



**SCURRY COUNTY, TEXAS**

**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**

**December 31, 2017**

**(With Summarized Financial Information  
as of and for the Year Ended December 31, 2016)**

**SCURRY COUNTY, TEXAS**

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December 31, 2017

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June 21, 2018

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

**INDEPENDENT AUDITORS' REPORT**

**Qualified Opinion 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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and GASB Statement No. 45, Accounting and Financial Reporting by Employers 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, 2017, 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 2016 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 July 13, 2017, 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. 43 and No. 45. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 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 information on pages 45 through 47, and schedules of pension information and funding progress on pages 48 and 49, 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 21, 2018, 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.

*Condley and Company, L.L.P.*

Certified Public Accountants

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

*Required Supplementary Information*

**SCURRY COUNTY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2017

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, 2017, 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 and road and bridge fund budgetary comparison schedule (starting on page 45) and pension funding relating schedules (starting on page 48) 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 50) 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 - Hermleigh 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.

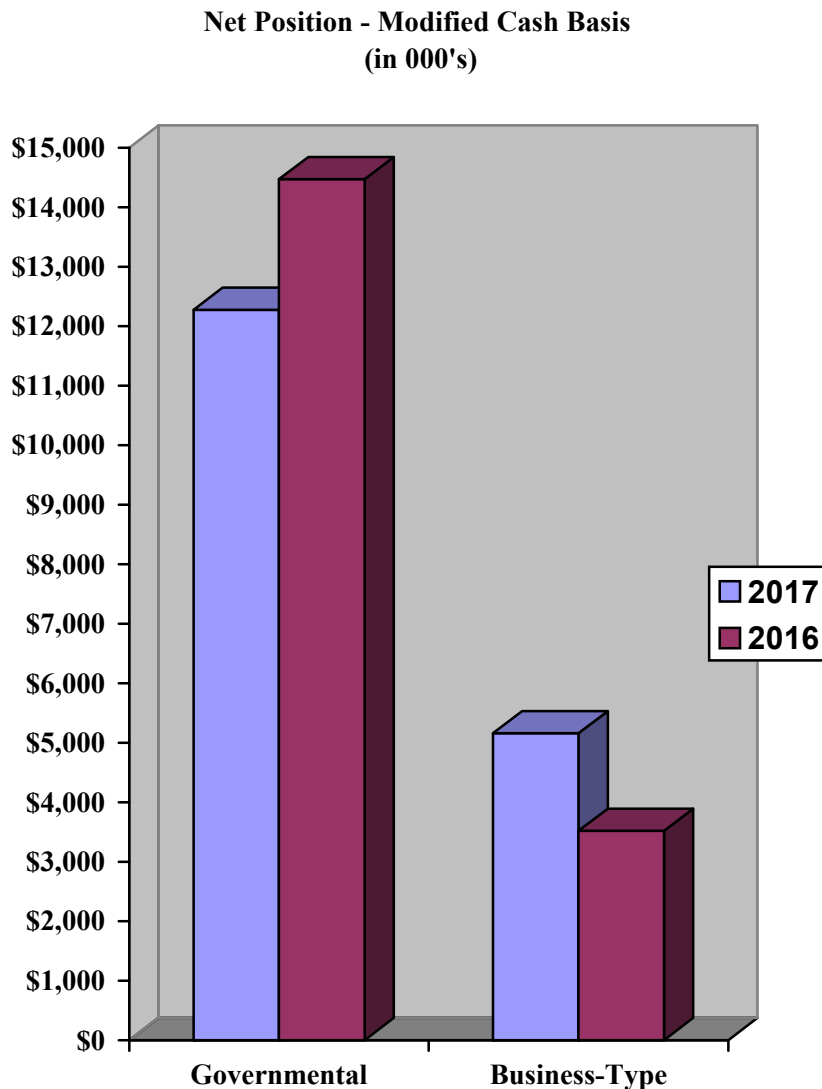
## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

### Total Assets

The County's combined total assets and deferred outflows of resources amounted to \$39,785,764 and \$40,737,444 for the years ended December 31, 2017 and 2016, respectively. Total liabilities and deferred inflows amounted to \$22,352,051 and \$22,745,317 for the years ended December 31, 2017 and 2016, respectively.

### Net Position-Modified Cash Basis

The County's combined net position, resulting from modified cash basis transactions, decreased from \$17,992,127 to \$17,433,713 between fiscal years 2016 and 2017.



### **Changes in Net Position-Modified Cash Basis**

For the year ended December 31, 2017, 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	\$ 2,093,651	\$ 1,351,097	\$ 3,444,748
Operating grants and contributions	1,547,917		1,547,917
General revenues:			
Property taxes	7,829,373	1,429,471	9,258,844
Tax collector fees	434,670		434,670
Sales and use taxes	2,753,986		2,753,986
Mixed drink tax	17,844		17,844
Investment earnings	116,402		116,402
Miscellaneous	696,838	1,086,015	1,782,853
Total revenues	<u>15,490,681</u>	<u>3,866,583</u>	<u>19,357,264</u>
Expenses:			
General government	3,406,190		3,406,190
Health and welfare	1,571,463		1,571,463
Judicial and legal	3,345,296		3,345,296
Public safety	3,953,492		3,953,492
Public facilities	512,095		512,095
Culture and recreation	1,068,983		1,068,983
Road maintenance	2,868,823		2,868,823
Interest on long-term debt	449,859		449,859
Water, golf course and EMS services		2,739,477	2,739,477
Total expenses	<u>17,176,201</u>	<u>2,739,477</u>	<u>19,915,678</u>
Transfers in (out)	<u>(511,252)</u>	<u>511,252</u>	<u>0</u>
Increase (Decrease) in net position	<u>\$ (2,196,772)</u>	<u>\$ 1,638,358</u>	<u>\$ (558,414)</u>

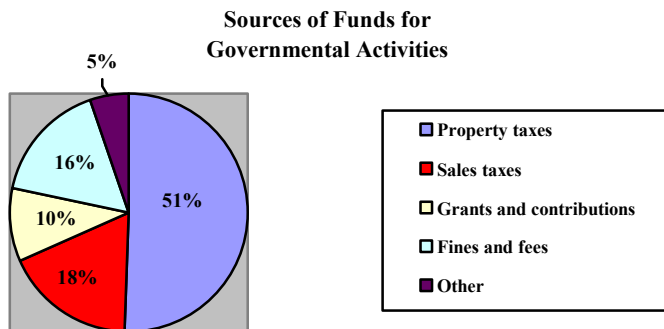
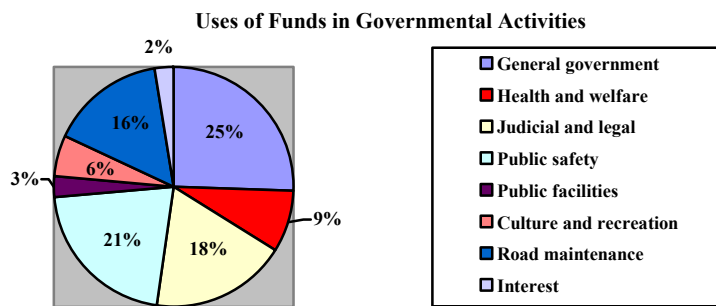
For the year ended December 31, 2016, net position of the primary government (resulting from modified cash basis transactions) changed as follows:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 2,361,180	\$ 1,724,473	\$ 4,085,653
Operating grants and contributions	2,232,617		2,232,617
General revenues:			
Property taxes	8,607,455	1,374,781	9,982,236
Tax collector fees	457,010		457,010
Sales and use taxes	1,586,223		1,586,223
Mixed drink tax	13,767		13,767
Investment earnings	56,692		56,692
Miscellaneous	<u>822,616</u>	<u>7,626</u>	<u>830,242</u>
Total revenues	<u>16,137,560</u>	<u>3,106,880</u>	<u>19,244,440</u>
Expenses:			
General government	3,719,128		3,719,128
Health and welfare	1,703,817		1,703,817
Judicial and legal	3,480,450		3,480,450
Public safety	4,272,659		4,272,659
Public facilities	589,104		589,104
Culture and recreation	1,187,264		1,187,264
Road maintenance	2,830,646		2,830,646
Interest on long-term debt	485,151		485,151
Water, golf course and EMS services		<u>2,857,667</u>	<u>2,857,667</u>
Total expenses	<u>18,268,219</u>	<u>2,857,667</u>	<u>21,125,886</u>
Transfers in (out)	<u>(5,703)</u>	<u>5,703</u>	<u>0</u>
Increase (Decrease) in net position	<u>\$ (2,136,362)</u>	<u>\$ 254,916</u>	<u>\$ (1,881,446)</u>

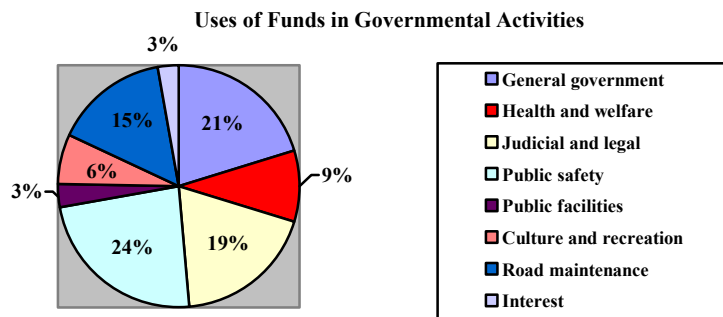
**Governmental Activities**

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.

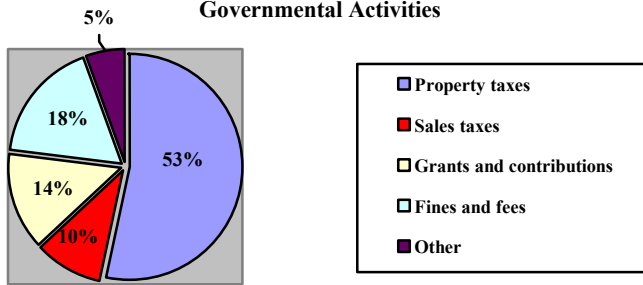
For the year ended December 31, 2017, the County's governmental activities were funded as follows:



For the year ended December 31, 2016, 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 \$17,176,201 and \$18,268,219 for the years ended December 31, 2017 and 2016, respectively. Of these total expenses, taxpayers and other general revenues funded \$13,534,633 and \$13,674,422 for the years ended December 31, 2017 and 2016, respectively. While those directly benefiting from the program funded \$1,547,917 and \$2,232,617 from grants and other contributions; \$2,093,651 and \$2,361,180 was provided from charges for services for the years ended December 31, 2017 and 2016, 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 (\$34,237) and (\$71,585) for the years ended December 31, 2017 and 2016, respectively. Scurry County Golf Course received non-operating income of \$242,509 in 2017 and \$178,386 in 2016, and reported a net operating loss of \$276,746 and \$249,971 for the years ended December 31, 2017 and 2016, respectively.

The Hermleigh Water Works fund reported a change in net position of (\$8,461) and (\$22,565) for the years ended December 31, 2017 and 2016, respectively. Hermleigh Water Works received non-operating income of \$1,434 in 2017 and \$1,157 in 2016, and reported a net operating loss of \$9,895 and \$23,722 for the years ended December 31, 2017 and 2016, respectively.

The Scurry County Emergency Medical Service, (E.M.S.), reported a change in net position of \$220,447 and \$207,466 for the years ended December 31, 2017 and 2016, respectively. Scurry County E.M.S. received non-operating income of \$951,836 in 2017 and \$846,519 in 2016. Scurry County E.M.S. reported a net operating loss of \$731,389 and \$639,053 for the years ended December 31, 2017 and 2016, respectively.

The Scurry County Airport, reported a change in net position of \$1,460,609 and \$141,600 for the years ended December 31, 2017 and 2016, respectively. Scurry County Airport received non-operating income of \$1,828,074 in 2017 and \$357,980 in 2016. Scurry County Airport reported a net operating loss of \$367,465 and \$216,380 for the years ended December 31, 2017 and 2016, respectively.

## A FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

### Financial Highlights

- The County's total expenditures (including transfers) exceeded total revenues, on the modified cash basis of accounting, by \$1,581,164 for the year. Total revenue decreased by \$646,879 from 2017 to 2016 and total expenditures decreased by \$731,757 which is mainly attributable to capital outlay and renovation projects that occurred in 2016.
- The County's general fund ended the year with a fund balance of \$1,099,604, which represents 10% 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, 2017, general fund expenditures were \$327,787 less than final appropriations, while actual resources available for appropriation (excluding any change in beginning budgetary fund balance) were \$171,773 more than the final budgeted amount.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets-Modified Cash Basis

The County had \$25,172,205 and \$24,116,143 in capital assets, net of depreciation at December 31, 2017 and 2016, respectively (See table below).

	<b>Primary Government Capital Assets-Modified Cash Basis</b>			
	<b>(Net of accumulated depreciation)</b>			
	Governmental	Business-Type		Summarized
	Activities	Activities	Totals	Totals
	2017	2017	2017	2016
Land	\$ 554,257	\$ 180,899	\$ 735,156	\$ 735,156
Construction in progress	0	1,024,660	1,024,660	1,600,821
Buildings and improvements	18,793,680	1,339,945	20,133,625	18,223,157
Equipment and vehicles	2,370,730	683,874	3,054,604	3,270,152
Furniture and fixtures	206,851	0	206,851	228,008
Software	17,309	0	17,309	58,849
<b>Total</b>	<b>\$ 21,942,827</b>	<b>\$ 3,229,378</b>	<b>\$ 25,172,205</b>	<b>\$ 24,116,143</b>

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 \$13,515,633 and \$14,005,866 as of December 31, 2017 and 2016, respectively. (See table below.)

	<u>2017</u>	<u>2016</u>
Certificates of obligation	\$ 13,195,000	\$ 13,845,000
Discount on certificates of obligation	0	(56,346)
Premium on certificates of obligation	253,909	117,554
Capital lease obligations	<u>66,724</u>	<u>99,658</u>
Total	<u>\$ 13,515,633</u>	<u>\$ 14,005,866</u>

Debt related to business-type activities totaled \$41,254 and \$86,298 as of December 31, 2017 and 2016, respectively, and consisted of capital lease obligations.

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, 2018, the County's budget is fairly consistent with this year. It is anticipated that the current oil field related activities will continue to stimulate 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, 2017

(With Summarized Financial Information as of December 31, 2016)

	Primary Government			2016 Summarized Data
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS:</b>				
Current Assets:				
Cash and cash equivalents	\$ 8,144,266	\$ 1,906,366	\$ 10,050,632	\$ 10,342,319
Accounts receivable, net	249,110	81,615	330,725	228,085
Restricted Assets:				
Cash and cash equivalents	1,127,180		1,127,180	2,132,317
Capital Assets:				
Land	554,257	180,899	735,156	735,156
Construction in progress	0	1,024,660	1,024,660	1,600,821
Buildings and improvements	23,556,791	3,546,365	27,103,156	26,154,910
Infrastructure	4,802,479		4,802,479	2,756,616
Equipment	10,112,202	1,931,669	12,043,871	11,547,460
Furniture and fixtures	627,150	37,911	665,061	665,061
Motor vehicles	1,608,244	290,983	1,899,227	1,818,515
Equipment held under capital lease	647,316	161,452	808,768	808,768
Software	510,469		510,469	510,469
Less accumulated depreciation	(20,476,081)	(3,944,561)	(24,420,642)	(22,481,633)
<b>TOTAL ASSETS</b>	<b>31,463,383</b>	<b>5,217,359</b>	<b>36,680,742</b>	<b>36,818,864</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred outflows of resources related to pensions	3,105,022		3,105,022	3,918,580
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>3,105,022</b>	<b>0</b>	<b>3,105,022</b>	<b>3,918,580</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Deposits	21,470	14,206	35,676	34,816
Other liabilities	69,394	752	70,146	76,423
Accrued interest payable	158,003	1,803	159,806	185,873
Certificates of obligation payable	585,000		585,000	565,000
Capital lease obligation - current	32,352	41,254	73,606	70,944
Noncurrent Liabilities:				
Certificates of obligation payable - net of premium	12,863,909		12,863,909	13,341,208
Capital lease obligation	34,372		34,372	115,012
Net pension liability	2,718,051		2,718,051	2,587,665
<b>TOTAL LIABILITIES</b>	<b>16,482,551</b>	<b>58,015</b>	<b>16,540,566</b>	<b>16,976,941</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue - property taxes	5,529,740		5,529,740	5,533,476
Deferred inflows of resources related to pensions	281,745		281,745	234,900
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>5,811,485</b>	<b>0</b>	<b>5,811,485</b>	<b>5,768,376</b>
<b>NET POSITION:</b>				
Net investment in capital assets	8,427,194	3,188,124	11,615,318	10,023,979
Restricted for:				
Debt service	1,127,180		1,127,180	2,132,317
Unrestricted	2,719,995	1,971,220	4,691,215	5,835,831
<b>TOTAL NET POSITION</b>	<b>\$ 12,274,369</b>	<b>\$ 5,159,344</b>	<b>\$ 17,433,713</b>	<b>\$ 17,992,127</b>

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, 2017  
(With Summarized Financial Information for the Year Ended December 31, 2016)

Function/Program Activities	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General government	\$ 3,406,190	\$ 365,900	\$ 94,192
Health and welfare	1,571,463	45,317	64,220
Judicial and legal	3,345,296	748,976	817,575
Public safety	3,953,492	270,737	2,382
Public facilities	512,095	54,718	
Culture and recreation	1,068,983	5,935	
Road maintenance	2,868,823	602,068	569,548
Interest on long-term debt	449,859		
Total governmental activities	<u>17,176,201</u>	<u>2,093,651</u>	<u>1,547,917</u>
Business-type Activities:			
Golf course, water, EMS services and airport		1,351,097	
Interest expense	2,885		
Depreciation expense	263,563		
Operating expense	2,473,029		
Total business-type activities	<u>2,739,477</u>	<u>1,351,097</u>	<u>0</u>
Total primary government	<u>\$ 19,915,678</u>	<u>\$ 3,444,748</u>	<u>\$ 1,547,917</u>

General Revenues:

Taxes:

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

Tax collector fees

Sales and use taxes

Mixed drink tax

Transfers in (out)

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			2016 Summarized Data
Governmental Activities	Business-type Activities	Total	
\$ (2,946,098)	\$	\$ (2,946,098)	\$ (2,872,371)
(1,461,926)		(1,461,926)	(1,565,048)
(1,778,745)		(1,778,745)	(2,025,971)
(3,680,373)		(3,680,373)	(4,094,045)
(457,377)		(457,377)	(523,447)
(1,063,048)		(1,063,048)	(1,177,951)
(1,697,207)		(1,697,207)	(930,438)
(449,859)		(449,859)	(485,151)
<u>(13,534,633)</u>	<u>0</u>	<u>(13,534,633)</u>	<u>(13,674,422)</u>
	1,351,097	1,351,097	1,724,473
	(2,885)	(2,885)	(4,068)
	(263,563)	(263,563)	(318,547)
	<u>(2,473,029)</u>	<u>(2,473,029)</u>	<u>(2,535,052)</u>
<u>0</u>	<u>(1,388,380)</u>	<u>(1,388,380)</u>	<u>(1,133,194)</u>
<u>(13,534,633)</u>	<u>(1,388,380)</u>	<u>(14,923,013)</u>	<u>(14,807,616)</u>
7,829,373	1,429,471	9,258,844	9,982,236
434,670		434,670	457,010
2,753,986		2,753,986	1,586,223
17,844		17,844	13,767
(511,252)	511,252	0	0
116,402		116,402	56,692
<u>696,838</u>	<u>1,086,015</u>	<u>1,782,853</u>	<u>830,242</u>
<u>11,337,861</u>	<u>3,026,738</u>	<u>14,364,599</u>	<u>12,926,170</u>
(2,196,772)	1,638,358	(558,414)	(1,881,446)
<u>14,471,141</u>	<u>3,520,986</u>	<u>17,992,127</u>	<u>19,873,573</u>
<u>\$ 12,274,369</u>	<u>\$ 5,159,344</u>	<u>\$ 17,433,713</u>	<u>\$ 17,992,127</u>

**FUND FINANCIAL STATEMENTS**

*Basic Financial Statements*

**SCURRY COUNTY, TEXAS**

BALANCE SHEET- MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

December 31, 2017  
(With Summarized Financial Information as of December 31, 2016)

	<u>General</u>	<u>Road and Bridge</u>	<u>Law Enforcement Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>2016 Summarized Data</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 6,668,524	\$ 425,624	\$	\$ 1,050,118	\$ 8,144,266	\$ 8,974,858
Restricted cash and cash investments			1,127,180		1,127,180	2,132,317
Accounts receivable	<u>50,157</u>	<u>196,732</u>		<u>2,221</u>	<u>249,110</u>	<u>4,926</u>
 Total Assets	 <u>\$ 6,718,681</u>	 <u>\$ 622,356</u>	 <u>\$ 1,127,180</u>	 <u>\$ 1,052,339</u>	 <u>\$ 9,520,556</u>	 <u>\$ 11,112,101</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>						
Liabilities:						
Deposits	\$ 21,470	\$	\$	\$	\$ 21,470	\$ 21,370
Other liabilities	<u>67,867</u>			<u>1,527</u>	<u>69,394</u>	<u>76,139</u>
Total Liabilities	<u>89,337</u>	<u>0</u>	<u>0</u>	<u>1,527</u>	<u>90,864</u>	<u>97,509</u>
Deferred Inflows of Resources:						
Unavailable revenue - property taxes	<u>5,529,740</u>				<u>5,529,740</u>	<u>5,533,476</u>
Total Deferred Inflows of Resources	<u>5,529,740</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,529,740</u>	<u>5,533,476</u>
Fund balances:						
Restricted		622,356	1,127,180	685,215	2,434,751	2,876,078
Committed	10,000			41,066	51,066	62,903
Assigned				324,531	324,531	310,954
Unassigned	<u>1,089,604</u>				<u>1,089,604</u>	<u>2,231,181</u>
Total Fund Balance	<u>1,099,604</u>	<u>622,356</u>	<u>1,127,180</u>	<u>1,050,812</u>	<u>3,899,952</u>	<u>5,481,116</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 6,718,681</u>	<u>\$ 622,356</u>	<u>\$ 1,127,180</u>	<u>\$ 1,052,339</u>	<u>\$ 9,520,556</u>	<u>\$ 11,112,101</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, 2017

Fund Balances - Total Governmental funds	\$	3,899,952
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 42,418,908	
Less accumulated depreciation	<u>(20,476,081)</u>	21,942,827
<p>Deferred outflows of resources related to pensions which is not reported in the governmental funds.</p>		
		3,105,022
<p>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.</p>		
Accrued interest payable	(158,003)	
Certificates of obligation	(13,448,909)	
Capital leases	<u>(66,724)</u>	(13,673,636)
<p>Net pension liability which is not reported in the governmental funds.</p>		
		<u>(2,718,051)</u>
<p>Deferred outflows of resources related to pensions which is not reported in the governmental funds.</p>		
		<u>(281,745)</u>
Net assets of governmental activities	\$	<u><u>12,274,369</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, 2017  
(With Summarized Financial Information for the Year Ended December 31, 2016)

	<u>General Fund</u>	<u>Road and Bridge</u>	<u>Law Enforcement Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>2016 Summarized Data</u>
<b>REVENUES:</b>						
Taxes	\$ 8,922,022	\$ 1,679,181	\$	\$	\$ 10,601,203	\$ 10,207,445
Motor vehicle registration		601,068			601,068	603,207
State and federal grants	206,255	569,548		762,297	1,538,100	2,231,817
Fines and fees	1,391,887			302,708	1,694,595	1,550,641
Interest	91,594	8,373	13,537	2,898	116,402	56,692
Other	814,668	1,362		123,283	939,313	1,487,758
	<u>11,426,426</u>	<u>2,859,532</u>	<u>13,537</u>	<u>1,191,186</u>	<u>15,490,681</u>	<u>16,137,560</u>
<b>EXPENDITURES:</b>						
Current:						
General government	3,612,545			168,422	3,780,967	3,070,656
Health and welfare	1,485,110			59,135	1,544,245	1,559,394
Judicial and legal	2,277,469			909,891	3,187,360	3,243,629
Public safety	3,475,149			2,045	3,477,194	3,518,303
Public facilities	434,978			48,230	483,208	486,131
Culture and recreation	874,487				874,487	966,759
Road maintenance		2,319,085			2,319,085	3,543,265
Debt Service:						
Principal retired			565,000		565,000	550,000
Interest			443,432		443,432	477,040
Certificates of obligation administration expense			10,242		10,242	1,800
	<u>12,159,738</u>	<u>2,319,085</u>	<u>1,018,674</u>	<u>1,187,723</u>	<u>16,685,220</u>	<u>17,416,977</u>
Excess (Deficit) Revenues Over Expenditures	<u>(733,312)</u>	<u>540,447</u>	<u>(1,005,137)</u>	<u>3,463</u>	<u>(1,194,539)</u>	<u>(1,279,417)</u>
<b>OTHER FINANCING SOURCES AND (USES):</b>						
Transfers in (out)	<u>(408,265)</u>			<u>21,640</u>	<u>(386,625)</u>	<u>(5,703)</u>
Total Sources (Uses):	<u>(408,265)</u>	<u>0</u>	<u>0</u>	<u>21,640</u>	<u>(386,625)</u>	<u>(5,703)</u>
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Financing Uses	<u>(1,141,577)</u>	<u>540,447</u>	<u>(1,005,137)</u>	<u>25,103</u>	<u>(1,581,164)</u>	<u>(1,285,120)</u>
Fund Balance, Beginning of Year	<u>2,241,181</u>	<u>81,909</u>	<u>2,132,317</u>	<u>1,025,709</u>	<u>5,481,116</u>	<u>6,766,236</u>
Fund Balance, End of Year	\$ <u>1,099,604</u>	\$ <u>622,356</u>	\$ <u>1,127,180</u>	\$ <u>1,050,812</u>	\$ <u>3,899,952</u>	\$ <u>5,481,116</u>

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, 2017

Net change in fund balances - total governmental funds \$ (1,581,164)

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	\$ 1,875,997	
Depreciation expense	<u>(1,893,303)</u>	(17,306)

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.

Principal payments on bonds payable		565,000
Bond discount		(29,050)
Bond issuance expense		78,251

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		32,932
Interest expense		(2,885)

Non-cash retirement and transfers of assets that were reported as transfers out which resulted in a reduction in the statement of net position, but were not included on the governmental funds. (277,270)

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. (990,788)

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>25,508</u>
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Change in net assets of governmental activities \$ (2,196,772)

*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	2017 Total	2016 Summarized Data
<b>ASSETS:</b>					
Current assets:					
Cash and cash equivalents	\$ 1,469,289	\$ 251,695	\$ 185,382	\$ 1,906,366	\$ 1,367,461
Accounts receivable	79,877	295	1,443	81,615	223,159
Total Current Assets	1,549,166	251,990	186,825	1,987,981	1,590,620
Noncurrent:					
Capital assets:					
Property, plant and equipment	1,862,745	3,406,588	1,904,606	7,173,939	5,712,963
Less: accumulated depreciation	(1,002,301)	(1,896,062)	(1,046,198)	(3,944,561)	(3,679,943)
Total Noncurrent Assets	860,444	1,510,526	858,408	3,229,378	2,033,020
<b>TOTAL ASSETS</b>	<b>2,409,610</b>	<b>1,762,516</b>	<b>1,045,233</b>	<b>5,217,359</b>	<b>3,623,640</b>
<b>LIABILITIES:</b>					
Current liabilities:					
Accounts payable			752	752	284
Accrued interest payable	1,803			1,803	2,626
Capital lease obligation - current	41,254			41,254	39,442
Customer deposits			14,206	14,206	13,446
Total Current Liabilities	43,057	0	14,958	58,015	55,798
Noncurrent liabilities:					
Capital lease obligation				0	46,856
Total Noncurrent Liabilities	0	0	0	0	46,856
<b>TOTAL LIABILITIES</b>	<b>43,057</b>	<b>0</b>	<b>14,958</b>	<b>58,015</b>	<b>102,654</b>
<b>NET POSITION:</b>					
Net investment in capital assets	819,190	1,510,526	858,408	3,188,124	1,946,722
Unrestricted	1,547,363	251,990	171,867	1,971,220	1,574,264
<b>TOTAL NET POSITION</b>	<b>\$ 2,366,553</b>	<b>\$ 1,762,516</b>	<b>\$ 1,030,275</b>	<b>\$ 5,159,344</b>	<b>\$ 3,520,986</b>

*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

	<u>Business-type Activities Enterprise Funds</u>				
	<u>For the Year Ended December 31,</u>				
	<u>Scurry County E.M.S.</u>	<u>Scurry County Airport</u>	<u>Non-Major</u>	<u>2017 Total</u>	<u>2016 Summarized Data</u>
<b>OPERATING REVENUES:</b>					
Service revenue	\$ 1,171,778	\$ 7,361	\$	\$ 1,179,139	\$ 1,558,795
Fees			104,528	104,528	83,744
Cart shed rentals			18,225	18,225	24,130
Membership dues			49,205	49,205	57,804
<b>Total Operating Revenues</b>	<b>1,171,778</b>	<b>7,361</b>	<b>171,958</b>	<b>1,351,097</b>	<b>1,724,473</b>
<b>OPERATING EXPENSES:</b>					
Wages and salaries	910,095	164,284	44,192	1,118,571	1,106,269
Payroll taxes	89,095	17,907	3,419	110,421	102,181
Employee benefits	76,542	12,714	2,820	92,076	92,357
Depreciation expense	164,353	34,102	65,108	263,563	318,547
Contract labor	18,000		17,696	35,696	36,319
Utilities	8,445	23,205	36,828	68,478	42,184
Supplies	53,393	4,927	27,387	85,707	65,170
Repairs	69,656	48,545	80,438	198,639	181,703
Fuel	30,056	5,637	8,436	44,129	32,951
Equipment purchased	2,252			2,252	12,050
Medical insurance	203,438	33,923	7,220	244,581	230,805
Professional services	91,096		154,231	245,327	304,401
Bad debt expense	151,109			151,109	233,418
Other	35,637	29,582	10,824	76,043	95,244
<b>Total Operating Expenses</b>	<b>1,903,167</b>	<b>374,826</b>	<b>458,599</b>	<b>2,736,592</b>	<b>2,853,599</b>
<b>Operating Loss</b>	<b>(731,389)</b>	<b>(367,465)</b>	<b>(286,641)</b>	<b>(1,385,495)</b>	<b>(1,129,126)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Ad valorem taxes	929,721	329,750	170,000	1,429,471	1,374,781
Miscellaneous income	25,000	1,025,417	35,598	1,086,015	7,626
Transfers in		472,907	38,345	511,252	5,703
Interest expense	(2,885)			(2,885)	(4,068)
<b>Change in Net Position</b>	<b>220,447</b>	<b>1,460,609</b>	<b>(42,698)</b>	<b>1,638,358</b>	<b>254,916</b>
<b>Net Position - Beginning</b>	<b>2,146,106</b>	<b>301,907</b>	<b>1,374,880</b>	<b>3,520,986</b>	<b>3,266,070</b>
<b>Net Position - Ending</b>	<b>\$ 2,366,553</b>	<b>\$ 1,762,516</b>	<b>\$ 1,332,182</b>	<b>\$ 5,159,344</b>	<b>\$ 3,520,986</b>

*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,				
	Scurry County E.M.S.	Scurry County Airport	Non-Major	2017 Total	2016 Summarized Data
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 1,162,236	\$ 7,338	\$ 172,718	\$ 1,342,292	\$ 1,526,063
Cash paid to employees	(1,075,732)	(194,905)	(68,127)	(1,338,764)	(1,337,126)
Cash paid to suppliers	(511,973)	(145,819)	(324,895)	(982,687)	(969,186)
Net Cash Used in Operating Activities	<u>(425,469)</u>	<u>(333,386)</u>	<u>(220,304)</u>	<u>(979,159)</u>	<u>(780,249)</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Miscellaneous receipts	25,000	129,502	35,598	190,100	45,840
Ad valorem tax receipts	929,721	329,750	170,000	1,429,471	1,374,781
Transfer from general fund		348,280	38,345	386,625	5,703
Net Cash Provided by Noncapital and Related Financing Activities	<u>954,721</u>	<u>807,532</u>	<u>243,943</u>	<u>2,006,196</u>	<u>1,426,324</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Payments on capital leases payable	(48,751)			(48,751)	(32,601)
Purchase of capital assets	(56,687)	(382,694)		(439,381)	(194,663)
Net Cash Used in Capital and Related Financing Activities	<u>(105,438)</u>	<u>(382,694)</u>	<u>0</u>	<u>(488,132)</u>	<u>(227,264)</u>
Net Increase in Cash and Cash Equivalents	<u>423,814</u>	<u>91,452</u>	<u>23,639</u>	<u>538,905</u>	<u>418,811</u>
Cash and Cash Equivalents at Beginning of Year	<u>1,045,475</u>	<u>160,243</u>	<u>321,986</u>	<u>1,367,461</u>	<u>948,650</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,469,289</u>	<u>\$ 251,695</u>	<u>\$ 345,625</u>	<u>\$ 1,906,366</u>	<u>\$ 1,367,461</u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</b>					
Operating Loss	(731,389)	(367,465)	(286,641)	\$ (1,385,495)	\$ (1,129,126)
Adjustments Not Affecting Cash:					
(Increase) Decrease in accounts receivable	141,567	(23)		141,544	(3,843)
Increase (Decrease) in accounts payable			1,229	1,229	34,173
Depreciation and amortization	164,353	34,102	65,108	263,563	318,547
Net Cash Used in Operating Activities	<u>\$ (425,469)</u>	<u>\$ (333,386)</u>	<u>\$ (220,304)</u>	<u>\$ (979,159)</u>	<u>\$ (780,249)</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, 2017

	Employee Retirement Funds	Agency Funds
	<hr/>	<hr/>
ASSETS:		
Cash and cash equivalents	\$	\$ 1,406,097
Accounts receivable		1,733,276
Investments at fair value	1,098,316	
	<hr/>	<hr/>
Total Assets	1,098,316	3,139,373
	<hr/>	<hr/>
LIABILITIES:		
Due to other governmental entities		2,719,373
Due to others		382,762
Bonds held in trust		37,238
		<hr/>
Total Liabilities	0	3,139,373
	<hr/>	<hr/>
NET POSITION:		
Held in trust for pension benefits and other purposes	\$ 1,098,316	\$ 0
	<hr/> <hr/>	<hr/> <hr/>

*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, 2017

	<u>Employee Retirement Funds</u>
ADDITIONS:	
Contributions:	
Employee	\$ <u>46,978</u>
Investment Earnings:	
Investment gain	172,438
Less Investment Expenses:	
Asset fees	<u>7,578</u>
Net Investment Gain	<u>164,860</u>
Total Revenues	<u>211,838</u>
DEDUCTIONS:	
Benefits paid	<u>39,752</u>
Net Increase	172,086
Net Position - Beginning of Year	<u>926,230</u>
Net Position - End of Year	<u><u>\$ 1,098,316</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, 2017

#### **NOTE 1: REPORTING ENTITY**

In evaluating how to define the 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 funds are reported as major funds:

*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.

*Law Enforcement Debt Service Fund* – The law enforcement debt service fund is established to account for the principal and interest payments of certificate of obligations issued in 2009 and partially refinanced in 2013, related to the construction of the County jail. The County allocated \$0 in property taxes during 2017 to cover the scheduled principal and interest payments.

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, 2017 which relates to use of external resources, is comprised of the following:

<u>Restriction</u>	<u>Amount</u>
Law enforcement center debt service	\$ 1,127,180
Road and bridge maintenance	622,356
Texas Department of Criminal Justice grants and contracts	182,123
Records management	378,789
Court and courthouse security	58,782
Court technology	8,315
Abandoned vehicle	7,748
Other grants	<u>49,458</u>
Total Restricted Fund Balance	<u>\$ 2,434,751</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, 2017 is comprised of the following:

<u>Commitment</u>	<u>Amount</u>
Board of County Development	\$ <u>51,066</u>
Total Committed Fund Balance	<u>\$ 51,066</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, 2017 is comprised of the following:

<u>Assignment</u>	<u>Amount</u>
Senior center	\$ 182,426
Culture and recreation	69,850
Friends of Boys & Girls Club	31,682
Library	<u>40,573</u>
Total Assigned Fund Balance	<u>\$ 324,531</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 \$170,000 in property taxes during 2017 to the golf course to cover operating expenses of \$389,218 incurred in 2017.

##### 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 \$929,721 in property taxes during 2017 to E.M.S. to cover operating expenses of \$1,903,167 incurred in 2017. The Scurry County Emergency Medical Service fund was considered a major proprietary fund for financial reporting purposes for 2017.

##### Scurry County Airport

Operating revenue results from hangar rental charges and the sale of fuel and oil. The County allocated \$329,750 in property taxes during 2017 to Scurry County Airport to cover operating expenses of \$374,826 incurred in 2017.

#### 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, 2017 and 2016 totaled \$714,532 and \$907,342, respectively.

#### Restricted Assets

Restricted assets represent cash and certificates of deposit totaling \$1,127,180 as of December 31, 2017 to be used for principal and interest payments for certificates of obligation issued in 2009 and partially refinanced in 2013 and 2017.

#### 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 \$500 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 \$1,127,180 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 21, 2018, 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 \$11,533,132 were pledged by the depository bank to secure all bank deposits. The largest cash balance amounted to \$10,140,902 and occurred on November 2, 2017.

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, 2017, 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, 2017, 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, 2017, 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, 2017, 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, 2017, 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, 2017, the County was not exposed to foreign currency risk.

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2017 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Transfers and Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Non-depreciable assets:				
Land	\$ 554,257	\$	\$	\$ 554,257
Construction in progress	1,600,821		(1,600,821)	0
Depreciable assets:				
Buildings and improvements	22,998,214	558,577		23,556,791
Equipment	9,662,438	463,741	(13,977)	10,112,202
Infrastructure	2,756,616	569,669	1,476,194	4,802,479
Motor vehicles	1,527,532	284,011	(203,299)	1,608,244
Furniture and fixtures	627,150			627,150
Assets held under capital leases	647,316			647,316
Software	510,469			510,469
Total at historical cost	<u>40,884,813</u>	<u>1,875,998</u>	<u>(341,903)</u>	<u>42,418,908</u>
Less accumulated depreciation for:				
Buildings and improvements	6,022,131	569,136		6,591,267
Equipment	7,478,930	464,834	(34,652)	7,909,112
Infrastructure	2,557,877	424,383	(7,937)	2,974,323
Motor vehicles	1,460,904	200,603	(176,323)	1,485,184
Furniture and fixtures	399,143	21,157		420,299
Assets held under capital leases	431,086	107,838		538,924
Software	451,619	105,352		556,972
Total accumulated depreciation	<u>18,801,690</u>	<u>1,893,303</u>	<u>(218,912)</u>	<u>20,476,081</u>
Governmental activity capital assets, net	<u>\$ 22,083,123</u>	<u>\$ (17,305)</u>	<u>\$ (122,991)</u>	<u>\$ 21,942,827</u>

	Beginning Balances	Increases	Transfers and Decreases	Ending Balances
Business-type activities:				
Non-depreciable assets:				
Land	\$ 180,899	\$	\$	\$ 180,899
Construction in progress			1,024,660	1,024,660
Depreciable assets:				
Buildings and improvements	3,156,696	389,669		3,546,365
Equipment	1,885,022	49,711	(3,064)	1,931,669
Motor vehicles	290,983			290,983
Furniture and fixtures	37,911			37,911
Assets held under capital leases	161,452			161,452
Total at historical cost	<u>5,712,963</u>	<u>439,380</u>	<u>1,021,596</u>	<u>7,173,939</u>
Less accumulated depreciation for:				
Buildings and improvements	2,107,771	98,649		2,206,420
Equipment	1,213,570	136,206	1,055	1,350,831
Motor vehicles	280,328	5,643		285,971
Furniture and fixtures	37,911			37,911
Assets held under capital leases	40,363	23,065		63,428
Total accumulated depreciation	<u>3,679,943</u>	<u>263,563</u>	<u>1,055</u>	<u>3,944,561</u>
Business-type activity capital assets, net	<u>\$ 2,033,020</u>	<u>\$ 175,817</u>	<u>\$ 1,020,541</u>	<u>\$ 3,229,378</u>

Depreciation expense for 2017 was charged to functions as follows:

General government	\$ 446,515
Health and welfare	29,386
Public safety	487,280
Public facilities	68,207
Culture and recreation	136,107
Road maintenance	725,808
Hermleigh water works	30,848
Scurry County airport	34,102
Scurry County emergency medical service	164,353
Scurry County golf course	<u>34,260</u>
	<u>\$ 2,156,866</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, 2017:

Capital leases:

A \$157,621 note incurred for Caterpillar Motorgrader payable in 5 yearly installments of \$34,123 on 04/01/2015, and thereafter which includes both principal and interest. The interest rate of the note is 2.70% with maturity on April 1, 2019. Note is secured by equipment.

\$ 66,724

Total capital leases

\$ 66,724

Certificates of obligation:

Certificates of obligation (2013) of \$9,785,000, issued to refund \$9,305,000 of the 2009 series above 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 \$110,690 premium. \$ 9,695,690

Certificates of obligation (2017) of \$3,610,000, issued to refund \$3,695,000 of the 2009 series above 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 \$143,219 premium. 3,753,219

Total certificates of obligation \$ 13,448,909

Changes in long-term obligations for the year ended December 31, 2017 are as follows:

	<u>January 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2017</u>	<u>Amount Due Within One Year</u>
Certificates of obligation (2009)	\$ 4,210,000	\$	\$ (4,210,000)	\$ 0	\$
Certificates of obligation (2013)	9,635,000		(50,000)	9,585,000	55,000
Certificates of obligation (2017)	0	3,610,000		3,610,000	530,000
Capital leases	99,658		(32,933)	66,724	32,352
Net pension liability	<u>2,587,665</u>	<u>130,386</u>	<u>                    </u>	<u>2,718,051</u>	<u>0</u>
	<u>\$ 16,532,323</u>	<u>\$ 3,740,386</u>	<u>\$ (4,292,933)</u>	<u>\$ 15,979,775</u>	<u>\$ 617,352</u>

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

<u>Year Ending December 31,</u>	
2018	\$ 617,352
2019	639,372
2020	620,000
2021	635,000
2022+	<u>10,750,000</u>
	<u>\$ 13,261,724</u>

Certificates of Obligation

On February 17, 2009, the County authorized the issuance of \$16,399,999 “Scurry County, Texas Certificates of Obligation, Series 2009”. The County determined that certificates of obligation should be issued in accordance with the provisions of the Certificate of Obligation Act of 1971, as amended, V.T.C.A., Local Government Code, for the purpose of paying contractual obligations to be incurred for: 1) the construction of a new law enforcement center, 2) professional services related thereto, and 3) costs of issuance.

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”.

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, 2017 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 Debt Service Fund, with a fund balance aggregating \$1,127,180, 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>
2018	\$ 585,000	\$ 409,300	\$ 994,300
2019	605,000	392,000	997,000
2020	620,000	374,175	994,175
2021	635,000	355,900	990,900
2022	655,000	336,825	991,825
2023	675,000	316,875	986,875
2024	695,000	296,325	991,325
2025	755,000	274,575	1,029,575
2026	775,000	251,625	1,026,625
2027	800,000	228,000	1,028,000
2028	825,000	203,625	1,028,625
2029	850,000	176,375	1,026,375
2030	880,000	146,100	1,026,100
2031	910,000	114,775	1,024,775
2032	945,000	82,313	1,027,313
2033	975,000	49,931	1,024,931
2034	1,010,000	17,044	1,027,044
	<u>\$ 13,195,000</u>	<u>\$ 4,025,763</u>	<u>\$ 17,215,763</u>

A bond premium of \$143,092 associated with the 2013 issuance, and a premium of \$163,651 associated with the 2017 issuance are being amortized on the straight-line method over the life of their respective bond issuance. Net amortization was \$29,050 for the year ended December 31, 2017, which includes a bond discount of \$56,346 for the Series 2009 bond refunding, with net accumulated amortization totaling \$52,834.

Long-term debt arising from cash transactions and payable from business-type activities consisted of the following at December 31, 2017:

Capital leases:

A \$161,452 note incurred for medical equipment payable in four yearly installments of \$43,149 on April 18, 2015, and thereafter which includes both principal and interest. The interest rate of the note is 4.50% with maturity on March 15, 2018. Note is secured by equipment. \$ 41,254

Total capital leases \$ 41,254

Changes in long-term obligations for business-type activities for the year ended December 31, 2017 are as follows:

	<u>January 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2017</u>	<u>Amount Due Within One Year</u>
Capital leases	\$ <u>86,298</u>	\$ _____	\$ <u>(45,044)</u>	\$ <u>41,254</u>	\$ <u>41,254</u>
	\$ <u><u>86,298</u></u>	\$ <u>_____</u>	\$ <u><u>(45,044)</u></u>	\$ <u><u>41,254</u></u>	\$ <u><u>41,254</u></u>

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

<u>Year Ending December 31,</u> 2018	<u>41,254</u>
	\$ <u><u>41,254</u></u>

Cash paid for interest during the years ended December 31, 2017 and 2016 totaled \$3,707 and \$4,946, respectively.

**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, tobacco grants, salary supplements, 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](http://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, 2016, membership data for the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	183
Inactive employees entitled to but not yet receiving benefits	284
Active employees	<u>169</u>
Total participants	636

#### 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 8.8% for fiscal year 2017. 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, 2017, the annual pension cost for the TCDRS plan for its employees was \$697,264 and the actual contributions were \$697,264.

#### 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, 2016, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date.

Total pension liability	\$ 48,785,774
Fiduciary net position	<u>46,067,723</u>
Net pension liability	<u>\$ 2,718,051</u>

#### Actuarial Assumptions

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study was for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB Statement No. 68.

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.00%	
Overall payroll growth	3.50%	
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. Mortality rates for active members, was based on the gender-specific RP-2000 Active Employee Mortality Table with a two-year set-forward for males and a four-year set-back for females, both with the projection scale AA. For service retirees, beneficiaries, and non-depositing members, the gender-specific RP-2000 Combined Mortality Table with the projection scale AA and a one-year set-forward for males and no age adjustment for females was used. For disabled annuitants, gender-specific RP-2000 Disabled Mortality Table is used with slight adjustments.

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 2013. 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	13.50%	4.70%
Private Equity	16.00%	7.70%
Global Equities	1.50%	5.00%
International Equities - Developed	10.00%	4.70%
International Equities - Emerging	7.00%	5.70%
Investment Grade Bonds	3.00%	0.60%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	3.83%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships	3.00%	5.60%
Private Real Estate		
Partnerships	6.00%	7.20%
Hedge Funds	20.00%	3.85%

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, 2015	\$ 46,942,873	\$ 44,355,208	\$ 2,587,665
Changes for the year:			
Service cost	1,090,885		1,090,885
Interest on total pension liability	3,743,673		3,743,673
Effect of plan changes			
Effect of economic / demographic gains or losses	(422,617)		(422,617)
Effect of assumptions changes or inputs			
Refund of contributions	(185,632)	(185,632)	0
Benefit payments	(2,383,409)	(2,383,409)	0
Administrative expenses		(35,616)	35,616
Member contributions		575,753	(575,753)
Net investment income		3,269,822	(3,269,822)
Employer contributions		718,868	(718,868)
Other		(247,272)	247,272
Balances as of December 31, 2016	\$ 48,785,773	\$ 46,067,722	\$ 2,718,051

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 (7.10%)	Current Rate (8.10%)	1% Increase (9.10%)
Total pension liability	\$ 54,490,151	\$ 48,785,773	\$ 44,008,652
Fiduciary net position	46,067,722	46,067,722	46,067,722
Net pension liability (asset)	\$ 8,422,429	\$ 2,718,051	\$ (2,059,070)

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

For the year ended December 31, 2017, the County recognized total pension expense of \$1,688,052.

As of December 31, 2017, the County reported on the Statement of Net Position deferred outflows of resources related to pensions from the following sources:

Contributions subsequent to measurement date	\$	507,079
Difference between projected and actual investment earnings		2,597,943
Economic / Demographic gains		<u>(281,745)</u>
Total	\$	<u>2,823,277</u>

Deferred outflows of resources related to contributions subsequent to the measurement date of \$507,079 will be recognized as a reduction of the net pension liability for the year ending December 31, 2017. Remaining net deferred outflows of resources related to pensions totaling \$2,316,198 will be recognized in pension expense for the years ending December 31, 2018, 2019, 2020, and 2021 in the amounts of \$744,826, \$744,826, \$774,325, and \$52,221, 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, 2017.

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, 2017, unavailable revenue related to property taxes amounted to \$5,529,740. 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, 2017.

**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.

**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>
General fund	Law library fund	\$ 21,640
General fund	Scurry County golf course	38,345
General fund	Scurry County airport	348,280
General fund	Scurry County airport	124,627
C.S.C.D	T.A.I.P.	10,176
C.S.C.D	C.C.P	<u>4,017</u>
		<u>\$ 547,085</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:

- Enel Green Power North America, Snyder Wind Farm, LLC, 100% of taxes abated over 10 years, beginning January 2006 and ending January 2015. The abatement amounted to \$88,504 of reduced taxes for fiscal year 2017. Scurry County receives \$76,000 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.
- Invenergy LLC, Scurry County Wind, LP, 100% of taxes abated over 10 years, beginning January 2009 and ending January 2018. The abatement amounted to \$193,796 of reduced taxes for fiscal year 2017. Scurry County receives \$162,000 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.
- Invenergy LLC, Scurry County Wind, LP, 100% of taxes abated over 10 years, beginning January 2008 and ending January 2017. The abatement amounted to \$200,662 of reduced taxes for fiscal year 2017. Scurry County receives \$172,000 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.
- Airtricity Pyron Wind Farm, LLC, 100% of taxes abated over 10 years, beginning January 2009 and ending January 2018. The abatement amounted to \$380,194 of reduced taxes for fiscal year 2017. Scurry County receives \$243,617 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.
- W.L. Plastics Corporation, 100% of taxes abated over 5 years, reduced to 75% on year 3, 50% on year 4, and 25% on year 5, beginning January 2013 and ending January 2017. The abatement amounted to \$11,764 of reduced taxes for fiscal year 2017. 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 \$1,900 of reduced taxes for fiscal year 2017. The purpose of the abatement is for the construction and employment of a wind power project.

**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, 2017

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ (2,870,398)	\$ (6,390,941)	\$ 2,241,181	\$ 8,632,122
Resources (Inflows):				
Taxes:				
Sales tax	1,800,000	1,800,000	2,753,986	953,986
Property tax	5,329,687	5,329,687	4,116,142	(1,213,545)
Other tax	1,569,117	1,569,117	2,051,894	482,777
Total taxes	<u>8,698,804</u>	<u>8,698,804</u>	<u>8,922,022</u>	<u>223,218</u>
Grant Revenue	<u>184,400</u>	<u>184,400</u>	<u>206,255</u>	<u>21,855</u>
Shared Revenue	<u>216,589</u>	<u>216,589</u>	<u>130,789</u>	<u>(85,800)</u>
Fines and forfeitures:				
Miscellaneous fees	<u>1,228,310</u>	<u>1,228,310</u>	<u>1,391,887</u>	<u>163,577</u>
Total fines and forfeitures	<u>1,228,310</u>	<u>1,228,310</u>	<u>1,391,887</u>	<u>163,577</u>
Miscellaneous:				
Interest income	20,000	20,000	91,594	71,594
Rental income	22,000	22,000	50,239	28,239
Miscellaneous	<u>884,550</u>	<u>884,550</u>	<u>633,640</u>	<u>(250,910)</u>
Total miscellaneous	<u>926,550</u>	<u>926,550</u>	<u>775,473</u>	<u>(151,077)</u>
Transfers In	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Amounts available for appropriation	<u>8,384,255</u>	<u>4,863,712</u>	<u>13,667,607</u>	<u>8,803,895</u>
Charges to Appropriations (Outflows):				
General government	2,053,930	2,053,930	1,642,005	411,925
Parks and recreation	910,368	910,368	874,487	35,881
Jail	2,504,266	2,504,266	2,482,207	22,059
Sheriff	971,826	971,826	940,274	31,552
Building maintenance	378,764	378,764	357,898	20,866
Library	440,646	440,646	434,978	5,668
Tax collector	427,563	427,563	422,722	4,841
Commissioners' court	349,765	349,765	342,636	7,129
County clerk	356,765	356,765	348,029	8,736
Health unit	440,525	440,525	430,637	9,888
County attorney	305,678	305,678	305,055	623
District clerk	344,436	344,436	317,305	27,131
Justice of the peace #1	203,961	203,961	197,643	6,318
County welfare	175,600	175,600	156,666	18,934

**SCURRY COUNTY, TEXAS**

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

For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Auditor	228,360	228,360	225,515	2,845
County judge	184,273	184,273	182,278	1,995
Extension service	144,215	144,215	139,838	4,377
Juvenile star boot camp	156,618	156,618	149,630	6,988
Treasurer	221,977	221,977	214,574	7,403
District attorney	206,718	206,718	200,191	6,527
Juvenile probation	204,503	204,503	168,088	36,415
Court reporter	126,571	126,571	125,742	829
District court	180,173	180,173	163,705	16,468
Supervision	83,873	83,873	79,822	4,051
County and justice court	15,200	15,200	8,441	6,759
Child welfare	8,000	8,000	7,992	8
Mental health	14,800	14,800	12,251	2,549
District judge	11,640	11,640	10,012	1,628
Department of public safety	53,204	53,204	52,669	535
Boys and girls club	338,676	338,676	321,987	16,689
Senior center	559,650	559,650	555,576	4,074
Justice of the peace #2	206,650	206,650	203,805	2,845
Information technology	86,596	86,596	85,080	1,516
Transfers Out	0	0	408,265	(408,265)
Total charges to appropriations	12,895,790	12,895,790	12,568,003	327,787
Ending Budgetary Fund Balance	\$ (4,511,535)	\$ (8,032,078)	\$ 1,099,604	\$ 9,131,682

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, 2017

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ (806,886)	\$ (2,960,474)	\$ 81,909	\$ 3,042,383
Resources (Inflows):				
Property taxes	1,679,181	1,679,181	1,679,181	0
Auto registrations	500,000	500,000	360,000	(140,000)
Tags supplement	310,000	310,000	179,006	(130,994)
Gross weight and axle fee	60,000	60,000	62,062	2,062
Grant revenue	400,000	400,000	548,065	148,065
Lateral road	22,000	22,000	21,483	(517)
Interest	1,000	1,000	8,373	7,373
Sale of assets	30,000	30,000	362	(29,638)
Miscellaneous revenue	1,000	1,000	1,000	0
Total available for appropriation	<u>2,196,295</u>	<u>42,707</u>	<u>2,941,441</u>	<u>2,898,734</u>
Charges to Appropriations (Outflows):				
Combined precincts	<u>3,243,733</u>	<u>3,243,733</u>	<u>2,319,085</u>	<u>924,648</u>
Total charges to appropriations	<u>3,243,733</u>	<u>3,243,733</u>	<u>2,319,085</u>	<u>924,648</u>
Ending Budgetary Fund Balance	\$ <u>(1,047,438)</u>	\$ <u>(3,201,026)</u>	\$ <u>622,356</u>	\$ <u>3,823,382</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 Year Ended December 31, 2016 \*

	<u>Measurement Date</u> <u>12/31/2016</u>	<u>Measurement Date</u> <u>12/31/2015</u>	<u>Measurement Date</u> <u>12/31/2014</u>
Total Pension Liability:			
Service cost	\$ 1,090,885	\$ 1,043,141	\$ 957,266
Interest on total pension liability	3,743,673	3,590,832	3,437,492
Effect of plan changes	0	(152,872)	0
Effect of assumption or plan changes	0	573,884	0
Effect of economic / demographic (gains) or losses	(422,617)	(349,140)	(180,991)
Benefit payments / refunds of contributions	<u>(2,569,041)</u>	<u>(2,700,241)</u>	<u>(2,443,144)</u>
Net change in total pension liability	<u>1,842,900</u>	<u>2,005,604</u>	<u>1,770,623</u>
Total pension liability, beginning	<u>46,942,873</u>	<u>44,937,269</u>	<u>43,166,647</u>
Total pension liability, ending (a)	<u>48,785,773</u>	<u>46,942,873</u>	<u>44,937,270</u>
Fiduciary Net Position:			
Employer contributions	718,868	718,452	730,381
Member contributions	575,753	553,768	553,424
Investment income net of investment expenses	3,269,822	66,895	2,990,133
Benefit payments / refunds of contributions	(2,569,041)	(2,700,241)	(2,443,144)
Administrative expenses	(35,616)	(32,354)	(34,533)
Other	<u>(247,272)</u>	<u>62,748</u>	<u>(116,554)</u>
Net change in fiduciary net position	<u>1,712,514</u>	<u>(1,330,732)</u>	<u>1,679,707</u>
Fiduciary net position, beginning	<u>44,355,208</u>	<u>45,685,940</u>	<u>44,006,234</u>
Fiduciary net position, ending (b)	<u>46,067,722</u>	<u>44,355,208</u>	<u>45,685,941</u>
Net pension asset, ending ((a) - (b))	<u>\$ 2,718,051</u>	<u>\$ 2,587,665</u>	<u>\$ (748,671)</u>
Fiduciary net position as a % of total pension liability	94.43%	94.49%	101.67%
Pensionable covered payroll	\$ 8,225,039	\$ 7,910,965	\$ 7,906,060
Net pension liability as a % of covered payroll	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

Period Ending December 31, (Measurement Date)	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2006	\$ 551,530	\$ 551,530	\$ 0	\$ 9,207,515	5.99%
2007	570,847	570,847	0	9,691,799	5.89%
2008	453,310	453,310	0	9,120,920	4.97%
2009	202,016	202,016	0	4,903,293	4.12%
2010	391,767	391,767	0	5,294,152	7.40%
2011	416,064	416,064	0	5,843,612	7.12%
2012	472,237	472,237	0	6,049,403	7.81%
2013	608,570	608,570	0	7,126,006	8.54%
2014	730,381	730,381	0	7,906,060	9.24%
2015	716,733	718,452	(1,719)	7,910,965	9.08%
2016	718,868	718,868	0	8,225,039	8.74%

**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	16.3 years
Asset Valuation Method	5 year smoothed value
Inflation	3%
Salary Increases	4.9% including inflation
Investment Rate of Return	8.00%
Retirement Age	Experience-based table of rates that are specific to the County's plan of benefits. Last updated for the 2013 valuation pursuant to an experience study of the period 2009 - 2012
Mortality	Gender-specific RP-2000 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, 2017

	<u>Board of County Development</u>	<u>Abandoned Vehicle</u>	<u>Juvenile Probation</u>	<u>Library</u>	<u>Friends of Boys &amp; Girls Club</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 41,066	\$ 7,748	\$ 33,857	\$ 40,599	\$ 33,095
Accounts receivable	_____	_____	_____	_____	_____
Total Assets	<u>\$ 41,066</u>	<u>\$ 7,748</u>	<u>\$ 33,857</u>	<u>\$ 40,599</u>	<u>\$ 33,095</u>
<u>LIABILITIES</u>					
Other liabilities	\$ _____	\$ _____	\$ 88	\$ 26	\$ 1,413
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 88</u>	<u>\$ 26</u>	<u>\$ 1,413</u>
Fund Balances:					
Restricted	\$	\$ 7,748	\$ 33,769	\$	\$
Committed	41,066				
Assigned	_____	_____	_____	40,573	31,682
Total Fund Balance	<u>41,066</u>	<u>7,748</u>	<u>33,769</u>	<u>40,573</u>	<u>31,682</u>
Total Liabilities and Fund Balance	<u>\$ 41,066</u>	<u>\$ 7,748</u>	<u>\$ 33,857</u>	<u>\$ 40,599</u>	<u>\$ 33,095</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	\$	\$ 8,315	\$ 376,568 2,221	\$ 51,047	\$ 7,735
<u>\$ 200</u>	<u>\$ 0</u>	<u>\$ 8,315</u>	<u>\$ 378,789</u>	<u>\$ 51,047</u>	<u>\$ 7,735</u>
\$	\$	\$	\$	\$	\$
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 200	\$	\$ 8,315	\$ 378,789	\$ 51,047	\$ 7,735
<u>200</u>	<u>0</u>	<u>8,315</u>	<u>378,789</u>	<u>51,047</u>	<u>7,735</u>
<u>\$ 200</u>	<u>\$ 0</u>	<u>\$ 8,315</u>	<u>\$ 378,789</u>	<u>\$ 51,047</u>	<u>\$ 7,735</u>

SCURRY COUNTY, TEXAS

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

December 31, 2017

<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	\$ 80,002	\$ 63,406	\$ 4,946	\$ 69,850	\$ 1,382
Accounts receivable	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 80,002</u>	<u>\$ 63,406</u>	<u>\$ 4,946</u>	<u>\$ 69,850</u>	<u>\$ 1,382</u>
Other liabilities	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balances:					
Restricted	\$ 80,002	\$ 63,406	\$ 4,946	\$	\$ 1,382
Committed	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Assigned	<u>          </u>	<u>          </u>	<u>          </u>	69,850	<u>          </u>
Total Fund Balance	<u>80,002</u>	<u>63,406</u>	<u>4,946</u>	<u>69,850</u>	<u>1,382</u>
Total Liabilities and Fund Balance	<u>\$ 80,002</u>	<u>\$ 63,406</u>	<u>\$ 4,946</u>	<u>\$ 69,850</u>	<u>\$ 1,382</u>

<u>Senior Center Memorial</u>	<u>Help America Vote</u>	<u>Lone Star Grant</u>	<u>Bioterrorism</u>	<u>County and District Court Tech</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 182,426	\$ 26,274	\$ 1,454	\$ 19,498	\$ 650	\$ 1,050,118
<u>182,426</u>	<u>26,274</u>	<u>1,454</u>	<u>19,498</u>	<u>650</u>	<u>2,221</u>
<u>\$ 182,426</u>	<u>\$ 26,274</u>	<u>\$ 1,454</u>	<u>\$ 19,498</u>	<u>\$ 650</u>	<u>\$ 1,052,339</u>
\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ 1,527
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,527</u>
\$ _____	\$ 26,274	\$ 1,454	\$ 19,498	\$ 650	\$ 685,215
<u>182,426</u>	_____	_____	_____	_____	41,066
_____	_____	_____	_____	_____	324,531
<u>182,426</u>	<u>26,274</u>	<u>1,454</u>	<u>19,498</u>	<u>650</u>	<u>1,050,812</u>
<u>\$ 182,426</u>	<u>\$ 26,274</u>	<u>\$ 1,454</u>	<u>\$ 19,498</u>	<u>\$ 650</u>	<u>\$ 1,052,339</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, 2017

	<u>Board of County Development</u>	<u>Abandoned Vehicle</u>	<u>Juvenile Probation</u>	<u>Library</u>	<u>Friends of Boys &amp; Girls Club</u>
REVENUES:					
Taxes	\$	\$	\$	\$	\$
State and federal grants			243,212		
Fines and fees			2,872		
Interest		74	43	402	262
Other				11,604	5,406
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	0	74	246,127	12,006	5,668
EXPENDITURES:					
Current:					
General government	11,837				
Health and welfare					621
Judicial and legal			176,989		
Public safety					
Public facilities				15,091	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	11,837	0	176,989	15,091	621
Excess (Deficit) Revenues Over Expenditures	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(11,837)	74	69,138	(3,085)	5,047
OTHER FINANCING SOURCES AND (USES):					
Transfers in (out)					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Financing Uses	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(11,837)	74	69,138	(3,085)	5,047
Fund Balance, Beginning of Year	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	52,903	7,674	(35,369)	43,658	26,635
Fund Balance, End of Year	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 41,066	\$ 7,748	\$ 33,769	\$ 40,573	\$ 31,682

<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>
\$	\$	\$	\$	\$	\$
	11,499	8,306	100,741	12,516	2,075
<u>0</u>	<u>11,499</u>	<u>8,306</u>	<u>100,741</u>	<u>12,516</u>	<u>2,075</u>
		6,652	81,253	68,680	
	<u>33,139</u>				
<u>0</u>	<u>33,139</u>	<u>6,652</u>	<u>81,253</u>	<u>68,680</u>	<u>0</u>
<u>0</u>	<u>(21,640)</u>	<u>1,654</u>	<u>19,488</u>	<u>(56,164)</u>	<u>2,075</u>
	<u>21,640</u>				
<u>0</u>	<u>0</u>	<u>1,654</u>	<u>19,488</u>	<u>(56,164)</u>	<u>2,075</u>
<u>200</u>	<u>0</u>	<u>6,661</u>	<u>359,301</u>	<u>107,211</u>	<u>5,660</u>
<u>\$ 200</u>	<u>\$ 0</u>	<u>\$ 8,315</u>	<u>\$ 378,789</u>	<u>\$ 51,047</u>	<u>\$ 7,735</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, 2017

	<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	343,681	124,210	48,812		2,382
Fines and fees		164,049			
Interest		296			
Other		341	35,374		
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	343,681	288,896	84,186	0	2,382
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES:					
Current:					
General government					
Health and welfare					
Judicial and legal	406,290	221,543	105,069		
Public safety					2,045
Public facilities					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	406,290	221,543	105,069	0	2,045
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficit) Revenues Over Expenditures	(62,609)	67,353	(20,883)	0	337
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES AND (USES):					
Transfers in (out)	10,176	(14,193)	4,017		
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Financing Uses	(52,433)	53,160	(16,866)	0	337
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance, Beginning of Year	132,435	10,246	21,812	69,850	1,045
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance, End of Year	\$ 80,002	\$ 63,406	\$ 4,946	\$ 69,850	\$ 1,382
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

<u>Senior Center Memorial</u>	<u>Help America Vote</u>	<u>Lone Star Grant</u>	<u>Bioterrorism</u>	<u>County and District Court Tech</u>	<u>Total Nonmajor Governmental Funds</u>
\$	\$	\$	\$	\$	\$ 0
				650	762,297
1,821					302,708
<u>68,308</u>	<u>2,250</u>				<u>2,898</u>
					123,283
<u>70,129</u>	<u>2,250</u>	<u>0</u>	<u>0</u>	<u>650</u>	<u>1,191,186</u>
					168,422
58,514					59,135
					909,891
					2,045
					<u>48,230</u>
<u>58,514</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,187,723</u>
<u>11,615</u>	<u>2,250</u>	<u>0</u>	<u>0</u>	<u>650</u>	<u>3,463</u>
					<u>21,640</u>
<u>11,615</u>	<u>2,250</u>	<u>0</u>	<u>0</u>	<u>650</u>	<u>25,103</u>
<u>170,811</u>	<u>24,024</u>	<u>1,454</u>	<u>19,498</u>	<u>0</u>	<u>1,025,709</u>
<u>\$ 182,426</u>	<u>\$ 26,274</u>	<u>\$ 1,454</u>	<u>\$ 19,498</u>	<u>\$ 650</u>	<u>\$ 1,050,812</u>

**SCURRY COUNTY, TEXAS**

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

December 31, 2017

	<u>Scurry County Golf Course</u>	<u>Hermleigh Water Works</u>	<u>Total Non-Major Business-type Activities Enterprise Fund</u>
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 492	\$ 184,890	\$ 185,382
Accounts receivable, net	<u>1,443</u>	<u></u>	<u>1,443</u>
Total Current Assets	<u>1,935</u>	<u>184,890</u>	<u>186,825</u>
Noncurrent:			
Capital assets:			
Property, plant and equipment	1,126,896	777,710	1,904,606
Less: accumulated depreciation	<u>(395,477)</u>	<u>(650,721)</u>	<u>(1,046,198)</u>
Total Noncurrent Assets	<u>731,419</u>	<u>126,989</u>	<u>858,408</u>
TOTAL ASSETS	<u>733,354</u>	<u>311,879</u>	<u>1,045,233</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	752		752
Customer deposits	<u></u>	<u>14,206</u>	<u>14,206</u>
Total Current Liabilities	<u>752</u>	<u>14,206</u>	<u>14,958</u>
<b>NET POSITION:</b>			
Net investment in capital assets	731,419	126,989	858,408
Unrestricted	<u>1,183</u>	<u>170,684</u>	<u>171,867</u>
TOTAL NET POSITION	<u>\$ 732,602</u>	<u>\$ 297,673</u>	<u>\$ 1,030,275</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, 2017

	<u>Scurry County Golf Course</u>	<u>Hermleigh Water Works</u>	<u>Total Non-Major Business-type Activities Enterprise Fund</u>
<b>OPERATING REVENUES:</b>			
Service revenue	\$	\$	\$ 0
Fees	45,042	59,486	104,528
Cart shed rentals	18,225		18,225
Membership dues	<u>49,205</u>		<u>49,205</u>
 Total Operating Revenues	 <u>112,472</u>	 <u>59,486</u>	 <u>171,958</u>
<b>OPERATING EXPENSES:</b>			
Wages and salaries	44,192		44,192
Payroll taxes	3,419		3,419
Employee benefits	2,820		2,820
Depreciation expense	34,260	30,848	65,108
Contract labor		17,696	17,696
Utilities	29,550	7,278	36,828
Supplies	21,836	5,551	27,387
Repairs	76,462	3,976	80,438
Fuel	5,478	2,958	8,436
Medical insurance	7,220		7,220
Professional services	154,231		154,231
Other	<u>9,750</u>	<u>1,074</u>	<u>10,824</u>
 Total Operating Expense	 <u>389,218</u>	 <u>69,381</u>	 <u>458,599</u>
 Operating Loss	 (276,746)	 (9,895)	 (286,641)
<b>NON-OPERATING REVENUES:</b>			
Ad valorem taxes	170,000		170,000
Miscellaneous income / expense	34,164	1,434	35,598
Transfers in	<u>38,345</u>		<u>38,345</u>
 Change in Net Assets	 (34,237)	 (8,461)	 (42,698)
 Net Position - Beginning	 <u>766,839</u>	 <u>306,134</u>	 <u>1,072,973</u>
 Net Position - Ending	 <u>\$ 732,602</u>	 <u>\$ 297,673</u>	 <u>\$ 1,030,275</u>

**SCURRY COUNTY, TEXAS**

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

For the Year Ended December 31, 2017

	<u>Scurry County Golf Course</u>	<u>Hermleigh Water Works</u>	<u>Total Non-Major Business-type Activities Enterprise Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 112,472	\$ 60,246	\$ 172,718
Cash paid to employees	(50,431)	(17,696)	(68,127)
Cash paid to suppliers	<u>(304,058)</u>	<u>(20,837)</u>	<u>(324,895)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(242,017)</u>	<u>21,713</u>	<u>(220,304)</u>
<b>CASH FLOWS NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Miscellaneous receipts	34,164	1,434	35,598
Ad valorem tax receipts	170,000		170,000
Transfer from general fund	<u>38,345</u>		<u>38,345</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>242,509</u>	<u>1,434</u>	<u>243,943</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of capital assets			<u>0</u>
Net Cash Used in Capital and Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
Net Increase in Cash and Cash Equivalents	<u>492</u>	<u>23,147</u>	<u>23,639</u>
Cash and Cash Equivalents at Beginning of Year	<u>0</u>	<u>161,743</u>	<u>161,743</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>492</u></u>	\$ <u><u>184,890</u></u>	\$ <u><u>185,382</u></u>
<b>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Loss	\$ (276,746)	\$ (9,895)	\$ (286,641)
(Increase) Decrease in accounts receivable	0		0
Increase (Decrease) in accounts payable	469	760	1,229
Depreciation and amortization	<u>34,260</u>	<u>30,848</u>	<u>65,108</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u><u>(242,017)</u></u>	\$ <u><u>21,713</u></u>	\$ <u><u>(220,304)</u></u>

**SCURRY COUNTY, TEXAS**

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

December 31, 2017

	<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>	<u>Justice of the Peace Fund</u>
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 51,426	\$ 750,228	\$ 146,537	\$ 129,591	\$ 65,508	\$ 550
Accounts receivable	<u>1,733,276</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>1,784,702</u>	<u>750,228</u>	<u>146,537</u>	<u>129,591</u>	<u>65,508</u>	<u>550</u>
<b>LIABILITIES:</b>						
Due to other governmental entities	1,784,702	750,228	146,537		28,270	
Due to others				129,591		550
Bonds held in trust					<u>37,238</u>	
Total Liabilities	<u>1,784,702</u>	<u>750,228</u>	<u>146,537</u>	<u>129,591</u>	<u>65,508</u>	<u>550</u>
<b>NET POSITION:</b>						
Unrestricted	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

<u>Sheriff Inmate Fund</u>	<u>County Attorney</u>	<u>District Attorney</u>	<u>Community Supervision &amp; Corrections</u>	<u>Sheriff Commissary Fund</u>	<u>Minors Escrow Fund</u>	<u>Total Agency Funds</u>
\$ 6,965	\$ 6,996	\$ 134,752	\$ 27,955	\$ 33,914	\$ 51,675	\$ 1,406,097
<u>6,965</u>	<u>6,996</u>	<u>134,752</u>	<u>27,955</u>	<u>33,914</u>	<u>51,675</u>	<u>1,733,276</u>
6,965	6,996	9,636 125,116	27,955	33,914	51,675	2,719,373
<u>6,965</u>	<u>6,996</u>	<u>134,752</u>	<u>27,955</u>	<u>33,914</u>	<u>51,675</u>	<u>382,762</u> <u>37,238</u>
<u>6,965</u>	<u>6,996</u>	<u>134,752</u>	<u>27,955</u>	<u>33,914</u>	<u>51,675</u>	<u>3,139,373</u>
<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

**OTHER REPORTING REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**



June 21, 2018

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

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with 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, 2017, 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 21, 2018.

**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.

*Condley and Company, L.L.P.*

Certified Public Accountants