



SCURRY COUNTY, TEXAS

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

December 31, 2020
(With Summarized Financial Information
as of and for the Year Ended December 31, 2019)

SCURRY COUNTY, TEXAS

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June 10, 2021

The Honorable County Judge and Commissioners
Comprising the Commissioner's Court of
Scurry County, Texas

INDEPENDENT AUDITORS' REPORT

**Qualified Opinions on Basic Financial Statements Prepared In Accordance
With A Comprehensive Basis of Accounting Other Than Generally Accepted Accounting
Principles Submitted Together with Combining and Individual Fund
Financial Statements and Required Supplementary Information**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Scurry County, Texas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Basis for Qualified Opinions

As discussed in Note 2, Scurry County, Texas prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The County declined to implement GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Specific reporting and disclosures related to postemployment benefits paid by the County are required by accounting principles generally accepted in the United States of America.

Opinions

In our opinion, except for the basis of the financial statements and omission of the information described in the Basis for Qualified Opinions paragraph, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Scurry County, Texas, as of December 31, 2020, and the respective changes in modified cash basis financial position and the cash flows where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 2.

Report on Summarized Comparative Information

We have previously audited the County's 2019 financial statements, and we expressed qualified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The report dated June 10, 2021, was qualified because management elected to prepare its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, and the County declined to implement GASB No. 74 and No. 75. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 4 through 13, budgetary comparison schedule – modified cash basis – general fund and budgetary comparison schedule – modified cash basis – road and bridge fund on pages 46 through 48, and schedule of changes in net pension liability and related ratios – pension plan and schedule of contributions – pension plan on pages 49 and 50, 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 the financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

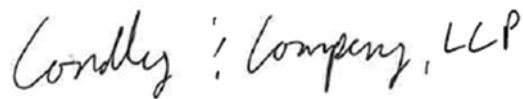
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Scurry County, Texas' basic financial statements. The other supplementary information (combining financial statements) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2021, on our consideration of Scurry County, Texas' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scurry County, Texas' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Condly & Company, LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplementary Information

SCURRY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2020

Our discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2020, within the limitations of the County's modified cash basis of accounting. Please read it in conjunction with the County's financial statements that begin on page 14.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34 as applicable to the County's modified cash basis of accounting.

Report Components

This annual report consists of five parts as follows:

Government-Wide Financial Statements

The statement of net position and the statement of activities (on pages 14 through 16) provide information about the activities of the County government-wide (or "as a whole") and present a longer term view of the County's finances.

Fund Financial Statements

Fund financial statements, (starting on page 17) focus on the individual parts of the County government. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant ("major") funds. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. For proprietary activities, these statements offer short-term and long-term financial information about the activities the County operates like businesses.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information

Management's discussion and analysis, the general fund, road and bridge fund, budgetary comparison schedule (starting on page 46) and pension related schedules (starting on page 49) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Other Supplementary Information

This part of the annual report (starting on page 51) includes optional financial information such as combining statements for nonmajor funds (which are added together and shown in the fund financial statements in a single column). This other supplemental financial information is provided to address certain specific needs of various users of the County's annual report.

Basis of Accounting

The County has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets, deferred outflows, liabilities, and deferred inflows. Under the County's modified cash basis of accounting, revenues and expenses and related assets, deferred outflows, liabilities, and deferred inflows are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets and long-term debt in the government-wide financial statements for all activities and in the fund financial statements

for proprietary fund activities, and certain assets and liabilities on an accrual basis.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and deferred inflows and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the County as a Whole

The County's Reporting Entity Presentation

This annual report includes all activities for which the County is fiscally responsible. These activities, defined as the County's reporting entity, are operated within separate legal entities that make up the primary government.

The Government-Wide Statement of Net Position and the Statement of Activities

Our financial analysis of the County as a whole begins on page 14. The government-wide financial statements are presented on pages 14 through 16. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all of the County's assets, deferred outflows, liabilities, and deferred inflows resulting from the use of the modified cash basis of accounting.

These two statements report the County's net positions and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the County's net position - the difference between assets plus deferred outflows and liabilities plus deferred inflows - as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's sales tax base and the condition of the County's capital assets, to assess the overall health of the County.

In the statement of net position and the statement of activities, we divide the County into two kinds of activities:

Governmental activities. Most of the County's basic services are reported here, including the sheriff, general administration, streets, parks, and senior citizens. Property and sales taxes, charges for services, fines, and state and federal grants finance the majority of these activities.

Business-type activities. The County charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Hermleigh Water Works, Scurry County Emergency Medical Services, Scurry County Golf Course, and Scurry County Airport funds are reported here.

Reporting the County's Most Significant Funds

The Fund Financial Statements

The fund financial statements begin on page 17 and provide detailed information about the most significant funds of the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's three kinds of funds – governmental, proprietary, and fiduciary use different accounting approaches.

Governmental funds - Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the

near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliations on pages 18 and 20. The County considers the general fund, the road and bridge fund, and the law enforcement debt service funds to be its significant or major governmental funds. All other governmental funds are aggregated in a single column entitled other nonmajor governmental funds.

Proprietary funds - When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the County's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information, such as cash flows. The County has four enterprise funds - Hermligh water works, Scurry County emergency medical services, Scurry County golf course, and Scurry County Airport.

Fiduciary Funds – These funds are used to account for assets that are held in a trustee or fiduciary capacity of the County such as pension plan assets, assets held per trust agreements, and similar arrangements.

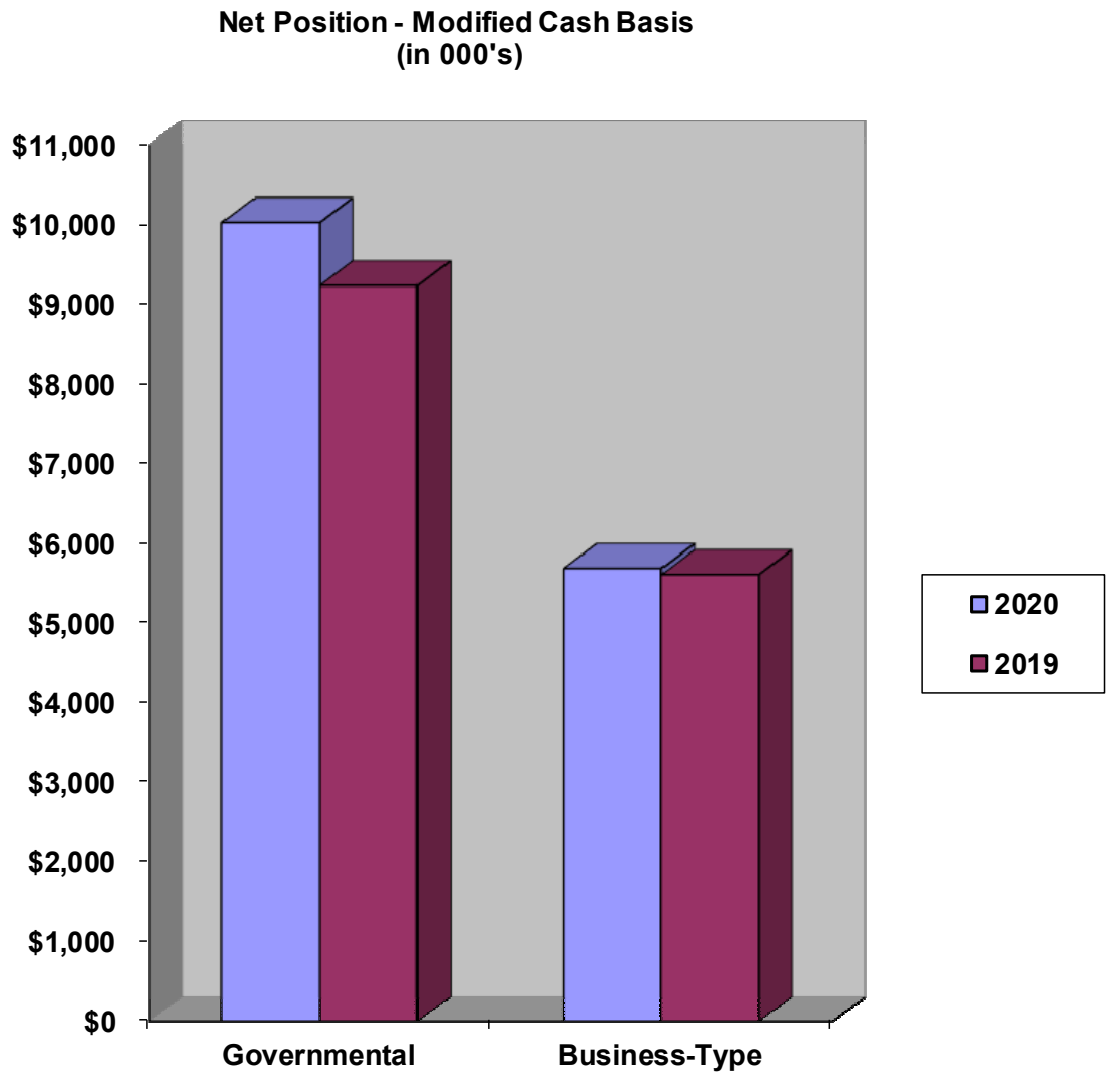
FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Total Assets

The County's combined total assets and deferred outflows of resources amounted to \$39,394,504 and \$42,394,169 for the years ended December 31, 2020 and 2019, respectively. Total liabilities and deferred inflows amounted to \$23,678,679 and \$27,540,449 for the years ended December 31, 2020 and 2019, respectively.

Net Position - Modified Cash Basis

The County's combined net position, resulting from modified cash basis transactions, increased from \$14,853,720 to \$15,715,825 between fiscal years 2019 and 2020.



Changes in Net Position - Modified Cash Basis

For the year ended December 31, 2020, net position of the primary government (resulting from modified cash basis transactions) changed as follows:

| | <u>Governmental</u> | <u>Business-Type</u> | <u>Total</u> |
|-------------------------------------|---------------------|----------------------|-------------------|
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 2,237,161 | \$ 2,436,957 | \$ 4,674,118 |
| Operating grants and contributions | 974,640 | 135,270 | 1,109,910 |
| General revenues: | | | |
| Property taxes | 11,196,992 | 1,533,540 | 12,730,532 |
| Tax collector fees | 451,810 | | 451,810 |
| Sales and use taxes | 2,238,107 | | 2,238,107 |
| Mixed drink tax | 17,854 | | 17,854 |
| Loss on sale of assets | (285,862) | (5,037) | (290,899) |
| Investment earnings | 117,392 | | 117,392 |
| Miscellaneous | 185,303 | 168,830 | 354,133 |
| Total revenues | <u>17,133,397</u> | <u>4,269,560</u> | <u>21,402,957</u> |
| Expenses: | | | |
| General government | 3,046,265 | | 3,046,265 |
| Health and welfare | 1,440,740 | | 1,440,740 |
| Judicial and legal | 3,178,043 | | 3,178,043 |
| Public safety | 4,333,148 | | 4,333,148 |
| Public facilities | 458,046 | | 458,046 |
| Culture and recreation | 942,216 | | 942,216 |
| Road maintenance | 2,629,138 | | 2,629,138 |
| Interest on long-term debt | 322,663 | | 322,663 |
| Water, golf course and EMS services | | 4,190,593 | 4,190,593 |
| Total expenses | <u>16,350,259</u> | <u>4,190,593</u> | <u>20,540,852</u> |
| Increase in net position | <u>\$ 783,138</u> | <u>\$ 78,967</u> | <u>\$ 862,105</u> |

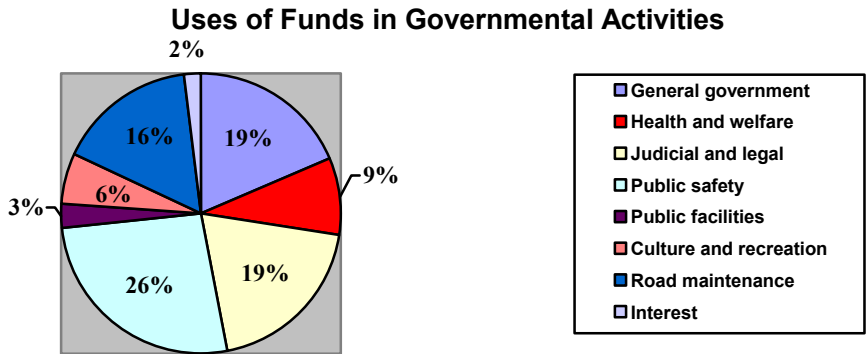
For the year ended December 31, 2019, net position of the primary government (resulting from modified cash basis transactions) changed as follows:

| | <u>Governmental</u> | <u>Business-Type</u> | <u>Total</u> |
|-------------------------------------|---------------------|----------------------|---------------------|
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 3,051,066 | \$ 2,813,755 | \$ 5,864,821 |
| Operating grants and contributions | 1,089,694 | 65,812 | 1,155,506 |
| General revenues: | | | |
| Property taxes | 10,159,054 | 1,312,305 | 11,471,359 |
| Tax collector fees | 562,301 | | 562,301 |
| Sales and use taxes | 2,484,898 | | 2,484,898 |
| Mixed drink tax | 32,821 | | 32,821 |
| Gain on sale of assets | 6,070 | 838 | 6,908 |
| Investment earnings | 305,108 | | 305,108 |
| Miscellaneous | <u>326,568</u> | <u>132,058</u> | <u>458,626</u> |
| Total revenues | <u>18,017,580</u> | <u>4,324,768</u> | <u>22,342,348</u> |
| Expenses: | | | |
| General government | 3,807,755 | | 3,807,755 |
| Health and welfare | 1,747,337 | | 1,747,337 |
| Judicial and legal | 3,515,873 | | 3,515,873 |
| Public safety | 4,749,271 | | 4,749,271 |
| Public facilities | 640,873 | | 640,873 |
| Culture and recreation | 1,130,842 | | 1,130,842 |
| Road maintenance | 2,928,445 | | 2,928,445 |
| Interest on long-term debt | 359,548 | | 359,548 |
| Water, golf course and EMS services | | <u>4,273,700</u> | <u>4,273,700</u> |
| Total expenses | <u>18,879,944</u> | <u>4,273,700</u> | <u>23,153,644</u> |
| Increase (decrease) in net position | <u>\$ (862,364)</u> | <u>\$ 51,068</u> | <u>\$ (811,296)</u> |

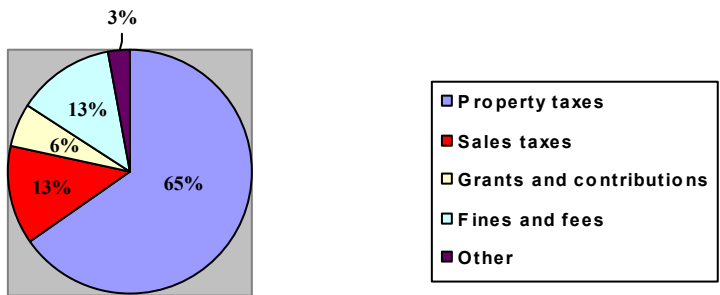
Governmental Activities

To aid in the understanding of the statement of activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical statement of revenues, expenses, and changes in fund balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a net (expense)/revenue. This type of format highlights the relative financial burden of each of the functions on the County's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

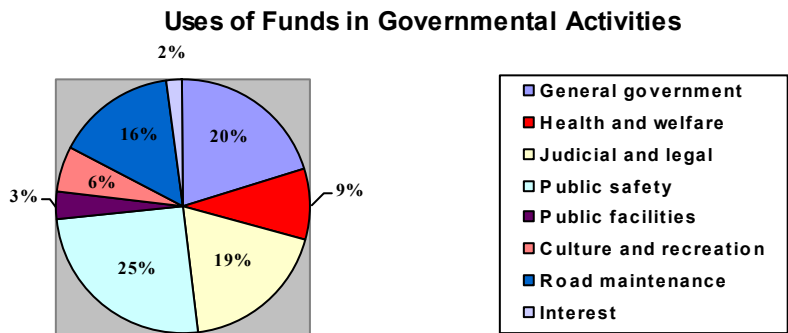
For the year ended December 31, 2020, the County's governmental activities were funded as follows:



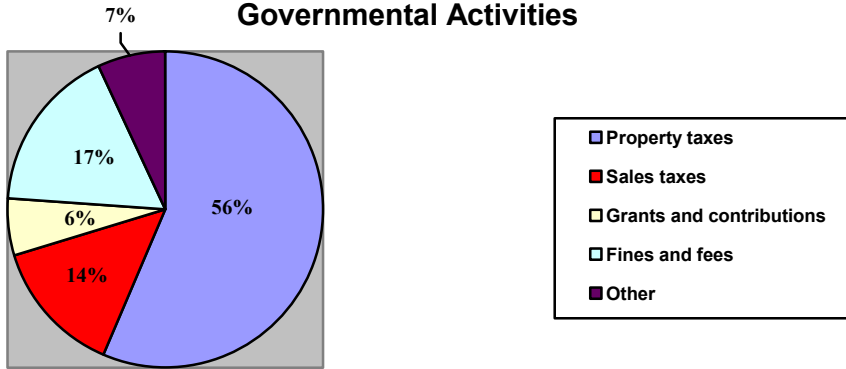
Sources of Funds for Governmental Activities



For the year ended December 31, 2019, the County's governmental activities were funded as follows:



Sources of Funds for Governmental Activities



Total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$16,350,259 and \$18,879,944 for the years ended December 31, 2020 and 2019, respectively. Of these total expenses, taxpayers and other general revenues funded \$13,138,458 and \$14,739,184 for the years ended December 31, 2020 and 2019, respectively. While those directly benefiting from the program funded \$974,640 and \$1,089,694 from grants and other contributions; \$2,237,161 and \$3,051,066 was provided from charges for services for the years ended December 31, 2020 and 2019, respectively.

Business-Type Activities

In reviewing the business-type activities' net (expense)/revenue resulting from modified cash basis transactions, there are certain activities that need to be examined more closely.

The Scurry County Golf Course reported a change in net position of \$4,069 and \$23,502 for the years ended December 31, 2020 and 2019, respectively. Scurry County Golf Course received non-operating income of \$249,552 in 2020 and \$260,939 in 2019, and reported a net operating loss of \$245,483 and \$237,437 for the years ended December 31, 2020 and 2019, respectively.

The Hermleigh Water Works fund reported a change in net position of (\$86,948) and (\$52,289) for the years ended December 31, 2020 and 2019, respectively. Hermleigh Water Works received non-operating income of \$1,211 in 2020 and \$2,985 in 2019, and reported net operating loss of (\$88,159) and (\$55,274) for the years ended December 31, 2020 and 2019, respectively.

The Scurry County Emergency Medical Service (E.M.S.) reported a change in net position of \$51,874 and \$31,263 for the years ended December 31, 2020 and 2019, respectively. Scurry County E.M.S. received non-operating income of \$1,009,124 in 2020 and \$729,740 in 2019. Scurry County E.M.S. reported a net operating loss of \$957,250 and \$698,477 for the years ended December 31, 2020 and 2019, respectively.

The Scurry County Airport, reported a change in net position of \$109,972 and \$48,592 for the years ended December 31, 2020 and 2019, respectively. Scurry County Airport received non-operating income of \$572,716 in 2020 and \$517,349 in 2019. Scurry County Airport reported a net operating loss of \$462,744 and \$468,757 for the years ended December 31, 2020 and 2019, respectively.

A FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Financial Highlights

- The County's total revenues (including transfers) exceeded total expenses, on the modified cash basis of accounting, by \$862,105 for the year. Total revenue decreased by \$939,391 from 2019 to 2020 and total expenditures decreased by \$2,612,792 which is mainly attributable to capital outlay, renovation projects, and the net pension adjustment for 2020.
- The County's general fund ended the year with a fund balance of \$964,750, which represents 7.50% of recurring revenue of the Fund.

General Fund Budgetary Highlights

Over the course of the year, the County revised the general fund budget at various times. The final adjusted budget, however, was consistent with the prior year budget. For the year ended December 31, 2020, general fund expenditures were \$1,598,156 less than final appropriations, while actual resources available for appropriation (excluding any change in beginning budgetary fund balance) were \$1,716,387 less than the final budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets-Modified Cash Basis

The County had \$21,790,649 and \$22,826,770 in capital assets, net of depreciation at December 31, 2020 and 2019, respectively (see table below).

Primary Government Capital Assets-Modified Cash Basis (Net of accumulated depreciation)

| | Governmental Activities 2020 | Business- Type Activities 2020 | Totals 2020 | Summarized Totals 2019 |
|-------------------------------|------------------------------------|---|----------------------|------------------------------|
| Land | \$ 198,944 | \$ 180,899 | \$ 379,843 | \$ 814,206 |
| Buildings and improvements | 15,913,499 | 2,062,243 | 17,975,742 | 18,978,743 |
| Equipment and vehicles | 2,704,542 | 497,017 | 3,201,559 | 2,723,695 |
| Furniture and fixtures | 171,201 | - | 171,201 | 182,501 |
| Software | 62,304 | - | 62,304 | 127,625 |
| Total | \$ 19,050,490 | \$ 2,740,159 | \$ 21,790,649 | \$ 22,826,770 |

See Note 5 in the notes to the financial statements for additional information.

Long-Term Debt - Modified Cash Basis

Debt related to governmental activities totaled \$13,094,108 and \$13,064,318 as of December 31, 2020 and 2019, respectively (see table below).

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|----------------------|----------------------|
| Certificates of obligation | \$ 11,390,000 | \$ 12,005,000 |
| Premium on certificates of obligation | 331,670 | 193,423 |
| Capital lease obligations | <u>1,372,438</u> | <u>865,895</u> |
| Total | <u>\$ 13,094,108</u> | <u>\$ 13,064,318</u> |

See Note 6 in the notes to the financial statements for additional information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the upcoming fiscal year ending December 31, 2020, the County's budget is fairly consistent with this year. It is anticipated that the current oil field related activities will continue to deteriorate in the local economy at least for the short term.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, 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 Auditor's office at 325-573-7121.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

Basic Financial Statements

SCURRY COUNTY, TEXAS

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

December 31, 2020

(With Summarized Financial Information as of December 31, 2019)

| | Primary Government | | | 2019 Summarized Data |
|---|----------------------------|-----------------------------|----------------------|----------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS: | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 11,271,067 | \$ 2,750,023 | \$ 14,021,090 | \$ 15,049,532 |
| Accounts receivable, net | 2,640 | 222,463 | 225,103 | 242,520 |
| Restricted Assets: | | | | |
| Cash and cash equivalents | 428,918 | | 428,918 | 402,839 |
| Capital Assets: | | | | |
| Land | 198,944 | 180,899 | 379,843 | 814,206 |
| Buildings and improvements | 23,605,441 | 4,862,271 | 28,467,712 | 28,337,499 |
| Infrastructure | 4,817,484 | | 4,817,484 | 4,817,484 |
| Equipment | 10,157,787 | 2,076,112 | 12,233,899 | 12,052,148 |
| Furniture and fixtures | 627,150 | 23,283 | 650,433 | 665,061 |
| Motor vehicles | 1,785,511 | 463,175 | 2,248,686 | 2,070,769 |
| Equipment held under capital lease | 2,197,196 | 161,452 | 2,358,648 | 1,735,518 |
| Software | 829,530 | | 829,530 | 829,530 |
| Less accumulated depreciation | <u>(25,168,553)</u> | <u>(5,027,033)</u> | <u>(30,195,586)</u> | <u>(28,495,445)</u> |
| TOTAL ASSETS | <u>30,753,115</u> | <u>5,712,645</u> | <u>36,465,760</u> | <u>38,521,661</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | |
| Deferred outflows of resources related to pensions | <u>2,928,744</u> | | <u>2,928,744</u> | <u>3,872,508</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>2,928,744</u> | <u>-</u> | <u>2,928,744</u> | <u>3,872,508</u> |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| Deposits | 21,906 | 16,828 | 38,734 | 38,222 |
| Other liabilities | 83,098 | 3,515 | 86,613 | 72,118 |
| Accrued interest payable | 116,307 | | 116,307 | 146,961 |
| Unearned revenue | 120,000 | | 120,000 | - |
| Certificates of obligation payable | 670,000 | | 670,000 | 620,000 |
| Capital lease obligation - current | 102,328 | | 102,328 | 61,305 |
| Noncurrent Liabilities: | | | | |
| Certificates of obligation payable - net of premium | 11,051,670 | | 11,051,670 | 11,578,423 |
| Capital lease obligation | 1,270,110 | | 1,270,110 | 804,590 |
| Net pension liability | <u>349,804</u> | | <u>349,804</u> | <u>4,725,390</u> |
| TOTAL LIABILITIES | <u>13,785,223</u> | <u>20,343</u> | <u>13,805,566</u> | <u>18,047,009</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| Unavailable revenue - property taxes | 6,671,344 | | 6,671,344 | 8,235,314 |
| Deferred inflows of resources related to pensions | <u>3,201,769</u> | | <u>3,201,769</u> | <u>1,258,126</u> |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>9,873,113</u> | <u>-</u> | <u>9,873,113</u> | <u>9,493,440</u> |
| NET POSITION: | | | | |
| Net investment in capital assets | 5,956,382 | 2,740,159 | 8,696,541 | 9,782,452 |
| Restricted for: | | | | |
| Debt service | 428,918 | | 428,918 | 405,229 |
| Unrestricted | <u>3,638,223</u> | <u>2,952,143</u> | <u>6,590,366</u> | <u>4,686,039</u> |
| TOTAL NET POSITION | <u>\$ 10,023,523</u> | <u>\$ 5,692,302</u> | <u>\$ 15,715,825</u> | <u>\$ 14,853,720</u> |

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

SCURRY COUNTY, TEXAS

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended December 31, 2020
(With Summarized Financial Information for the Year Ended December 31, 2019)

| | | <u>Program Revenues</u> | |
|--|----------------------|---------------------------------|---|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> |
| Function/Program Activities | | | |
| Primary Government: | | | |
| Governmental Activities: | | | |
| General government | \$ 3,046,265 | \$ 424,316 | \$ 80,527 |
| Health and welfare | 1,440,740 | 22,724 | 76,117 |
| Judicial and legal | 3,178,043 | 547,685 | 793,908 |
| Public safety | 4,333,148 | 616,926 | 2,741 |
| Public facilities | 458,046 | 2,800 | |
| Culture and recreation | 942,216 | 40 | |
| Road maintenance | 2,629,138 | 622,670 | 21,347 |
| Interest on long-term debt | 322,663 | | |
| | <u>16,350,259</u> | <u>2,237,161</u> | <u>974,640</u> |
| Total governmental activities | | | |
| Business-type Activities: | | | |
| Golf course, water, EMS services and airport | | 2,436,957 | 135,270 |
| Depreciation expense | 414,874 | | |
| Operating expense | 3,775,719 | | |
| | <u>4,190,593</u> | <u>2,436,957</u> | <u>135,270</u> |
| Total business-type activities | | | |
| Total primary government | <u>\$ 20,540,852</u> | <u>\$ 4,674,118</u> | <u>\$ 1,109,910</u> |

General Revenues and Transfers:

Taxes:

Property taxes, levied for general purposes,
golf course, airport, and EMS services

Tax collector fees

Sales and use taxes

Mixed drink tax

Gain (loss) on sale of assets

Investment earnings

Miscellaneous

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

| Net (Expense) Revenues and Changes in Net Position | | | |
|---|-----------------------------|----------------------|----------------------------|
| Primary Government | | | 2019 Summarized Data |
| Governmental Activities | Business-type Activities | Total | |
| \$ (2,541,422) | \$ | \$ (2,541,422) | \$ (3,300,506) |
| (1,341,899) | | (1,341,899) | (1,700,722) |
| (1,836,450) | | (1,836,450) | (1,863,807) |
| (3,713,481) | | (3,713,481) | (4,035,953) |
| (455,246) | | (455,246) | (567,445) |
| (942,176) | | (942,176) | (1,129,842) |
| (1,985,121) | | (1,985,121) | (1,781,361) |
| <u>(322,663)</u> | | <u>(322,663)</u> | <u>(359,548)</u> |
| <u>(13,138,458)</u> | <u>-</u> | <u>(13,138,458)</u> | <u>(14,739,184)</u> |
| | 2,572,227 | 2,572,227 | 2,879,567 |
| | (414,874) | (414,874) | (416,879) |
| | <u>(3,775,719)</u> | <u>(3,775,719)</u> | <u>(3,856,821)</u> |
| <u>-</u> | <u>(1,618,366)</u> | <u>(1,618,366)</u> | <u>(1,394,133)</u> |
| <u>(13,138,458)</u> | <u>(1,618,366)</u> | <u>(14,756,824)</u> | <u>(16,133,317)</u> |
| 11,196,992 | 1,533,540 | 12,730,532 | 11,471,359 |
| 451,810 | | 451,810 | 562,301 |
| 2,238,107 | | 2,238,107 | 2,484,898 |
| 17,854 | | 17,854 | 32,821 |
| (285,862) | (5,037) | (290,899) | 6,908 |
| 117,392 | | 117,392 | 305,108 |
| <u>185,303</u> | <u>168,830</u> | <u>354,133</u> | <u>458,626</u> |
| <u>13,921,596</u> | <u>1,697,333</u> | <u>15,618,929</u> | <u>15,322,021</u> |
| 783,138 | 78,967 | 862,105 | (811,296) |
| <u>9,240,385</u> | <u>5,613,335</u> | <u>14,853,720</u> | <u>15,665,016</u> |
| <u>\$ 10,023,523</u> | <u>\$ 5,692,302</u> | <u>\$ 15,715,825</u> | <u>\$ 14,853,720</u> |

FUND FINANCIAL STATEMENTS

Basic Financial Statements

SCURRY COUNTY, TEXAS

BALANCE SHEET- MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

December 31, 2020
(With Summarized Financial Information as of December 31, 2019)

| | <u>General</u> | <u>Road and Bridge</u> | <u>Other Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> | <u>2019 Summarized Data</u> |
|--|-------------------------|----------------------------|--|---|-------------------------------------|
| <u>ASSETS</u> | | | | | |
| Cash and cash equivalents | \$ 7,677,700 | \$ 2,110,504 | \$ 1,482,863 | \$ 11,271,067 | \$ 12,558,370 |
| Restricted cash and cash equivalents | | | 428,918 | 428,918 | 402,839 |
| Accounts receivable | 419 | | 2,221 | 2,640 | 5,189 |
| Total Assets | <u>\$ 7,678,119</u> | <u>\$ 2,110,504</u> | <u>\$ 1,914,002</u> | <u>\$ 11,702,625</u> | <u>\$ 12,966,398</u> |
| <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u> | | | | | |
| Liabilities: | | | | | |
| Deposits | \$ 21,906 | | | \$ 21,906 | \$ 22,176 |
| Unearned revenue | | | 120,000 | 120,000 | - |
| Other liabilities | 20,119 | | 62,979 | 83,098 | 71,404 |
| Total Liabilities | <u>42,025</u> | <u>-</u> | <u>182,979</u> | <u>225,004</u> | <u>93,580</u> |
| Deferred Inflows of Resources: | | | | | |
| Unavailable revenue - property taxes | 6,671,344 | | | 6,671,344 | 8,235,314 |
| Total Deferred Inflows of Resources | <u>6,671,344</u> | <u>-</u> | <u>-</u> | <u>6,671,344</u> | <u>8,235,314</u> |
| Fund balances: | | | | | |
| Restricted | | 2,110,504 | 1,291,777 | 3,402,281 | 3,109,368 |
| Committed | 10,000 | | 25,091 | 35,091 | 35,091 |
| Assigned | | | 414,155 | 414,155 | 419,964 |
| Unassigned | 954,750 | | | 954,750 | 1,073,081 |
| Total Fund Balance | <u>964,750</u> | <u>2,110,504</u> | <u>1,731,023</u> | <u>4,806,277</u> | <u>4,637,504</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 7,678,119</u> | <u>\$ 2,110,504</u> | <u>\$ 1,914,002</u> | <u>\$ 11,702,625</u> | <u>\$ 12,966,398</u> |

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

SCURRY COUNTY, TEXAS

RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS
TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS

December 31, 2020

| | | |
|--|----|-----------|
| Fund Balances - Total Governmental funds | \$ | 4,806,277 |
|--|----|-----------|

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

| | | |
|-------------------------------|---------------------|------------|
| Governmental capital assets | \$ 44,219,043 | |
| Less accumulated depreciation | <u>(25,168,553)</u> | 19,050,490 |

| | |
|---|-----------|
| Deferred outflows of resources related to pensions which is not reported in the governmental funds. | 2,928,744 |
|---|-----------|

Long-term liabilities, including certificates of obligation are not due and payable in the current period and therefore are not reported in the governmental funds.

| | | |
|----------------------------|--------------------|--------------|
| Accrued interest payable | (116,307) | |
| Certificates of obligation | (11,721,670) | |
| Capital leases | <u>(1,372,438)</u> | (13,210,415) |

| | |
|--|-----------|
| Net pension liability which is not reported in the governmental funds. | (349,804) |
|--|-----------|

| | |
|--|--------------------|
| Deferred inflows of resources related to pensions which is not reported in the governmental funds. | <u>(3,201,769)</u> |
|--|--------------------|

| | | |
|---------------------------------------|----|--------------------------|
| Net assets of governmental activities | \$ | <u><u>10,023,523</u></u> |
|---------------------------------------|----|--------------------------|

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

SCURRY COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2020
(With Summarized Financial Information for the Year Ended December 31, 2019)

| | General Fund | Road and Bridge | Other Nonmajor Governmental Funds | Total Governmental Funds | 2019 Summarized Data |
|---|-------------------|---------------------|---|--------------------------------|----------------------------|
| REVENUES: | | | | | |
| Taxes | \$ 10,620,075 | \$ 1,828,703 | \$ 1,004,175 | \$ 13,452,953 | \$ 12,676,773 |
| Motor vehicle registration | | 622,670 | | 622,670 | 639,237 |
| State and federal grants | 220,069 | 21,347 | 733,224 | 974,640 | 1,089,692 |
| Fines and fees | 1,545,728 | | 255,623 | 1,801,351 | 2,393,469 |
| Interest | 93,037 | 19,995 | 4,360 | 117,392 | 305,108 |
| Other | 378,561 | 2,505 | 69,187 | 450,253 | 907,231 |
| Total Revenues | 12,857,470 | 2,495,220 | 2,066,569 | 17,419,259 | 18,011,510 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 3,650,674 | | 25,715 | 3,676,389 | 3,174,576 |
| Health and welfare | 1,499,591 | | 47,064 | 1,546,655 | 1,535,604 |
| Judicial and legal | 2,544,220 | | 940,664 | 3,484,884 | 3,134,676 |
| Public safety | 3,979,121 | | 899 | 3,980,020 | 3,980,274 |
| Public facilities | 402,633 | | 1,635 | 404,268 | 493,334 |
| Culture and recreation | 919,060 | | | 919,060 | 905,559 |
| Road maintenance | | 2,878,561 | | 2,878,561 | 3,078,192 |
| Debt Service: | | | | | |
| Principal retired | | | 9,990,000 | 9,990,000 | 605,000 |
| Interest | | | 355,871 | 355,871 | 392,000 |
| Certificates of obligation administration expense | | | 7,928 | 7,928 | 2,390 |
| Total Expenditures | 12,995,299 | 2,878,561 | 11,369,776 | 27,243,636 | 17,301,605 |
| Excess (Deficit) Revenues Over Expenditures | (137,829) | (383,341) | (9,303,207) | (9,824,377) | 709,905 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Capital lease proceeds | | 623,150 | | 623,150 | 926,750 |
| Proceeds from certificates of obligation | | | 9,370,000 | 9,370,000 | - |
| Transfers in (out) | 19,498 | | (19,498) | - | - |
| Total Other Financing Sources (Uses) | 19,498 | 623,150 | 9,350,502 | 9,993,150 | 926,750 |
| Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Financing Uses | (118,331) | 239,809 | 47,295 | 168,773 | 1,636,655 |
| Fund Balance, Beginning of Year | 1,083,081 | 1,870,695 | 1,683,728 | 4,637,504 | 3,000,849 |
| Fund Balance, End of Year | \$ 964,750 | \$ 2,110,504 | \$ 1,731,023 | \$ 4,806,277 | \$ 4,637,504 |

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

SCURRY COUNTY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended December 31, 2020

Net change in fund balances - total governmental funds \$ 168,773

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate these expenditures over their estimated useful lives.

| | | |
|-------------------------------------|--------------------|-------------|
| Capital asset purchases capitalized | \$ 560,622 | |
| Depreciation expense | <u>(1,620,564)</u> | (1,059,942) |

Long-term liability proceeds provide current financial resources to governmental funds, but increases long-term liabilities in the statement of net position. Repayment of notes or bond principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position. Bond discounts and premiums are amortized over the life of the bond for the statement of activities and expensed in the fund statements. Bond issuance costs are expensed in the year the bonds are issued.

| | | |
|-------------------------------------|--|------------------|
| Principal payments on bonds payable | | 9,990,000 |
| Bond premium | | 35,253 |
| Bond issuance costs | | <u>(275,462)</u> |

Capital leases provide current financial resources to governmental funds, but the debt increases long-term liabilities in the statement of net position. Repayment of the leases is an expenditure in the governmental funds, but the repayment reduces the liability in the statement of net position.

| | | |
|--------------------|--|-----------------|
| Principal payments | | 61,545 |
| Interest expense | | <u>(32,699)</u> |

Loss on sale of fixed assets recognized on government-wide but not recognized in the fund statements. (285,862)

The change in net pension liability and the related deferred outflows and inflows of resources reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as an expenditure in the governmental funds. 1,488,179

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | | |
|--------------------------------------|--|---------------|
| Decrease in accrued interest payable | | <u>63,353</u> |
|--------------------------------------|--|---------------|

Change in net assets of governmental activities \$ 10,153,138

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

SCURRY COUNTY, TEXAS

STATEMENT OF NET POSITION - MODIFIED
CASH BASIS - PROPRIETARY FUNDS

| | | | | | Business-type Activities Enterprise Funds | |
|----------------------------------|-------------------------|--------------------------|--------------------|---------------------|--|--|
| | | | | | December 31, | |
| | Scurry County E.M.S. | Scurry County Airport | Non-Major | 2020 Total | 2019 Summarized Data | |
| ASSETS: | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 1,686,010 | \$ 802,353 | \$ 261,660 | \$ 2,750,023 | \$ 2,491,162 | |
| Accounts receivable | <u>220,733</u> | <u>287</u> | <u>1,443</u> | <u>222,463</u> | <u>237,331</u> | |
| Total Current Assets | <u>1,906,743</u> | <u>802,640</u> | <u>263,103</u> | <u>2,972,486</u> | <u>2,728,493</u> | |
| Noncurrent: | | | | | | |
| Capital assets: | | | | | | |
| Property, plant and equipment | 2,162,191 | 3,669,750 | 1,935,251 | 7,767,192 | 7,607,964 | |
| Less: accumulated depreciation | <u>(1,458,425)</u> | <u>(2,300,204)</u> | <u>(1,268,404)</u> | <u>(5,027,033)</u> | <u>(4,706,362)</u> | |
| Total Noncurrent Assets | <u>703,766</u> | <u>1,369,546</u> | <u>666,847</u> | <u>2,740,159</u> | <u>2,901,602</u> | |
| TOTAL ASSETS | <u>2,610,509</u> | <u>2,172,186</u> | <u>929,950</u> | <u>5,712,645</u> | <u>5,630,095</u> | |
| LIABILITIES: | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | | | 3,515 | 3,515 | 714 | |
| Customer deposits | | | <u>16,828</u> | <u>16,828</u> | <u>16,046</u> | |
| Total Current Liabilities | <u>-</u> | <u>-</u> | <u>20,343</u> | <u>20,343</u> | <u>16,760</u> | |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>20,343</u> | <u>20,343</u> | <u>16,760</u> | |
| NET POSITION: | | | | | | |
| Net investment in capital assets | 703,766 | 1,369,546 | 666,847 | 2,740,159 | 2,901,602 | |
| Unrestricted | <u>1,906,743</u> | <u>802,640</u> | <u>242,760</u> | <u>2,952,143</u> | <u>2,711,733</u> | |
| TOTAL NET POSITION | <u>\$ 2,610,509</u> | <u>\$ 2,172,186</u> | <u>\$ 909,607</u> | <u>\$ 5,692,302</u> | <u>\$ 5,613,335</u> | |

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

SCURRY COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
MODIFIED CASH BASIS - PROPRIETARY FUNDS

| | Business-type Activities Enterprise Funds | | | | |
|---|--|--------------------------|-------------------|---------------------|----------------------------|
| | <u>For the Year Ended December 31,</u> | | | | |
| | Scurry County E.M.S. | Scurry County Airport | Non-Major | 2020 Total | 2019 Summarized Data |
| OPERATING REVENUES: | | | | | |
| Service revenue | \$ 2,181,236 | \$ 51,122 | \$ 75,685 | \$ 2,308,043 | \$ 2,620,925 |
| Fees | | | 65,089 | 65,089 | 129,245 |
| Cart shed rentals | | | 18,522 | 18,522 | 18,457 |
| Membership dues | | | 45,303 | 45,303 | 45,128 |
| Total Operating Revenues | <u>2,181,236</u> | <u>51,122</u> | <u>204,599</u> | <u>2,436,957</u> | <u>2,813,755</u> |
| OPERATING EXPENSES: | | | | | |
| Wages and salaries | 1,162,955 | 176,647 | 103,889 | 1,443,491 | 1,268,702 |
| Payroll taxes | 106,185 | 16,612 | 7,563 | 130,360 | 113,583 |
| Employee benefits | 117,002 | 16,485 | 10,102 | 143,589 | 109,866 |
| Depreciation expense | 180,180 | 167,271 | 67,423 | 414,874 | 416,879 |
| Contract labor | 17,325 | | | 17,325 | 26,022 |
| Utilities | 4,200 | 12,633 | 16,470 | 33,303 | 64,310 |
| Supplies | 85,715 | 5,044 | 57,930 | 148,689 | 111,849 |
| Repairs | 85,992 | 23,808 | 39,053 | 148,853 | 147,149 |
| Fuel | 958 | 1,899 | 5,939 | 8,796 | 52,698 |
| Medical insurance | 269,993 | 49,723 | 49,508 | 369,224 | 293,544 |
| Professional services | 100,301 | | 144,000 | 244,301 | 259,991 |
| Bad debt expense | 977,934 | | | 977,934 | 1,289,657 |
| Other | 29,746 | 43,744 | 36,364 | 109,854 | 119,450 |
| Total Operating Expenses | <u>3,138,486</u> | <u>513,866</u> | <u>538,241</u> | <u>4,190,593</u> | <u>4,273,700</u> |
| Operating Loss | <u>(957,250)</u> | <u>(462,744)</u> | <u>(333,642)</u> | <u>(1,753,636)</u> | <u>(1,459,945)</u> |
| NON-OPERATING REVENUES (EXPENSES): | | | | | |
| Ad valorem taxes | 842,678 | 455,202 | 235,660 | 1,533,540 | 1,312,305 |
| Grant income | 118,955 | 16,315 | | 135,270 | 65,812 |
| Miscellaneous income | 52,528 | 101,199 | 15,103 | 168,830 | 132,058 |
| Gain (loss) on sale of assets | <u>(5,037)</u> | | | <u>(5,037)</u> | <u>838</u> |
| Change in Net Position | 51,874 | 109,972 | (82,879) | 78,967 | 51,068 |
| Net Position - Beginning | <u>2,558,635</u> | <u>2,062,214</u> | <u>992,486</u> | <u>5,613,335</u> | <u>5,562,267</u> |
| Net Position - Ending | <u>\$ 2,610,509</u> | <u>\$ 2,172,186</u> | <u>\$ 909,607</u> | <u>\$ 5,692,302</u> | <u>\$ 5,613,335</u> |

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

SCURRY COUNTY, TEXAS

STATEMENT OF CASH FLOWS - MODIFIED
CASH BASIS - PROPRIETARY FUNDS

Business-type Activities
Enterprise Funds
For the Year Ended December 31

| | <u>Scurry County E.M.S.</u> | <u>Scurry County Airport</u> | <u>Non-Major</u> | <u>2020 Total</u> | <u>2019 Summarized Data</u> |
|---|---------------------------------|----------------------------------|---------------------|-----------------------|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Cash received from customers | \$ 1,218,229 | \$ 51,063 | \$ 205,381 | \$ 1,474,673 | \$ 1,436,652 |
| Cash paid to employees | (1,386,142) | (209,744) | (121,554) | (1,717,440) | (1,510,657) |
| Cash paid to suppliers | (594,230) | (136,851) | (346,462) | (1,077,543) | (1,072,142) |
| Net Cash Used in Operating Activities | <u>(762,143)</u> | <u>(295,532)</u> | <u>(262,635)</u> | <u>(1,320,310)</u> | <u>(1,146,147)</u> |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Miscellaneous receipts | 171,483 | 117,514 | 15,102 | 304,099 | 208,829 |
| Ad valorem tax receipts | 842,678 | 455,202 | 235,660 | 1,533,540 | 1,312,305 |
| Net Cash Provided by Noncapital and Related Financing Activities | <u>1,014,161</u> | <u>572,716</u> | <u>250,762</u> | <u>1,837,639</u> | <u>1,521,134</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Purchase of capital assets | (156,405) | (102,063) | - | (258,468) | (130,521) |
| Net Cash Used in Capital and Related Financing Activities | <u>(156,405)</u> | <u>(102,063)</u> | <u>-</u> | <u>(258,468)</u> | <u>(130,521)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>95,613</u> | <u>175,121</u> | <u>(11,873)</u> | <u>258,861</u> | <u>244,466</u> |
| Cash and Cash Equivalents at Beginning of Year | <u>1,590,397</u> | <u>627,232</u> | <u>273,533</u> | <u>2,491,162</u> | <u>2,246,696</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 1,686,010</u> | <u>\$ 802,353</u> | <u>\$ 261,660</u> | <u>\$ 2,750,023</u> | <u>\$ 2,491,162</u> |
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities: | | | | | |
| Operating Loss | \$ (957,250) | \$ (462,744) | \$ (333,642) | \$ (1,753,636) | \$ (1,459,945) |
| Adjustments Not Affecting Cash: | | | | | |
| (Increase) decrease in accounts receivable | 14,927 | (59) | | 14,868 | (101,530) |
| Increase (decrease) in accounts payable | | | 2,802 | 2,802 | (1,551) |
| Increase in customer deposits | | | 782 | 782 | - |
| Depreciation and amortization | 180,180 | 167,271 | 67,423 | 414,874 | 416,879 |
| Net Cash Used in Operating Activities | <u>\$ (762,143)</u> | <u>\$ (295,532)</u> | <u>\$ (262,635)</u> | <u>\$ (1,320,310)</u> | <u>\$ (1,146,147)</u> |

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

SCURRY COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET POSITION -
MODIFIED CASH BASIS - FIDUCIARY FUNDS

December 31, 2020

| | Employee Retirement Funds | Agency Funds |
|--|---------------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| ASSETS: | | |
| Cash and cash equivalents | \$ | \$ 1,468,558 |
| Accounts receivable | | 2,417,424 |
| Investments at fair value | <u>1,149,179</u> | <u> </u> |
| Total Assets | <u>1,149,179</u> | <u>3,885,982</u> |
| LIABILITIES: | | |
| Due to other governmental entities | | 3,496,403 |
| Due to others | | 345,933 |
| Bonds held in trust | <u> </u> | <u>43,646</u> |
| Total Liabilities | <u> </u> | <u>3,885,982</u> |
| NET POSITION: | | |
| Held in trust for pension benefits and other purposes | <u>\$ 1,149,179</u> | <u>\$ -</u> |

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

SCURRY COUNTY, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
MODIFIED CASH BASIS - FIDUCIARY FUNDS

For the Year Ended December 31, 2020

| | <u>Employee Retirement Funds</u> |
|----------------------------------|--|
| ADDITIONS: | |
| Contributions: | |
| Employee | \$ <u>39,109</u> |
| Investment Earnings: | |
| Investment gain | 169,456 |
| Less Investment Expenses: | |
| Asset fees | <u>7,279</u> |
| Net Investment Gain | <u>162,177</u> |
| Total Revenues | <u>201,286</u> |
| DEDUCTIONS: | |
| Benefits paid | <u>15,753</u> |
| Net Increase | 185,533 |
| Net Position - Beginning of Year | <u>963,646</u> |
| Net Position - End of Year | <u>\$ <u>1,149,179</u></u> |

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

NOTES TO FINANCIAL STATEMENTS

Basic Financial Statements

SCURRY COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 1: REPORTING ENTITY

In evaluating how to define Scurry County, Texas (the "County") for financial reporting purposes, management has considered all potential component units. The general purpose financial statements include all funds, account groups, agencies and boards that are controlled by, dependent on, and over which the County has oversight responsibility. These include the governmental, proprietary and fiduciary funds. The criteria for oversight responsibility used in determining the entity for financial reporting purposes are those which include, but are not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for financial matters.

Included within the reporting entity:

Board of County Development - The Board of County Development is operated by a five-member Board appointed by the County Commissioners. The County budgets a portion of its ad valorem tax for the operation of the Board. The purpose of the Board is for the economic development and promotion of the County.

On April 1, 2014, the County assumed fiscal responsibility of the Scurry County Boys and Girls Club from an independent board operating under the auspices of the Boys and Girls Club of America. The major assets in use by the Boys and Girls Club were already owned by the County and the Boys and Girls Club is accounted for as its own department within the County operations. The Friends of the Boys and Girls Club fund was established as a special revenue fund and is used to account for outside support of the Boys and Girls Club such as donations and gifts.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County are prepared on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The following is a summary of the more significant policies and practices used by the County:

Government-Wide Statements:

The statement of net position and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and 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. 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:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the County. The following special revenue fund is reported as a major fund:

Road and Bridge Fund – The road and bridge fund is established to account for the resources devoted to maintaining the County's roads and bridges.

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 resources 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 does 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

The County's restricted fund balance as of December 31, 2020 which relates to use of external resources, is comprised of the following:

| <u>Restriction</u> | <u>Amount</u> |
|---|---------------------|
| Law enforcement center debt service | \$ 428,918 |
| Road and bridge maintenance | 2,110,504 |
| Texas Department of Criminal Justice grants and contracts | 245,550 |
| Records management | 560,456 |
| Court and courthouse security | 79,975 |
| Law library | (60,015) |
| Court technology | (1,438) |
| Abandoned vehicle | 8,127 |
| Other grants | <u>30,204</u> |
| Total Restricted Fund Balance | <u>\$ 3,402,281</u> |

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. The County's committed fund balance as of December 31, 2020 is comprised of the following:

| <u>Commitment</u> | <u>Amount</u> |
|------------------------------|------------------|
| Board of County Development | \$ <u>35,091</u> |
| Total Committed Fund Balance | <u>\$ 35,091</u> |

Assigned Fund Balance

The County's management has the authority to assign funds in accordance with various internal programs. The County's assigned fund balance as of December 31, 2020 is comprised of the following:

| <u>Assignment</u> | <u>Amount</u> |
|------------------------------|-------------------|
| Senior center | \$ 299,009 |
| Culture and recreation | 69,850 |
| Friends of Boys & Girls Club | (1,066) |
| Friends of the Library | <u>46,362</u> |
| Total Assigned Fund Balance | <u>\$ 414,155</u> |

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 does not utilize a minimum fund balance policy.

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business–like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurements similar to the private sector.

Scurry County Golf Course and Country Club

Operating revenue results primarily from membership dues charged to the members and other course fees/rentals. Expenses that are incurred to operate the golf course are classified as operating expense. The County allocated \$235,660 in property taxes during 2020 to the golf course to cover operating expenses of \$374,397 incurred in 2020.

Hermleigh Water Works

Operating revenue and expense result from providing water service to the community; all other expenses incurred are classified as non-operating revenue or expense.

Scurry County Emergency Medical Service (E.M.S.)

Operating revenue results from service fees charged and operating expenses relate to costs of providing emergency medical service to the County residents. The County allocated \$842,678 in property taxes during 2020 to E.M.S. to cover operating expenses of \$3,138,486 incurred in 2020. The Scurry County Emergency Medical Service fund was considered a major proprietary fund for financial reporting purposes for 2020.

Scurry County Airport

Operating revenue results from hangar rental charges and the sale of fuel and oil. The County allocated \$455,202 in property taxes during 2020 to Scurry County Airport to cover operating expenses of \$513,866 incurred in 2020. The Scurry County Airport fund was considered a major proprietary fund for financial reporting purposes for 2020.

Fiduciary Funds

The County reports the following fiduciary fund types:

Agency Funds – Accounts for assets the County holds on behalf of others as their agent. They are custodial in nature (assets equal liabilities), and do not involve measurement or results of operations.

Employee Retirement Fund – Accounts for resources that are required to be held in trust for the members and beneficiaries of the defined benefit pension plan.

Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

In the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities whether current or non-current, financial or non-financial associated with their activities are reported. Proprietary fund equity is classified as net position.

Budget

The County’s annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending December 31.

The annual budget is prepared in accordance with the modified cash basis method of accounting. The difference between the budgetary basis of reporting and the GAAP basis of reporting is not material to the financial statements; therefore a combined statement of revenues, expenditures and changes in fund balances – budget and actual is included in the accompanying financial statements. Budgets are adopted for the general fund, selected special revenue funds and the enterprise funds.

Budgeted amounts are as originally adopted, or as amended during the fiscal year by the Commissioners’ Court.

Basis of Accounting

In the government-wide statement of net position and statement of activities and the fund financial statements, governmental, and business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/ expenses when they result from cash transactions with provision for depreciation in the government-wide statements, and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents reflected in the financial statements includes petty cash, cash in banks, federally insured cash accounts (FICA), and investments in Tex-Pool. Petty cash amounts are maintained in various County offices for purposes of collections of payments made to the County. Investments in FICA and Tex-Pool are carried at market.

For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

Accounts Receivable

The majority of accounts receivable represent amounts owed for EMS services from third party payors (predominantly Medicaid). The allowance for doubtful accounts represents the County's estimate of accounts receivable that are considered uncollectible due to contractual terms with third party payors. The allowance balance at December 31, 2020 and 2019 totaled \$1,811,360 and \$2,161,657, respectively.

Restricted Assets

Restricted assets represent cash and cash equivalents totaling \$428,918 as of December 31, 2020, to be used for principal and interest payments for certificates of obligation partially refinanced in 2013, 2017, and 2020.

Property Tax Calendar

The County is responsible for assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The appraisal district certifies the tax roll in July. The Commissioners' Court levies taxes on September 1 on the property values assessed in July. Tax billings are sent out on October 1 after the final tax roll is completed. The taxes are due on or before January 31 and become delinquent February 1. The County gives a 3%, 2%, and 1% discount for early payment in October, November, and December, respectively.

Capital Assets

The County's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental funds operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the statement of net position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the assets. Donated fixed assets are recorded at their estimated fair value at the date of donation. The County's infrastructure network is valued at historical cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of activities. Depreciation is provided over the assets' estimated useful lives using the straight line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets for governmental funds and \$1,000 for proprietary funds.

The range of estimated useful lives by type of asset is as follows:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|-----------------------|-------------------------------|
| Buildings | 40 yrs. |
| Building improvements | 15 yrs. |
| Vehicles | 5 yrs. |
| Equipment | 5-10 yrs. |
| Office equipment | 5-7 yrs. |
| Infrastructure | 20-40 yrs. |

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Equity Classification

Government-Wide Statements

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

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position totaling \$428,918 represents funds restricted for debt service.

Unrestricted net position – All other net positions that do not meet the definition of the “restricted” or “net investment in capital assets”.

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the County requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through June 10, 2021, the date the financial statements were available to be issued.

NOTE 3: LEGAL COMPLIANCE - BUDGETS

The County's budgetary process requires that expending agencies of the County submit appropriation requests by mid June of each year. After review by the budget officer and department heads, the requests are combined and submitted to the Commissioners' Court. In August, the proposed budget is filed with the County Clerk for public inspection at least fifteen days prior to hearings, which are open to the public. A final budget must be adopted prior to January 1. At the fund level, actual expenditures cannot exceed budgeted appropriations.

NOTE 4: CASH AND INVESTMENTS

In addition to the \$250,000 insurance on accounts provided by Federal Deposit Insurance Corporation ("FDIC") regulations, securities in the amount of \$15,611,150 were pledged by the depository bank to secure all bank deposits. The largest cash balance amounted to \$14,005,857 and occurred on November 4, 2020.

For an indication of the level of risk assumed by the County, all cash deposits are categorized as Category 1, insured by FDIC or collateralized with securities held by the County (or public trust) or by its agent in its name.

Statutes authorize the County to invest in the State's investment pool. The County's investments held at December 31, 2020, are not subject to classifications where securities related to the government cannot be identified.

Investments

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

Investment Policy

The County has adopted the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Pools* (GASB 31). Those provisions require that certain investments be reported at fair value, rather than at cost or amortized cost, and that the changes in the fair value of investments be recognized as investment revenue. GASB 31 further provides that the County has the option of continuing to report certain investments at cost or amortized cost, but must disclose its policy in that regard.

In accordance with GASB 31, 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 non-participating interest-earning investment contracts using the cost-based measure. However, if the 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 that 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 deposits are examples of nonparticipating interest-earning investment contracts.

Public Funds Investments Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its share.

The County's investments in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one, which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

The County's federally insured cash accounts (FICA) have no associated term commitments, no penalty or withdrawal fees and are fully FDIC insured structured bank deposit vehicles.

Investment Risks

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At December 31, 2020, the County was not exposed to credit risk.

Custodial credit risk relates to deposits that are exposed to the risk that they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities, held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name. At December 31, 2020, the County was not exposed to custodial credit risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At December 31, 2020, the County was not exposed to concentration of credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. At December 31, 2020, the County was not exposed to interest rate risk.

Foreign currency risk is the risk that exchange rates will adversely affect the fair value of an investment. At December 31, 2020, the County was not exposed to foreign currency risk.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 is as follows:

| | Beginning Balances | Increases | Transfers and Decreases | Ending Balances |
|---|-----------------------|---------------------|-------------------------------|----------------------|
| Governmental activities: | | | | |
| Non-depreciable assets: | | | | |
| Land | \$ 633,307 | \$ | \$ (434,363) | \$ 198,944 |
| Depreciable assets: | | | | |
| Buildings and improvements | 23,556,791 | 48,650 | | 23,605,441 |
| Infrastructure | 4,817,484 | | | 4,817,484 |
| Equipment | 9,949,624 | 378,182 | (170,019) | 10,157,787 |
| Furniture and fixtures | 627,150 | | | 627,150 |
| Motor vehicles | 1,726,299 | 130,287 | (71,075) | 1,785,511 |
| Assets held under capital leases | 1,574,066 | 623,130 | | 2,197,196 |
| Software | 829,530 | | | 829,530 |
| Total at historical cost | <u>43,714,251</u> | <u>1,180,249</u> | <u>(675,457)</u> | <u>44,219,043</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 7,724,578 | 547,470 | | 8,272,048 |
| Infrastructure | 3,882,269 | 355,109 | | 4,237,378 |
| Equipment | 8,551,947 | 238,095 | (170,019) | 8,620,023 |
| Furniture and fixtures | 444,649 | 11,300 | | 455,949 |
| Motor vehicles | 1,830,154 | 170,546 | (71,075) | 1,929,625 |
| Assets held under capital leases | 653,581 | 232,723 | | 886,304 |
| Software | 701,905 | 65,321 | | 767,226 |
| Total accumulated depreciation | <u>23,789,083</u> | <u>1,620,564</u> | <u>(241,094)</u> | <u>25,168,553</u> |
| Governmental activity capital assets, net | <u>\$ 19,925,168</u> | <u>\$ (440,315)</u> | <u>\$ (434,363)</u> | <u>\$ 19,050,490</u> |

| | Beginning Balances | Increases | Transfers and Decreases | Ending Balances |
|---|-----------------------|---------------------|-------------------------------|---------------------|
| Business-type activities: | | | | |
| Non-depreciable assets: | | | | |
| Land | \$ 180,899 | \$ | \$ | \$ 180,899 |
| Depreciable assets: | | | | |
| Buildings and improvements | 4,780,708 | 81,563 | | 4,862,271 |
| Equipment | 2,102,524 | 20,500 | (46,912) | 2,076,112 |
| Furniture and fixtures | 37,911 | | (14,628) | 23,283 |
| Motor vehicles | 344,470 | 156,405 | (37,700) | 463,175 |
| Assets held under capital leases | 161,452 | | | 161,452 |
| Total at historical cost | <u>7,607,964</u> | <u>258,468</u> | <u>(99,240)</u> | <u>7,767,192</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 2,569,393 | 230,635 | | 2,800,028 |
| Equipment | 1,677,592 | 124,146 | (41,875) | 1,759,863 |
| Furniture and fixtures | 37,911 | | (14,628) | 23,283 |
| Motor vehicles | 311,908 | 37,029 | (37,700) | 311,237 |
| Assets held under capital leases | 109,558 | 23,064 | | 132,622 |
| Total accumulated depreciation | <u>4,706,362</u> | <u>414,874</u> | <u>(94,203)</u> | <u>5,027,033</u> |
| Business-type activity capital assets, net | <u>\$ 2,901,602</u> | <u>\$ (156,406)</u> | <u>\$ (5,037)</u> | <u>\$ 2,740,159</u> |

Depreciation expense for 2020 was charged to functions as follows:

| | Governmental Activities | Business-Type Activities |
|---|----------------------------|-----------------------------|
| General government | \$ 202,993 | \$ |
| Health and welfare | 30,362 | |
| Public safety | 420,421 | |
| Public facilities | 89,398 | |
| Culture and recreation | 104,135 | |
| Judicial and legal | 215 | |
| Road maintenance | 773,040 | |
| Hermleigh water works | | 30,597 |
| Scurry County airport | | 167,271 |
| Scurry County emergency medical service | | 180,180 |
| Scurry County golf course | | 36,826 |
| | <u>\$ 1,620,564</u> | <u>\$ 414,874</u> |

NOTE 6: LONG-TERM OBLIGATIONS

Long-term debt arising from cash transactions and payable from governmental fund resources consisted of the following at December 31, 2020:

Capital leases:

A \$323,250 note incurred for a 2020 John Deere Motorgrader payable in 6 yearly installments of \$30,898 due beginning on 12/31/2019, and thereafter which includes both principal and interest, with a balloon payment of \$185,000 due 12/31/2024. The interest rate of the note is 3.65% with maturity on December 31, 2024. Note is secured by equipment. \$ 272,598

A \$323,250 note incurred for a 2020 John Deere Motorgrader payable in 6 yearly installments of \$30,898 due beginning on 12/31/2019, and thereafter which includes both principal and interest, with a balloon payment of \$185,000 due 12/31/2024. The interest rate of the note is 3.65% with maturity on December 31, 2024. Note is secured by equipment. 272,598

The county entered into a note agreement for \$280,250 for a 2019 John Deere Motorgrader payable in 5 annual installments of \$32,464 beginning 09/18/2020, and thereafter which includes both principal and interest, with a balloon payment of \$165,000 due at the end of the lease term. The interest rate of the note is 3.99% with maturity on September 18, 2024. Note is secured by equipment. 259,154

The county entered into a note agreement for \$300,130 for a 2020 John Deere Motorgrader payable in 5 annual installments of \$34,219 beginning 03/13/2021, and thereafter which includes both principal and interest, with a balloon payment of \$175,000 due at the end of the lease term. The interest rate of the note is 3.65% with maturity on March 13, 2025. Note is secured by equipment. 300,130

The county entered into a note agreement for \$267,957 for a 2020 John Deere Motorgrader payable in 5 annual installments of \$25,204 beginning 02/14/2021, and thereafter which includes both principal and interest, with a balloon payment of \$185,000 due at the end of the lease term. The interest rate of the note is 3.65% with maturity on February 14, 2025. Note is secured by equipment. 267,958

Total capital leases \$ 1,372,438

Certificates of obligation:

Certificates of obligation (2013) of \$9,785,000, issued to refund \$9,305,000 of the 2009 series issued in connection with construction of a new law enforcement center, payable in annual principal and interest payments due February 15, and additional interest payments due August 15, with interest rates ranging from 2.0% to 3.375%, final payment due February 15, 2034, net of \$96,962 premium. Bonds were refinanced and a balance of \$55,000 remains and will be paid February 15, 2021. \$ 55,000

Certificates of obligation (2017) of \$3,610,000, issued to refund \$3,695,000 of the 2009 series issued in connection with construction of a new law enforcement center, payable in annual principal and interest payments due February 15, and additional interest payments due August 15, with interest rate of 3%, final payment due February 15, 2024, net of \$73,082 premium

2,038,082

Certificates of obligation (2020) of \$9,370,000, issued to refund \$9,365,000 of the 2013 series issued in connection with construction of a new law enforcement center, payable in annual principal and interest payments due February 15, and additional interest payments due August 15, with interest rate of 2%, final payment due February 15, 2024, net of \$258,588 premium.

9,628,588

Total certificates of obligation

\$ 11,721,670

Changes in long-term obligations for the year ended December 31, 2020 are as follows:

| | <u>January 1, 2020</u> | <u>Increases</u> | <u>Decreases</u> | <u>December 31, 2020</u> | <u>Amount Due Within One Year</u> |
|-----------------------------------|----------------------------|---------------------|------------------------|------------------------------|---|
| Certificates of obligation (2013) | \$ 9,475,000 | \$ | \$ (9,420,000) | \$ 55,000 | \$ 55,000 |
| Certificates of obligation (2017) | 2,530,000 | | (565,000) | 1,965,000 | 580,000 |
| Certificates of obligation (2020) | - | 9,370,000 | | 9,370,000 | 35,000 |
| Capital leases | 865,895 | 568,088 | (61,545) | 1,372,438 | 102,328 |
| Net pension (asset) liability | <u>4,725,390</u> | | <u>(4,375,586)</u> | <u>349,804</u> | <u>-</u> |
| | <u>\$ 17,596,285</u> | <u>\$ 9,938,088</u> | <u>\$ (14,422,131)</u> | <u>\$ 13,112,242</u> | <u>\$ 772,328</u> |

The following is a schedule of maturities of certificates of obligation and capital leases by year and in aggregate:

| <u>Year Ending December 31,</u> | |
|---------------------------------|----------------------|
| 2021 | \$ 772,328 |
| 2022 | 796,163 |
| 2023 | 820,143 |
| 2024 | 1,379,149 |
| 2025+ | <u>8,994,655</u> |
| | <u>\$ 12,762,438</u> |

Certificates of Obligation

On April 17, 2013, the County authorized a bond refunding transaction in which \$9,305,000 of the "Scurry County, Texas Certificates of Obligation, Series 2009" were refunded or refinanced by the issuance of \$9,785,000 "Scurry County, Texas General Obligation Refunding Bonds, Series 2013".

On January 12, 2017, the County authorized a bond refunding transaction in which \$3,695,000 of the "Scurry County, Texas Certificates of Obligation, Series 2009" were refunded or refinanced by the issuance of \$3,610,000 "Scurry County, Texas General Obligation Refunding Bonds, Series 2017".

On March 17, 2020, the County authorized a bond refunding transaction in which \$9,365,000 of the "Scurry County, Texas Certificates of Obligation, Series 2013" were refunded or refinanced by the issuance of \$9,370,000 "Scurry County, Texas General Obligation Refunding Bonds, Series 2020".

A capital project fund was used to account for the construction of the County jail. The construction of the jail was funded substantially by the issuance of the certificates of obligation bonds. The bonds are secured by the future ad valorem tax levies. The County intends to retire all of the certificates of obligation bonds, plus interest, from future ad valorem tax levies and is required by ordinance to create from such tax revenues a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due. The certificates of obligation bonds outstanding at December 31, 2020 will be amortized serially each year on dates prescribed by each respective bond ordinance through 2034.

A number of limitations and restrictions are contained in the various certificates of obligation bond indentures. The County is in compliance with all significant limitations and restrictions.

The Law Enforcement Debt Service Fund, with a fund balance aggregating \$428,918, arises principally from proceeds of certificates of obligation sales. These proceeds may be used solely for the designated purposes as stated in the respective bond indenture under which such bonds were sold. The County is in compliance with these requirements.

| <u>Fiscal Year</u> <u>Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> <u>Requirement</u> |
|--|----------------------|---------------------|------------------------------------|
| 2021 | \$ 670,000 | \$ 246,200 | \$ 916,200 |
| 2022 | 690,000 | 226,700 | 916,700 |
| 2023 | 710,000 | 206,625 | 916,625 |
| 2024 | 730,000 | 188,300 | 918,300 |
| 2025 | 780,000 | 172,350 | 952,350 |
| 2026 | 795,000 | 156,600 | 951,600 |
| 2027 | 810,000 | 140,550 | 950,550 |
| 2028 | 835,000 | 119,925 | 954,925 |
| 2029 | 850,000 | 98,900 | 948,900 |
| 2030 | 870,000 | 81,700 | 951,700 |
| 2031 | 885,000 | 64,150 | 949,150 |
| 2032 | 905,000 | 46,250 | 951,250 |
| 2033 | 920,000 | 28,000 | 948,000 |
| 2034 | 940,000 | 9,400 | 949,400 |
| | <u>\$ 11,390,000</u> | <u>\$ 1,785,650</u> | <u>\$ 13,175,650</u> |

A bond premium of \$73,082 associated with the 2017 issuance, and a premium of \$258,588 associated with the 2020 issuance are being amortized on the straight-line method over the life of their respective bond issuance. Net amortization was \$35,253 for the year ended December 31, 2020.

NOTE 7: FEDERAL/STATE SOURCE REVENUES

The majority of the federal grant funds received are for strengthening homeland security, the improvement of parks and recreation, bio terrorism, and voting facilities. State grant funds received and recorded in the general fund are primarily for health sanitation salaries, salary supplements, criminal justice, and additional law enforcement personnel and programs. These grant funds have been awarded and accounted for by the County.

NOTE 8: EMPLOYEE RETIREMENT PLAN

Plan Description

The County provides pension, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 502 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, or online at www.tcdrs.org.

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 30 years regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

As of the most recent measurement date which was December 31, 2019, membership data for the pension plan was as follows:

| | |
|---|------------|
| Retirees and beneficiaries currently receiving benefits | 209 |
| Inactive employees entitled to but not yet receiving benefits | 267 |
| Active employees | <u>171</u> |
| Total participants | 647 |

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer, based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 10.31% for fiscal year 2020. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

For the employer’s accounting year ending December 31, 2020, the annual pension cost for the TCDRS plan for its employees was \$898,848 and the actual contributions were \$898,848.

Net Pension Liability (Asset)

The net pension liability (NPL) is the difference between the total pension liability (TPL) and the plan's fiduciary net position. The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service. The fiduciary net position is determined on the same basis used by the pension plans. The County's NPL was measured as of December 31, 2019, and the TPL used to calculate the NPA was determined by an actuarial valuation as of that date.

| | | |
|-------------------------|----|-----------------------|
| Total pension liability | \$ | 55,638,413 |
| Fiduciary net position | | <u>55,288,609</u> |
| Net pension liability | \$ | <u><u>349,804</u></u> |

Actuarial Assumptions

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of actuarial experience studies. The experience study was for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB Statement No. 68.

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

| | | |
|---------------------------|-------|--|
| Inflation | 2.75% | |
| Overall payroll growth | 3.25% | |
| Investment rate of return | 8.10% | This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB Statement No. 68 |

Salary increases were based on a service-related table. Regarding mortality rates, for depositing members - 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 100% of the MP-2014 Ultimate scale after 2014; for service retirees, beneficiaries, and non-depositing members – 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014; for disabled retirees – 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The long-term expected rate of return on pension plan investments is 8.10%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed based on expected long-term real returns and reflecting expected volatility and correlation. The valuation assumption for the long-term expected return is re-assessed at a minimum of every four years and is set based on a thirty-year time horizon. The most recent analysis was performed in 2017.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized below:

| Asset Class | Target Allocation | Geometric Real Rate of Return (expected minus inflation) |
|------------------------------------|-------------------|--|
| US equities | 14.50% | 5.20% |
| Private equity | 20.00% | 8.20% |
| Global equities | 2.50% | 5.50% |
| International equities - developed | 7.00% | 5.20% |
| International equities - emerging | 7.00% | 5.70% |
| Investment grade bonds | 3.00% | -0.20% |
| Strategic credit | 12.00% | 3.14% |
| Direct lending | 11.00% | 7.16% |
| Distressed debt | 4.00% | 6.90% |
| REIT equities | 3.00% | 4.50% |
| Master limited partnerships | 2.00% | 8.40% |
| Private real estate partnerships | 6.00% | 5.50% |
| Hedge funds | 8.00% | 2.30% |

The discount rate used to measure the total pension liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Schedule of Changes in the Net Pension Liability (Asset)

Changes in the County's net pension liability (asset) presented below is calculated on the same basis as the plan.

| | Increase (Decrease) | | |
|--|--------------------------------|------------------------------------|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a)-(b) |
| Balances as of December 31, 2018 | \$ 53,640,653 | \$ 48,915,263 | \$ 4,725,390 |
| Changes for the year: | | | |
| Service cost | 955,793 | | 955,793 |
| Interest on total pension liability | 4,306,200 | | 4,306,200 |
| Effect of plan changes | | | |
| Effect of economic / demographic gains or losses | (340,335) | | (340,335) |
| Refund of contributions | (223,362) | (223,362) | - |
| Benefit payments | (2,700,536) | (2,700,536) | - |
| Administrative expenses | | (42,132) | 42,132 |
| Member contributions | | 575,620 | (575,620) |
| Net investment income | | 8,034,459 | (8,034,459) |
| Employer contributions | | 775,444 | (775,444) |
| Other | | (46,147) | 46,147 |
| Balances as of December 31, 2019 | \$ 55,638,413 | \$ 55,288,609 | \$ 349,804 |

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the County calculated using the discount rate of 8.10% as well as what the County net pension liability would have been if it were calculated using a discount rate that is 1% lower and 1% higher than the current rate:

| | 1% Decrease <u>(7.10%)</u> | Current Rate <u>(8.10%)</u> | 1% Increase <u>(9.10%)</u> |
|-------------------------------|-------------------------------|-----------------------------------|----------------------------------|
| Total pension liability | \$ 61,930,545 | \$ 55,638,413 | \$ 50,271,726 |
| Fiduciary net position | <u>55,288,609</u> | <u>55,288,609</u> | <u>55,288,609</u> |
| Net pension liability (asset) | <u>\$ 6,641,936</u> | <u>\$ 349,804</u> | <u>\$ (5,016,883)</u> |

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

For the year ended December 31, 2020, the County recognized total pension income of \$589,331.

As of December 31, 2020, the County reported on the Statement of Net Position deferred outflows (inflows) of resources related to pensions from the following sources:

| | <u>Outflows</u> | <u>Inflows</u> |
|---|---------------------|--------------------|
| Contributions subsequent to measurement date | \$ 898,848 | \$ - |
| Difference between projected and actual investment earnings | 2,029,896 | (3,088,324) |
| Economic / Demographic gains | <u>-</u> | <u>(113,445)</u> |
| Total | <u>\$ 2,928,744</u> | <u>(3,201,769)</u> |

Deferred outflows of resources related to contributions subsequent to the measurement date of \$898,848 will be recognized as a reduction of the net pension liability for the year ending December 31, 2020. Remaining net deferred outflows (inflows) of resources related to pensions totaling (\$1,171,873) will be recognized in pension expense (income) for the years ending December 31, 2021, 2022, and 2023 in the amounts of (\$531,507), \$187,290, and (\$827,656), respectively.

NOTE 9: DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense / expenditure) until then. See Note 8 above for a description of deferred outflows of resources related to pensions as of December 31, 2020.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item which qualifies for reporting in this category which is unavailable revenue from property taxes collected for the following fiscal year. These revenues are to be applied to the following year budget but were paid in advance by taxpayers. This amount is deferred and recognized as an inflow of resources in the period the amounts become available. As of December 31, 2020, unavailable revenue related to property taxes amounted to \$6,671,344. Changes in this account affect unrestricted net position. See Note 8 above for a description of deferred inflows of resources related to pensions as of December 31, 2020.

NOTE 10: RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omission; injuries to employees; employees' health and life; and natural disasters.

The County manages these various risk of loss as follows:

| <u>Type of Loss</u> | <u>Method Managed</u> | <u>Risk of Loss Retained</u> |
|--|--------------------------------|------------------------------|
| Torts, errors and omissions | Purchased commercial insurance | None |
| Workers compensation, health and life | Purchased commercial insurance | None |
| Physical property loss and natural disasters | Purchased commercial insurance | None |

Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

The COVID-19 outbreak in the United States has created economic uncertainties that may impact future operations and/or estimates. The extent of the impact on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on County tax payors, employees and vendors all of which are uncertain and cannot be predicted.

NOTE 11: INTERFUND TRANSFERS

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and re-allocations of special revenues. The following schedule briefly summarizes the County's transfer activity:

| <u>Transfer From</u> | <u>Transfer To</u> | <u>Amount</u> |
|----------------------|--------------------|------------------|
| C.S.C.D. | T.A.I.P. | \$ 20,012 |
| C.S.C.D. | C.C.P. | 104 |
| Bioterrorism | General | <u>19,498</u> |
| | | <u>\$ 39,614</u> |

NOTE 12: TAX ABATEMENTS

Scurry County negotiates property tax abatement agreements with local businesses on an individual basis. All agreements are negotiated under state law (Chapter 312 of the Texas Tax Code, "Property Redevelopment and Tax Abatement Act"), which allows the County to abate property taxes to any business located inside or outside Scurry County to promote the development/redevelopment of certain contiguous geographic areas within its jurisdiction. Scurry County may grant abatements of up to 100 percent of annual property tax values. Scurry County has four maintenance and operation tax abatement agreements and are as follows:

- Dermott Wind, LLC, 100% of taxes abated over 10 years, beginning January 2018 and ending December 2027. The abatement amounted to \$1,037,811 of reduced taxes for fiscal year 2020. Scurry County receives \$197,340 per year in consideration for the tax abatement agreement. The purpose of the abatement is for the construction and employment of a wind power project.

- Fluvanna Wind Energy, LLC, 100% of taxes abated over 10 years, beginning January 2018 and ending December 2027. The abatement amounted to \$704,252 of reduced taxes for fiscal year 2020. Scurry County receives \$132,132 per year in consideration for the tax abatement agreement. The purpose of the abatement is for the construction and employment of a wind power project.
- Midwest Solar Power, LLC, 100% of taxes abated over 10 years, beginning January 2017 and ending January 2026. The abatement amounted to \$1,584 of reduced taxes for fiscal year 2020. The purpose of the abatement is for the construction and employment of a wind power project.

NOTE 13: DEFICIT FUND EQUITY

The law library fund ended with a deficit balance of (\$60,015) as of December 31, 2020. Justice court technology had a deficit fund balance of (\$1,438) and friends of the boys and girls club had a deficit balance of (\$1,066) as of December 31, 2020. Transfers from the general fund are available to eliminate the fund deficit balances.

NOTE 14: NEW PRONOUNCEMENTS

The GASB has issued the following statements which will become effective in future years.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of governments and for identifying fiduciary component units and post-employment benefit arrangements that are fiduciary activities. The statement will become effective for financial statements beginning after December 15, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. The statement will become effective for financial statements for periods beginning after June 15, 2021.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interest-an amendment of GASB Statements No. 14 and No. 61*. This statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. The requirements of this statement become effective for reporting periods beginning after December 15, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements related to Statement 87 and Implementation Guide 2019-3 are effective upon issuance. The other requirements of this statement are effective for fiscal years beginning after June 15, 2021.

The County will fully analyze the impact of these new Statements prior to the effective dates for the Statements listed above.

**BUDGETARY COMPARISON SCHEDULES
AND PENSION FUNDING SCHEDULES**

Required Supplementary Information

SCURRY COUNTY, TEXAS

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
GENERAL FUND

For the Year Ended December 31, 2020

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive/ (Negative) |
|--|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| Beginning Budgetary Fund Balance | \$ 1,083,081 | \$ 1,083,081 | \$ 1,083,081 | \$ - |
| Resources (Inflows): | | | | |
| Taxes: | | | | |
| Sales tax | 2,500,000 | 2,500,000 | 2,238,107 | (261,893) |
| Property tax | 9,898,840 | 9,898,840 | 8,364,114 | (1,534,726) |
| Other tax | 20,000 | 20,000 | 17,854 | (2,146) |
| Total taxes | <u>12,418,840</u> | <u>12,418,840</u> | <u>10,620,075</u> | <u>(1,798,765)</u> |
| Grant Revenue | <u>137,200</u> | <u>137,200</u> | <u>220,069</u> | <u>82,869</u> |
| Fines and forfeitures: | | | | |
| Miscellaneous fees | <u>1,571,500</u> | <u>1,571,500</u> | <u>1,545,728</u> | <u>(25,772)</u> |
| Total fines and forfeitures | <u>1,571,500</u> | <u>1,571,500</u> | <u>1,545,728</u> | <u>(25,772)</u> |
| Miscellaneous: | | | | |
| Interest income | 100,000 | 100,000 | 93,037 | (6,963) |
| Miscellaneous | <u>365,815</u> | <u>365,815</u> | <u>378,561</u> | <u>12,746</u> |
| Total miscellaneous | <u>465,815</u> | <u>465,815</u> | <u>471,598</u> | <u>5,783</u> |
| Transfers In | <u>-</u> | <u>-</u> | <u>19,498</u> | <u>19,498</u> |
| Amounts available for appropriation | <u>15,676,436</u> | <u>15,676,436</u> | <u>13,960,049</u> | <u>(1,716,387)</u> |
| Charges to Appropriations (Outflows): | | | | |
| General government | 2,175,914 | 2,175,914 | 1,679,622 | 496,292 |
| Parks and recreation | 1,097,286 | 1,097,286 | 919,060 | 178,226 |
| Jail | 3,126,083 | 3,126,083 | 3,078,425 | 47,658 |
| Sheriff | 913,883 | 913,883 | 842,064 | 71,819 |
| Building maintenance | 391,768 | 391,768 | 322,386 | 69,382 |
| Library | 475,787 | 475,787 | 402,633 | 73,154 |
| Tax collector | 474,801 | 474,801 | 452,442 | 22,359 |
| Commissioners' court | 372,601 | 372,601 | 349,090 | 23,511 |
| County clerk | 496,193 | 496,193 | 512,533 | (16,340) |
| Health unit | 525,835 | 525,835 | 586,050 | (60,215) |
| County attorney | 343,821 | 343,821 | 326,350 | 17,471 |
| District clerk | 359,220 | 359,220 | 349,644 | 9,576 |
| Justice of the peace #1 | 230,388 | 230,388 | 225,909 | 4,479 |
| County welfare | 166,646 | 166,646 | 97,846 | 68,800 |

SCURRY COUNTY, TEXAS

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
GENERAL FUND (CONTINUED)

For the Year Ended December 31, 2020

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive/ (Negative) |
|---------------------------------|------------------|--------------|---------------|--|
| | Original | Final | | |
| Auditor | 257,891 | 257,891 | 223,925 | 33,966 |
| County judge | 214,434 | 214,434 | 204,831 | 9,603 |
| Extension service | 162,402 | 162,402 | 103,520 | 58,882 |
| Juvenile star boot camp | 211,665 | 211,665 | 89,880 | 121,785 |
| Treasurer | 240,489 | 240,489 | 225,826 | 14,663 |
| District attorney | 228,671 | 228,671 | 203,590 | 25,081 |
| Juvenile probation | 246,842 | 246,842 | 193,136 | 53,706 |
| Court reporter | 141,309 | 141,309 | 140,497 | 812 |
| District court | 185,515 | 185,515 | 174,692 | 10,823 |
| Supervision | 157,130 | 157,130 | 103,678 | 53,452 |
| County and justice court | 10,000 | 10,000 | 4,162 | 5,838 |
| Child welfare | 8,000 | 8,000 | 7,354 | 646 |
| Mental health | 13,300 | 13,300 | 525 | 12,775 |
| District judge | 15,500 | 15,500 | 9,993 | 5,507 |
| Department of public safety | 63,988 | 63,988 | 58,631 | 5,357 |
| Boys and girls club | 369,226 | 369,226 | 302,273 | 66,953 |
| Senior center | 574,140 | 574,140 | 505,543 | 68,597 |
| Justice of the peace #2 | 248,201 | 248,201 | 210,157 | 38,044 |
| Information technology | 94,526 | 94,526 | 89,032 | 5,494 |
| Transfers Out | - | - | - | - |
| Total charges to appropriations | 14,593,455 | 14,593,455 | 12,995,299 | 1,598,156 |
| Ending Budgetary Fund Balance | \$ 1,082,981 | \$ 1,082,981 | \$ 964,750 | \$ (118,231) |

Notes to Budgetary Comparison Schedule - Modified Cash Basis - General Fund

Note 1: Basis of Accounting

The budget is prepared on the same modified cash basis of accounting as applied to the governmental fund in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

SCURRY COUNTY, TEXAS

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS -
ROAD AND BRIDGE FUND

For the Year Ended December 31, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual Amount</u> | <u>Variance with Final Budget Positive/ (Negative)</u> |
|---------------------------------------|-------------------------|---------------------|----------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Beginning Budgetary Fund Balance | \$ 1,870,695 | \$ 1,870,695 | \$ 1,870,695 | \$ - |
| Resources (Inflows): | | | | |
| Property taxes | 1,828,703 | 1,828,703 | 1,828,703 | - |
| Auto registrations | 600,000 | 600,000 | 360,110 | (239,890) |
| Tags supplement | 180,000 | 180,000 | 195,670 | 15,670 |
| Gross weight and axle fee | 75,000 | 75,000 | 66,890 | (8,110) |
| Txdot grant | - | - | - | - |
| Lateral road | 22,000 | 22,000 | 21,347 | (653) |
| Interest | 40,000 | 40,000 | 19,995 | (20,005) |
| Sale of assets | - | - | 2,505 | 2,505 |
| Miscellaneous revenue | <u>1,000</u> | <u>1,000</u> | <u>-</u> | <u>(1,000)</u> |
| Total available for appropriation | <u>4,617,398</u> | <u>4,617,398</u> | <u>4,365,915</u> | <u>(251,483)</u> |
| Charges to Appropriations (Outflows): | | | | |
| Combined precincts | <u>2,746,703</u> | <u>2,746,703</u> | <u>2,255,411</u> | <u>491,292</u> |
| Total charges to appropriations | <u>2,746,703</u> | <u>2,746,703</u> | <u>2,255,411</u> | <u>491,292</u> |
| Ending Budgetary Fund Balance | \$ <u>1,870,695</u> | \$ <u>1,870,695</u> | \$ <u>2,110,504</u> | \$ <u>239,809</u> |

Notes to Budgetary Comparison Schedule - Modified Cash Basis - Road and Bridge Fund

Note 1: Basis of Accounting

The budget is prepared on the same modified cash basis of accounting as applied to the governmental fund in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.

SCURRY COUNTY, TEXAS

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - PENSION PLAN**

For the Last Ten Fiscal Years *

| | Measurement Date 12/31/2019 | Measurement Date 12/31/2018 | Measurement Date 12/31/2017 | Measurement Date 12/31/2016 | Measurement Date 12/31/2015 | Measurement Date 12/31/2014 |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Total Pension Liability: | | | | | | |
| Service cost | \$ 955,793 | \$ 985,740 | \$ 1,067,518 | \$ 1,090,885 | \$ 1,043,141 | \$ 957,266 |
| Interest on total pension liability | 4,306,200 | 4,131,567 | 3,934,827 | 3,743,673 | 3,590,832 | 3,437,492 |
| Effect of plan changes | | | | | (152,872) | |
| Effect of assumption or plan changes | | | 321,704 | | 573,884 | |
| Effect of economic / demographic (gains) or losses | (340,335) | (142,267) | (183,689) | (422,617) | (349,140) | (180,991) |
| Benefit payments / refunds of contributions | (2,923,898) | (2,659,516) | (2,601,004) | (2,569,041) | (2,700,241) | (2,443,144) |
| Net change in total pension liability | 1,997,760 | 2,315,524 | 2,539,356 | 1,842,900 | 2,005,604 | 1,770,623 |
| Total pension liability, beginning | 53,640,653 | 51,325,129 | 48,785,773 | 46,942,873 | 44,937,269 | 43,166,647 |
| Total pension liability, ending (a) | 55,638,413 | 53,640,653 | 51,325,129 | 48,785,773 | 46,942,873 | 44,937,270 |
| Fiduciary Net Position: | | | | | | |
| Employer contributions | 775,444 | 710,247 | 697,264 | 718,868 | 718,452 | 730,381 |
| Member contributions | 575,620 | 544,550 | 554,641 | 575,753 | 553,768 | 553,424 |
| Investment income net of investment expenses | 8,034,459 | (972,677) | 6,702,580 | 3,269,822 | 66,895 | 2,990,133 |
| Benefit payments / refunds of contributions | (2,923,898) | (2,659,516) | (2,601,004) | (2,569,041) | (2,700,241) | (2,443,144) |
| Administrative expenses | (42,132) | (39,289) | (34,162) | (35,616) | (32,354) | (34,533) |
| Other | (46,147) | (36,691) | (18,402) | (247,272) | 62,748 | (116,554) |
| Net change in fiduciary net position | 6,373,346 | (2,453,376) | 5,300,917 | 1,712,514 | (1,330,732) | 1,679,707 |
| Fiduciary net position, beginning | 48,915,263 | 51,368,639 | 46,067,722 | 44,355,208 | 45,685,940 | 44,006,234 |
| Fiduciary net position, ending (b) | 55,288,609 | 48,915,263 | 51,368,639 | 46,067,722 | 44,355,208 | 45,685,941 |
| Net pension liability (asset), ending ((a) - (b)) | \$ 349,804 | \$ 4,725,390 | \$ (43,510) | \$ 2,718,051 | \$ 2,587,665 | \$ (748,671) |
| Fiduciary net position as a % of total pension liability | 99.37% | 91.19% | 100.08% | 94.43% | 94.49% | 101.67% |
| Pensionable covered payroll | \$ 8,223,149 | \$ 7,779,280 | \$ 7,923,440 | \$ 8,225,039 | \$ 7,910,965 | \$ 7,906,060 |
| Net pension liability as a % of covered payroll | 4.25% | 60.74% | -0.55% | 33.05% | 32.71% | -9.47% |

* A full 10-year schedule will be displayed as it becomes available

SCURRY COUNTY, TEXAS

SCHEDULE OF CONTRIBUTIONS - PENSION PLAN

For the Last Ten Fiscal Years

| <u>Period Ending December 31, (Measurement Date)</u> | <u>Actuarially Determined Contribution</u> | <u>Actual Employer Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Pensionable Covered Payroll</u> | <u>Actual Contribution as a % of Covered Payroll</u> |
|--|--|---|---|--|--|
| 2011 | 416,064 | 416,064 | - | 5,843,612 | 7.12% |
| 2012 | 472,237 | 472,237 | - | 6,049,403 | 7.81% |
| 2013 | 608,570 | 608,570 | - | 7,126,006 | 8.54% |
| 2014 | 730,381 | 730,381 | - | 7,906,060 | 9.24% |
| 2015 | 716,733 | 718,452 | (1,719) | 7,910,965 | 9.08% |
| 2016 | 718,868 | 718,868 | - | 8,225,039 | 8.74% |
| 2017 | 697,264 | 697,264 | - | 7,923,440 | 8.80% |
| 2018 | 710,247 | 710,247 | - | 7,779,280 | 9.13% |
| 2019 | 775,444 | 775,444 | - | 8,223,149 | 9.43% |
| 2020 | 898,848 | 898,848 | - | 8,718,221 | 10.31% |

Notes to Schedule of Contributions:

Valuation date: Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry age normal |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Period | 14.8 years |
| Asset Valuation Method | 5 year smoothed value |
| Inflation | 2.75% |
| Salary Increases | 4.9% including inflation |
| Investment Rate of Return | 8.10% |
| Retirement Age | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61. |
| Mortality | Gender-specific RP-2014 mortality tables with set-forwards for males and set-backs for females with the projection scale AA. |
| Other information | There were no benefit changes during the year. |

COMBINING FINANCIAL STATEMENTS

Other Information

SCURRY COUNTY, TEXAS

COMBINING BALANCE SHEET- MODIFIED CASH BASIS -
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2020

| | <u>Board of County Development</u> | <u>Abandoned Vehicle</u> | <u>Juvenile Probation</u> | <u>Friends of the Library</u> | <u>Friends of Boys & Girls Club</u> |
|--------------------------------------|--|------------------------------|-------------------------------|-----------------------------------|---|
| <u>ASSETS</u> | | | | | |
| Cash and cash equivalents | \$ 25,091 | \$ 8,127 | \$ 65,336 | \$ 46,388 | \$ 347 |
| Restricted cash and cash equivalents | | | | | |
| Accounts receivable | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | \$ <u>25,091</u> | \$ <u>8,127</u> | \$ <u>65,336</u> | \$ <u>46,388</u> | \$ <u>347</u> |
| <u>LIABILITIES</u> | | | | | |
| Unearned revenue | \$ | \$ | \$ | \$ | \$ |
| Other liabilities | <u> </u> | <u> </u> | <u>87</u> | <u>26</u> | <u>1,413</u> |
| Total Liabilities | \$ <u>-</u> | \$ <u>-</u> | \$ <u>87</u> | \$ <u>26</u> | \$ <u>1,413</u> |
| Fund Balances: | | | | | |
| Restricted | \$ | \$ 8,127 | \$ 65,249 | \$ | \$ |
| Committed | 25,091 | | | | |
| Assigned | <u> </u> | <u> </u> | <u> </u> | <u>46,362</u> | <u>(1,066)</u> |
| Total Fund Balance | <u>25,091</u> | <u>8,127</u> | <u>65,249</u> | <u>46,362</u> | <u>(1,066)</u> |
| Total Liabilities and Fund Balance | \$ <u>25,091</u> | \$ <u>8,127</u> | \$ <u>65,336</u> | \$ <u>46,388</u> | \$ <u>347</u> |

| <u>Library PAC-HUG Grant</u> | <u>Law Library</u> | <u>Justice Court Technology</u> | <u>Records Management</u> | <u>Courthouse Security</u> | <u>J.P. Court Building Security</u> |
|--------------------------------------|------------------------|---|-------------------------------|--------------------------------|---|
| \$ 200 | \$ | \$ | \$ 558,235 | \$ 70,938 | \$ 9,037 |
| | | | 2,221 | | |
| <u>\$ 200</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 560,456</u> | <u>\$ 70,938</u> | <u>\$ 9,037</u> |
| \$ | \$ 60,015 | \$ 1,438 | \$ | \$ | \$ |
| <u>\$ -</u> | <u>\$ 60,015</u> | <u>\$ 1,438</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 200 | \$ (60,015) | \$ (1,438) | \$ 560,456 | \$ 70,938 | \$ 9,037 |
| 200 | (60,015) | (1,438) | 560,456 | 70,938 | 9,037 |
| <u>\$ 200</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 560,456</u> | <u>\$ 70,938</u> | <u>\$ 9,037</u> |

SCURRY COUNTY, TEXAS

COMBINING BALANCE SHEET- MODIFIED CASH BASIS -
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

December 31, 2020

| <u>ASSETS</u> | <u>T.A.I.P.</u> | <u>C.S.C.D.</u> | <u>C.C.P.</u> | <u>Culture and Recreation</u> | <u>L.E.O.S.E.</u> |
|---|-------------------------|-------------------------|-------------------------|-----------------------------------|------------------------|
| Cash and cash equivalents | \$ 82,763 | \$ 81,501 | \$ 16,037 | \$ 69,850 | \$ 6,198 |
| Restricted cash and cash equivalents | | | | | |
| Accounts receivable | | | | | |
| Total Assets | \$ <u>82,763</u> | \$ <u>81,501</u> | \$ <u>16,037</u> | \$ <u>69,850</u> | \$ <u>6,198</u> |
| | | | | | |
| Unearned revenue | \$ | \$ | \$ | \$ | \$ |
| Other liabilities | | | | | |
| Total Liabilities | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |
| | | | | | |
| Fund Balances: | | | | | |
| Restricted | \$ 82,763 | \$ 81,501 | \$ 16,037 | \$ | \$ 6,198 |
| Committed | | | | | |
| Assigned | | | | 69,850 | |
| Total Fund Balance | <u>82,763</u> | <u>81,501</u> | <u>16,037</u> | <u>69,850</u> | <u>6,198</u> |
| | | | | | |
| Total Liabilities and Fund Balance | \$ <u>82,763</u> | \$ <u>81,501</u> | \$ <u>16,037</u> | \$ <u>69,850</u> | \$ <u>6,198</u> |

| <u>Senior Center Memorial</u> | <u>Help America Vote</u> | <u>Lone Star Grant</u> | <u>Law Enforcement Debt Service</u> | <u>Bioterrorism</u> | <u>County and District Court Tech</u> | <u>Total Nonmajor Governmental Funds</u> |
|---------------------------------------|----------------------------------|----------------------------|---|---------------------|---|--|
| \$ 299,009 | \$ 140,203 | \$ 1,454 | \$ 428,918 | \$ | \$ 2,149 | \$ 1,482,863 428,918 2,221 |
| <u>\$ 299,009</u> | <u>\$ 140,203</u> | <u>\$ 1,454</u> | <u>\$ 428,918</u> | <u>\$ -</u> | <u>\$ 2,149</u> | <u>\$ 1,914,002</u> |
| \$ | \$ 120,000 | \$ | \$ | \$ | \$ | \$ 120,000 62,979 |
| <u>\$ -</u> | <u>\$ 120,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 182,979</u> |
| \$ | \$ 20,203 | \$ 1,454 | \$ 428,918 | \$ | \$ 2,149 | \$ 1,291,777 25,091 414,155 |
| <u>299,009</u> | | | | | | |
| <u>299,009</u> | <u>20,203</u> | <u>1,454</u> | <u>428,918</u> | <u>-</u> | <u>2,149</u> | <u>1,731,023</u> |
| <u>\$ 299,009</u> | <u>\$ 140,203</u> | <u>\$ 1,454</u> | <u>\$ 428,918</u> | <u>\$ -</u> | <u>\$ 2,149</u> | <u>\$ 1,914,002</u> |

SCURRY COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2020

| | <u>Board of County Development</u> | <u>Abandoned Vehicle</u> | <u>Juvenile Probation</u> | <u>Friends of the Library</u> | <u>Friends of Boys & Girls Club</u> |
|--|--|------------------------------|-------------------------------|-----------------------------------|---|
| REVENUES: | | | | | |
| Taxes | \$ | \$ | \$ | \$ | \$ |
| State and federal grants | | | 242,362 | | |
| Fines and fees | | | 1,788 | | |
| Interest | | 45 | 39 | 261 | 192 |
| Other | | | | 3,025 | 900 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Revenues | - | 45 | 244,189 | 3,286 | 1,092 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | | | | | |
| Health and welfare | | | | | 37,337 |
| Judicial and legal | | | 233,360 | | |
| Public safety | | | | | |
| Public facilities | | | | 1,635 | |
| Debt Service: | | | | | |
| Principal retired | | | | | |
| Interest | | | | | |
| Certificates of obligation administration expense | | | | | |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Expenditures | - | - | 233,360 | 1,635 | 37,337 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Excess (Deficit) Revenues Over Expenditures | - | 45 | 10,829 | 1,651 | (36,245) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| OTHER FINANCING SOURCES AND (USES): | | | | | |
| Proceeds from certificates of obligation | | | | | |
| Transfers in (out) | | | | | |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Financing Uses | - | 45 | 10,829 | 1,651 | (36,245) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund Balance, Beginning of Year | 25,091 | 8,082 | 54,420 | 44,711 | 35,179 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund Balance, End of Year | \$ 25,091 | \$ 8,127 | \$ 65,249 | \$ 46,362 | \$ (1,066) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

| <u>Library PAC-HUG Grant</u> | <u>Law Library</u> | <u>Justice Court Technology</u> | <u>Records Management</u> | <u>Courthouse Security</u> | <u>J.P. Court Building Security</u> |
|--------------------------------------|------------------------|---|-------------------------------|--------------------------------|---|
| \$ | \$ | \$ | \$ | \$ | \$ |
| | 8,143 | 2,622 | 93,987 | 8,539 | 740 |
| <u>-</u> | <u>8,143</u> | <u>2,622</u> | <u>93,987</u> | <u>8,539</u> | <u>740</u> |
| | | | 17,693 | 1,355 | |
| | 38,475 | 4,875 | | | |
| <u>-</u> | <u>38,475</u> | <u>4,875</u> | <u>17,693</u> | <u>1,355</u> | <u>-</u> |
| <u>-</u> | <u>(30,332)</u> | <u>(2,253)</u> | <u>76,294</u> | <u>7,184</u> | <u>740</u> |
| <u>-</u> | <u>(30,332)</u> | <u>(2,253)</u> | <u>76,294</u> | <u>7,184</u> | <u>740</u> |
| <u>200</u> | <u>(29,683)</u> | <u>815</u> | <u>484,162</u> | <u>63,754</u> | <u>8,297</u> |
| <u>\$ 200</u> | <u>\$ (60,015)</u> | <u>\$ (1,438)</u> | <u>\$ 560,456</u> | <u>\$ 70,938</u> | <u>\$ 9,037</u> |

SCURRY COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended December 31, 2020

| | <u>T.A.I.P.</u> | <u>C.S.C.D.</u> | <u>C.C.P.</u> | <u>Culture and Recreation</u> | <u>L.E.O.S.E.</u> |
|--|------------------|------------------|------------------|-----------------------------------|-------------------|
| REVENUES: | | | | | |
| Taxes | \$ | \$ | \$ | \$ | \$ |
| State and federal grants | 352,304 | 82,299 | 53,518 | | 2,741 |
| Fines and fees | | 135,540 | | | |
| Interest | | 300 | | | |
| Other | | 264 | 28,023 | | |
| | <u>352,304</u> | <u>218,403</u> | <u>81,541</u> | <u>-</u> | <u>2,741</u> |
| Total Revenues | | | | | |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | | | | | |
| Health and welfare | | | | | |
| Judicial and legal | 334,925 | 240,708 | 88,321 | | |
| Public safety | | | | | 899 |
| Public facilities | | | | | |
| Debt Service: | | | | | |
| Principal retired | | | | | |
| Interest | | | | | |
| Certificates of obligation administration expense | | | | | |
| | <u>334,925</u> | <u>240,708</u> | <u>88,321</u> | <u>-</u> | <u>899</u> |
| Total Expenditures | | | | | |
| Excess (Deficit) Revenues Over Expenditures | <u>17,379</u> | <u>(22,305)</u> | <u>(6,780)</u> | <u>-</u> | <u>1,842</u> |
| OTHER FINANCING SOURCES AND (USES): | | | | | |
| Transfers in (out) | <u>20,012</u> | <u>(20,116)</u> | <u>104</u> | | |
| Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Financing Uses | <u>37,391</u> | <u>(42,421)</u> | <u>(6,676)</u> | <u>-</u> | <u>1,842</u> |
| Fund Balance, Beginning of Year | <u>45,372</u> | <u>123,922</u> | <u>22,713</u> | <u>69,850</u> | <u>4,356</u> |
| Fund Balance, End of Year | <u>\$ 82,763</u> | <u>\$ 81,501</u> | <u>\$ 16,037</u> | <u>\$ 69,850</u> | <u>\$ 6,198</u> |

| Senior Center Memorial | Help America Vote | Lone Star Grant | Law Enforcement Debt Service | Bioterrorism | County and District Court Tech | Total Nonmajor Governmental Funds |
|------------------------------|----------------------|--------------------|------------------------------------|-----------------|--------------------------------------|--|
| \$ | \$ | \$ | \$ 1,004,175 | \$ | \$ | \$ 1,004,175 |
| | | | 3,717 | | 547 | 733,224 |
| 1,537 | | | 1,986 | | | 255,623 |
| 36,975 | | | | | | 4,360 |
| | | | | | | 69,187 |
| <u>38,512</u> | <u>-</u> | <u>-</u> | <u>1,009,878</u> | <u>-</u> | <u>547</u> | <u>2,066,569</u> |
| | | | | | | |
| 9,727 | 6,667 | | | | | 25,715 |
| | | | | | | 47,064 |
| | | | | | | 940,664 |
| | | | | | | 899 |
| | | | | | | 1,635 |
| | | | 9,990,000 | | | 9,990,000 |
| | | | 355,871 | | | 355,871 |
| | | | 7,928 | | | 7,928 |
| <u>9,727</u> | <u>6,667</u> | <u>-</u> | <u>10,353,799</u> | <u>-</u> | <u>-</u> | <u>11,369,776</u> |
| | | | | | | |
| <u>28,785</u> | <u>(6,667)</u> | <u>-</u> | <u>(9,343,921)</u> | <u>-</u> | <u>547</u> | <u>(9,303,207)</u> |
| | | | | | | |
| | | | 9,370,000 | (19,498) | | 9,370,000 |
| | | | | | | (19,498) |
| | | | | | | |
| <u>28,785</u> | <u>(6,667)</u> | <u>-</u> | <u>26,079</u> | <u>(19,498)</u> | <u>547</u> | <u>47,295</u> |
| <u>270,224</u> | <u>26,870</u> | <u>1,454</u> | <u>402,839</u> | <u>19,498</u> | <u>1,602</u> | <u>1,683,728</u> |
| <u>\$ 299,009</u> | <u>\$ 20,203</u> | <u>\$ 1,454</u> | <u>\$ 428,918</u> | <u>\$ -</u> | <u>\$ 2,149</u> | <u>\$ 1,731,023</u> |

SCURRY COUNTY, TEXAS

COMBINING STATEMENT OF NET POSITION - MODIFIED
CASH BASIS - NONMAJOR PROPRIETARY FUNDS

December 31, 2020

| | <u>Scurry County Golf Course</u> | <u>Hermleigh Water Works</u> | <u>Total Non-Major Business-type Activities Enterprise Fund</u> |
|----------------------------------|--------------------------------------|----------------------------------|---|
| ASSETS: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 99,868 | \$ 161,792 | \$ 261,660 |
| Accounts receivable, net | <u>1,443</u> | <u></u> | <u>1,443</u> |
| Total Current Assets | <u>101,311</u> | <u>161,792</u> | <u>263,103</u> |
| Noncurrent: | | | |
| Capital assets: | | | |
| Property, plant and equipment | 1,133,411 | 801,840 | 1,935,251 |
| Less: accumulated depreciation | <u>(505,496)</u> | <u>(762,908)</u> | <u>(1,268,404)</u> |
| Total Noncurrent Assets | <u>627,915</u> | <u>38,932</u> | <u>666,847</u> |
| TOTAL ASSETS | <u>729,226</u> | <u>200,724</u> | <u>929,950</u> |
| LIABILITIES: | | | |
| Current liabilities: | | | |
| Accounts payable | 3,515 | | 3,515 |
| Customer deposits | <u></u> | <u>16,828</u> | <u>16,828</u> |
| Total Current Liabilities | <u>3,515</u> | <u>16,828</u> | <u>20,343</u> |
| NET POSITION: | | | |
| Net investment in capital assets | 627,915 | 38,932 | 666,847 |
| Unrestricted | <u>97,796</u> | <u>144,964</u> | <u>242,760</u> |
| TOTAL NET POSITION | <u>\$ 725,711</u> | <u>\$ 183,896</u> | <u>\$ 909,607</u> |

SCURRY COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
MODIFIED CASH BASIS - NONMAJOR PROPRIETARY FUNDS

For the Year Ended December 31, 2020

| | <u>Scurry County Golf Course</u> | <u>Hermleigh Water Works</u> | <u>Total Non-Major Business-type Activities Enterprise Fund</u> |
|--------------------------------|--------------------------------------|----------------------------------|---|
| OPERATING REVENUES: | | | |
| Service revenue | \$ | \$ 75,685 | \$ 75,685 |
| Fees | 65,089 | | 65,089 |
| Cart shed rentals | 18,522 | | 18,522 |
| Membership dues | <u>45,303</u> | | <u>45,303</u> |
| Total Operating Revenues | <u>128,914</u> | <u>75,685</u> | <u>204,599</u> |
| OPERATING EXPENSES: | | | |
| Wages and salaries | 59,703 | 44,186 | 103,889 |
| Payroll taxes | 4,452 | 3,111 | 7,563 |
| Employee benefits | 4,746 | 5,356 | 10,102 |
| Depreciation expense | 36,826 | 30,597 | 67,423 |
| Utilities | 15,218 | 1,252 | 16,470 |
| Supplies | 41,622 | 16,308 | 57,930 |
| Repairs | 24,111 | 14,942 | 39,053 |
| Fuel | 5,512 | 427 | 5,939 |
| Medical insurance | 22,148 | 27,360 | 49,508 |
| Professional services | 144,000 | | 144,000 |
| Other | <u>16,059</u> | <u>20,305</u> | <u>36,364</u> |
| Total Operating Expenses | <u>374,397</u> | <u>163,844</u> | <u>538,241</u> |
| Operating Loss | (245,483) | (88,159) | (333,642) |
| NON-OPERATING REVENUES: | | | |
| Ad valorem taxes | 235,660 | | 235,660 |
| Miscellaneous income | <u>13,892</u> | <u>1,211</u> | <u>15,103</u> |
| Change in Net Position | 4,069 | (86,948) | (82,879) |
| Net Position - Beginning | <u>721,642</u> | <u>270,844</u> | <u>992,486</u> |
| Net Position - Ending | <u>\$ 725,711</u> | <u>\$ 183,896</u> | <u>\$ 909,607</u> |

SCURRY COUNTY, TEXAS

COMBINING STATEMENT OF CASH FLOWS - MODIFIED
CASH BASIS - NONMAJOR PROPRIETARY FUNDS

For the Year Ended December 31, 2020

| | <u>Scurry County Golf Course</u> | <u>Hermleigh Water Works</u> | <u>Total Non-Major Business-type Activities Enterprise Fund</u> |
|---|--------------------------------------|----------------------------------|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from customers | \$ 128,914 | \$ 76,467 | \$ 205,381 |
| Cash paid to employees | (68,901) | (52,653) | (121,554) |
| Cash paid to suppliers | <u>(265,868)</u> | <u>(80,594)</u> | <u>(346,462)</u> |
| Net Cash Used in Operating Activities | <u>(205,855)</u> | <u>(56,780)</u> | <u>(262,635)</u> |
| CASH FLOWS NONCAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Miscellaneous receipts | 13,891 | 1,211 | 15,102 |
| Ad valorem tax receipts | <u>235,660</u> | <u> </u> | <u>235,660</u> |
| Net Cash Provided by Noncapital and Related Financing Activities | <u>249,551</u> | <u>1,211</u> | <u>250,762</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>43,696</u> | <u>(55,569)</u> | <u>(11,873)</u> |
| Cash and Cash Equivalents at Beginning of Year | <u>56,172</u> | <u>217,361</u> | <u>273,533</u> |
| Cash and Cash Equivalents at End of Year | \$ <u><u>99,868</u></u> | \$ <u><u>161,792</u></u> | \$ <u><u>261,660</u></u> |
| Reconciliation of Operating Loss to Net Cash Used by Operating Activities: | | | |
| Operating Loss | \$ (245,483) | \$ (88,159) | \$ (333,642) |
| Increase in accounts payable | 2,802 | | 2,802 |
| Increase in customer deposits | | 782 | 782 |
| Depreciation and amortization | <u>36,826</u> | <u>30,597</u> | <u>67,423</u> |
| Net Cash Used in Operating Activities | \$ <u><u>(205,855)</u></u> | \$ <u><u>(56,780)</u></u> | \$ <u><u>(262,635)</u></u> |

SCURRY COUNTY, TEXAS

CASH BASIS - FIDUCIARY FUNDS

December 31, 2020

| | <u>CJC, LEETA, CVCA Fund</u> | <u>Property Tax Fund</u> | <u>Highway Tax Fund</u> | <u>District Clerk Fund</u> | <u>County Clerk Fund</u> |
|------------------------------------|----------------------------------|------------------------------|-----------------------------|--------------------------------|------------------------------|
| ASSETS: | | | | | |
| Cash and cash equivalents | \$ 22,801 | \$ 868,049 | \$ 108,762 | \$ 119,744 | \$ 109,332 |
| Accounts receivable | <u>2,417,424</u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>2,440,225</u> | <u>868,049</u> | <u>108,762</u> | <u>119,744</u> | <u>109,332</u> |
| LIABILITIES: | | | | | |
| Due to other governmental entities | 2,440,225 | 868,049 | 108,762 | | 65,686 |
| Due to others | | | | 119,744 | |
| Bonds held in trust | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u>43,646</u> |
| Total Liabilities | <u>2,440,225</u> | <u>868,049</u> | <u>108,762</u> | <u>119,744</u> | <u>109,332</u> |
| NET POSITION: | | | | | |
| Unrestricted | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

| <u>Sheriff Inmate Fund</u> | <u>County Attorney</u> | <u>District Attorney</u> | <u>Community Supervision & Corrections</u> | <u>Sheriff Commissary Fund</u> | <u>Minors Escrow Fund</u> | <u>Total Agency Funds</u> |
|--------------------------------|----------------------------|------------------------------|--|--|-----------------------------------|-----------------------------------|
| \$ 7,627 | \$ 1,084 | \$ 112,942 | \$ 1,423 | \$ 65,119 | \$ 51,675 | \$ 1,468,558 |
| <u>7,627</u> | <u>1,084</u> | <u>112,942</u> | <u>1,423</u> | <u>65,119</u> | <u>51,675</u> | <u>2,417,424</u> |
| | | | | | | |
| 7,627 | 1,084 | 13,681 | 1,423 | 65,119 | 51,675 | 3,496,403 |
| <u>7,627</u> | <u>1,084</u> | <u>99,261</u> | <u>1,423</u> | <u>65,119</u> | <u>51,675</u> | <u>345,933</u> |
| | | | | | | <u>43,646</u> |
| <u>7,627</u> | <u>1,084</u> | <u>112,942</u> | <u>1,423</u> | <u>65,119</u> | <u>51,675</u> | <u>3,885,982</u> |
| | | | | | | |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**OTHER REPORTING REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

June 10, 2021

**The Honorable County Judge and Commissioners
Comprising the Commissioners' Court of
Scurry County, Texas**

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Scurry County, Texas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Scurry County, Texas's basic financial statements, and have issued our report thereon dated June 10, 2021.

Internal Control Over Financial Reporting

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

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.

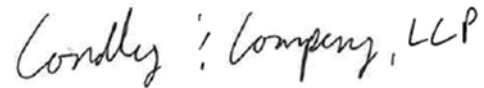
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scurry County, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Cordley & Company, LLP". The signature is written in a cursive, flowing style.

Certified Public Accountants