:			
Principal	22,200	17,668	4,532
Interest and fiscal charges	-	4,358	(4,358)
Total expenditures	183,884	142,882	41,002
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>(23,484)</b>	<b>(41,337)</b>	<b>(17,853)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	80,000	80,000
Total other financing sources (uses)	-	80,000	80,000
<b>NET CHANGE IN FUND BALANCES</b>	<b>(23,484)</b>	<b>38,663</b>	<b>62,147</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>281,140</b>	<b>281,140</b>	<b>-</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 257,656</b>	<b>\$ 319,803</b>	<b>\$ 62,147</b>

**SHACKELFORD COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGET AND ACTUAL COMPARISON – ROAD AND BRIDGE PRECINCT #4**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	2018		Variance from Final Budget
	Final Budget	Actual	
<b>REVENUES</b>			
Licenses and fees	\$ 162,500	\$ 93,907	\$ (68,593)
Miscellaneous	-	7,071	7,071
Total revenues	162,500	101,253	(61,247)
<b>EXPENDITURES</b>			
Current:			
Public transportation	237,865	201,650	36,215
Debt service:			
Principal	22,081	18,283	3,798
Interest and fiscal charges	-	3,798	(3,798)
Total expenditures	259,946	223,731	36,215
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES.</b>	(97,446)	(122,478)	(25,032)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	80,000	80,000
Total other financing sources (uses)	-	80,000	80,000
<b>NET CHANGE IN FUND BALANCES</b>	(97,446)	(42,478)	54,968
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	148,377	148,377	-
<b>FUND BALANCES AT END OF YEAR</b>	\$ 50,931	\$ 105,899	\$ 54,968

**SHACKELFORD COUNTY, TEXAS**  
**NOTES TO BUDGETARY SCHEDULES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

*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 ENDED SEPTEMBER 30**

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

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%

(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, 2018**

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

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

<b>Valuation Date</b>	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are
<b>Actuarial Cost Method</b>	Entry age
<b>Amortization Method</b>	Level percentage of payroll, closed
<b>Remaining Amortization Period</b>	12 years
<b>Asset Valuation Method</b>	5-year smoothed market
<b>Discount Rate</b>	8.10%
<b>Long-term expected Investment Rate of Return</b>	8.00%, net of administrative and investment expenses, including inflation
<b>Salary Increases</b>	Varies by age and service. 4.9% average over career, including inflation
<b>Retirement Age</b>	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at services retirement for recent retirees is 61.
<b>Mortality</b>	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
<b>Changes in Plan Provisions Reflected in the Schedule</b>	New mortality assumptions were reflected





**COMBINING STATEMENTS AS SUPPLEMENTARY INFORMATION**



**SHACKELFORD COUNTY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS' COMBINING BALANCE SHEET**  
**SEPTEMBER 30, 2018**

	County Clerk Records Management	Courthouse Security	District Clerk Records Management	BVS
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 109,538	\$ 57,854	\$ 9,091	\$ 4,304
Due from other funds	34,876	14,704	1,821	514
<b>Total assets</b>	<b>\$ 144,414</b>	<b>\$ 72,558</b>	<b>\$ 10,912</b>	<b>\$ 4,818</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 923	\$ 870	\$ -	\$ -
<b>Total liabilities</b>	<b>923</b>	<b>870</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>				
Assigned	143,491	71,688	10,912	4,818
<b>Total fund balance</b>	<b>143,491</b>	<b>71,688</b>	<b>10,912</b>	<b>4,818</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 144,414</b>	<b>\$ 72,558</b>	<b>\$ 10,912</b>	<b>\$ 4,818</b>

**SHACKELFORD COUNTY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS'**  
**NONMAJOR GOVERNMENTAL FUNDS' COMBINING BALANCE SHEET, Continued**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>County Clerk Archive</u>	<u>General Records Management</u>	<u>District Clerk Archive</u>	<u>Court Records Preservation</u>
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 75,615	\$ 11,435	\$ 3,411	\$ 5,888
Due from other funds	<u>56,680</u>	<u>6,558</u>	<u>10,707</u>	<u>3,522</u>
Total assets	<u>\$ 132,295</u>	<u>\$ 17,993</u>	<u>\$ 14,118</u>	<u>\$ 9,410</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
<b>FUND BALANCES</b>				
Assigned	<u>132,295</u>	<u>17,993</u>	<u>14,118</u>	<u>9,410</u>
Total fund balance	<u>132,295</u>	<u>17,993</u>	<u>14,118</u>	<u>9,410</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 132,295</u>	<u>\$ 17,993</u>	<u>\$ 14,118</u>	<u>\$ 9,410</u>

**SHACKELFORD COUNTY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS'**  
**NONMAJOR GOVERNMENTAL FUNDS' COMBINING BALANCE SHEET, Continued**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>District Clerk Technology</u>	<u>JP Technology</u>	<u>Sheriff Seizure</u>	<u>Sheriff Commissary</u>
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ -	\$ 14,959	\$ 8,002	\$ 20,185
Due from other funds	<u>384</u>	<u>9,015</u>	<u>159</u>	<u>-</u>
Total assets	<u>\$ 384</u>	<u>\$ 23,974</u>	<u>\$ 8,161</u>	<u>\$ 20,185</u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	-	-	-	-
<b>FUND BALANCES</b>				
Assigned	<u>384</u>	<u>23,974</u>	<u>8,161</u>	<u>20,185</u>
Total fund balance	<u>384</u>	<u>23,974</u>	<u>8,161</u>	<u>20,185</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 384</u>	<u>\$ 23,974</u>	<u>\$ 8,161</u>	<u>\$ 20,185</u>

**SHACKELFORD COUNTY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS'**  
**NONMAJOR GOVERNMENTAL FUNDS' COMBINING BALANCE SHEET, Continued**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Courthouse Restoration	Total Nonmajor Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 89,991	\$ 410,273	\$ -	\$ 410,273
Due from other funds	-	138,940	-	138,940
<b>Total assets</b>	<b>\$ 89,991</b>	<b>\$ 549,213</b>	<b>\$ -</b>	<b>\$ 549,213</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 89,991	\$ 91,784	\$ -	\$ 91,784
<b>Total liabilities</b>	<b>89,991</b>	<b>91,784</b>	<b>-</b>	<b>91,784</b>
<b>FUND BALANCES</b>				
Assigned	-	457,429	-	457,429
<b>Total fund balance</b>	<b>-</b>	<b>457,429</b>	<b>-</b>	<b>457,429</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 89,991</b>	<b>\$ 549,213</b>	<b>\$ -</b>	<b>\$ 549,213</b>

**SHACKELFORD COUNTY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS'**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	County Clerk Records Management	Courthouse Security	District Clerk Records Management	BVS
<b>REVENUES</b>				
Licenses and fees	\$ 8,990	\$ 2,622	\$ 995	\$ 100
Investment earnings	2,327	1,772	-	79
Gifts and contributions	-	-	-	-
<b>Total revenues</b>	<b>11,317</b>	<b>4,394</b>	<b>995</b>	<b>179</b>
<b>EXPENDITURES</b>				
General administrative	6,126	104,511	263	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>6,126</b>	<b>104,511</b>	<b>263</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>5,191</b>	<b>(100,117)</b>	<b>732</b>	<b>179</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in (out)	-	100,068	240	55
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>100,068</b>	<b>240</b>	<b>55</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>5,191</b>	<b>(49)</b>	<b>972</b>	<b>234</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>138,300</b>	<b>71,737</b>	<b>9,940</b>	<b>4,584</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 143,491</b>	<b>\$ 71,688</b>	<b>\$ 10,912</b>	<b>\$ 4,818</b>

**SHACKELFORD COUNTY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS'**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, Continued**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	County Clerk Archive	General Records Management	District Clerk Archive	Court Records Preservation
<b>REVENUES</b>				
Licenses and fees	\$ 32,773	\$ 1,101	\$ 9,454	\$ -
Investment earnings	-	-	21	59
Gifts and contributions	-	-	-	-
<b>Total revenues</b>	<b>32,773</b>	<b>1,101</b>	<b>9,475</b>	<b>59</b>
<b>EXPENDITURES</b>				
General administrative	681	79	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>681</b>	<b>79</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>32,092</b>	<b>1,022</b>	<b>9,475</b>	<b>59</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in (out)	7,080	763	390	530
<b>Total other financing sources (uses)</b>	<b>7,080</b>	<b>763</b>	<b>390</b>	<b>530</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>39,172</b>	<b>1,785</b>	<b>9,865</b>	<b>589</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>93,123</b>	<b>16,208</b>	<b>4,253</b>	<b>8,821</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 132,295</b>	<b>\$ 17,993</b>	<b>\$ 14,118</b>	<b>\$ 9,410</b>



**SHACKELFORD COUNTY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS'**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, Continued**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>District Clerk Technology</u>	<u>JP Technology</u>	<u>Sheriff Seizure</u>	<u>Sheriff Commissary</u>
<b>REVENUES</b>				
Licenses and fees	\$ -	\$ 1	\$ -	\$ -
Investment earnings	-	361	-	5,566
Gifts and contributions	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>362</b>	<b>-</b>	<b>5,566</b>
<b>EXPENDITURES</b>				
General administrative	-	3,388	3,542	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>3,388</b>	<b>3,542</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>(3,026)</b>	<b>(3,542)</b>	<b>5,566</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in (out)	-	1,951	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>1,951</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>(1,075)</b>	<b>(3,542)</b>	<b>5,566</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>384</b>	<b>25,049</b>	<b>11,703</b>	<b>14,619</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 384</b>	<b>\$ 23,974</b>	<b>\$ 8,161</b>	<b>\$ 20,185</b>

**SHACKELFORD COUNTY, TEXAS**  
**NONMAJOR GOVERNMENTAL FUNDS'**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, Continued**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Courthouse Restoration	Total Nonmajor Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Licenses and fees	\$ -	\$ 56,036	\$ -	\$ 56,036
Investment earnings	-	10,185	-	10,185
Gifts and contributions	25,000	25,000	-	25,000
<b>Total revenues</b>	<b>25,000</b>	<b>91,221</b>	<b>-</b>	<b>91,221</b>
<b>EXPENDITURES</b>				
General administrative		118,590	-	118,590
Capital outlay	1,225,000	1,225,000	-	1,225,000
<b>Total expenditures</b>	<b>1,225,000</b>	<b>1,343,590</b>	<b>-</b>	<b>1,343,590</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,200,000)</b>	<b>(1,252,369)</b>	<b>-</b>	<b>(1,252,369)</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in (out)	-	111,077	(100,004)	11,073
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>111,077</b>	<b>(100,004)</b>	<b>11,073</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,200,000)</b>	<b>(1,141,292)</b>	<b>(100,004)</b>	<b>(1,241,296)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>1,200,000</b>	<b>1,598,721</b>	<b>100,004</b>	<b>1,698,725</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ -</b>	<b>\$ 457,429</b>	<b>\$ -</b>	<b>\$ 457,429</b>

COMPLIANCE AND INTERNAL CONTROL SECTION





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Phone 325.268.1033

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, 2018 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 25, 2019

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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:***

- Internal control procedures surrounding credit cards—the County lacks some internal control procedures surrounding its use of County credit (and/or debit) cards. We recommend that receipts for all purchases on County cards are turned in with the related bills or statements to increase accountability for those card holders.
- Internal control procedures surrounding commissary accounts for inmates—the County lacks internal controls and review procedures for the "Jail account," where funds are deposited by inmates or their families for their commissary use. We recommend that the County identify, document, and implement internal control procedures that promote segregation of duties and review processes to ensure that funds in the account are accounted for in a fiduciary manner for the inmates.



- 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 City’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.

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. However, because the County prepares budgetary reports on a routine basis, presented to the Commissioner’s Court, as is common with smaller governmental entities. This adds a layer of accountability to those responsible for maintaining the accounting records. We do recommend that the City maintain all records in accordance with GAAP.

### **Purpose of this Report**

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

*Fullerton & Associates, PLLC*

Fullerton and Associates, PLLC  
Abilene, Texas

November 25, 2019

