

LIPSCOMB COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FOR YEAR ENDED
SEPTEMBER 30, 2020**

LIPSCOMB COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS

	Page
PART I – INTRODUCTORY SECTION	
LIST OF PRINCIPAL COUNTY OFFICIALS.....	iii
PART II – FINANCIAL SECTION	
INDEPENDENT AUDITORS’ REPORT	1
BASIC FINANCIAL STATEMENTS	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	3
Statement of Activities	4
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Position – Internal Service Fund	9
Statement of Revenues, Expenditures and Changes in Net Position – Internal Service Fund	10
Statement of Cash Flows – Internal Service Fund	11
Statement of Fiduciary Net Position – Agency Funds	12
<u>Notes to Basic Financial Statements</u>	13

LIPSCOMB COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS

	Page
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	33
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Road and Bridge Fund	35
Schedule of Changes in Net Pension Liability and Related Ratios.....	36
Schedule of Employer Contributions.....	37
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Non-major Governmental Funds.....	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds	39
Combining Statement of Fiduciary Net Position – Agency Funds	40
PART III – COMPLIANCE	
Schedule of Expenditures of Federal Awards.....	41
Schedule of Expenditures of State Awards.....	42
Notes to Schedules of Expenditures of Federal and State Awards	43
INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	44
INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR	46
Schedule of Findings and Questioned Costs.....	48
Schedule of Prior Findings and Questioned Costs.....	50

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PART I

INTRODUCTORY SECTION

LIPSCOMB COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
SEPTEMBER 30, 2020

Mickey Simpson	County Judge
Juan Cantu	Commissioner, Precinct #1
Merle Miller	Commissioner, Precinct #2
Scotty Schilling	Commissioner, Precinct #3
Dan Cockrell	Commissioner, Precinct #4
Steven R. Emmert	Judge, 31 st Judicial District
Franklin McDonough	District Attorney
Kim Blau	District/County Clerk
Matt Bartosiewicz	County Attorney
Gailan Winegarner	County Tax Assessor/Collector
Kimberly Long	County Treasurer
Kenneth Eggleston	County Sheriff
Nancy Shepherd	Justice of the Peace

PART II
FINANCIAL SECTION



To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Lipscomb County, Texas

INDEPENDENT AUDITORS' REPORT

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 Lipscomb County, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Lipscomb County, Texas's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lipscomb County, Texas, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of changes in net pension liability and related ratios, and the schedule of employer contributions on pages 33 – 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The County has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The MD&A, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The independent auditors' opinion is not affected by the omission of the MD&A.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lipscomb County, Texas's basic financial statements. The introductory section and combining non-major and agency fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); the State of Texas *Uniform Grant Management Standards* (UGMS) issued by the Governor's Office of Budget and Planning; and the *State of Texas Single Audit Circular*, and is also not a required part of the basic financial statements.

The combining non-major and agency fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major and agency fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2021, on our consideration of Lipscomb County, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Lipscomb County, Texas's 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 Lipscomb County, Texas's internal control over financial reporting and compliance.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

May 8, 2021

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BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,380,604
Investments	1,085,527
Accounts receivable, net	20,330
Delinquent taxes receivable, net	32,395
Due from other governmental entities	1,634,245
Prepaid expenses	7,934
Restricted assets:	
Notes receivable:	
Due in more than one year	42,965
Net pension asset	214,567
Capital assets, net of accumulated depreciation	4,923,901
	9,342,468
Total assets	9,342,468
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions	228,410
	228,410
Total deferred outflows of resources	228,410
LIABILITIES	
Accounts payable	263,522
Due to other governmental entities	1,736
Noncurrent liabilities:	
Due in one year	5,300
Due in more than one year	47,638
	318,196
Total liabilities	318,196
DEFERRED INFLOWS OF RESOURCES	
Pension economic/demographic gains	164,244
Pension excess earnings	293,399
	457,643
Total deferred inflows of resources	457,643
NET POSITION	
Net investment in capital assets	4,923,901
Restricted:	
By enabling legislations for special projects	264,694
Future health insurance premiums	224,148
First-time home buyer program	17,000
Unrestricted	3,365,296
	8,795,039
Total net position	\$ 8,795,039

The notes to the financial statements are an integral part of this statement.

**LIPSCOMB COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Primary</u>
					<u>Government</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary government					
Governmental Activities:					
Administrative	\$ 1,457,259	\$ 114,102	\$ 40,356	\$ 2,619,493	\$ 1,316,692
Judicial	329,980	12,849	28,000	-	(289,131)
Public facilities	302,304	-	-	-	(302,304)
Public safety	1,193,797	1,008	-	45,250	(1,147,539)
Road and bridge	1,905,759	291,401	53,526	-	(1,560,832)
Public service	210,324	-	-	-	(210,324)
	<u>210,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(210,324)</u>
Total	<u>\$ 5,399,423</u>	<u>\$ 419,360</u>	<u>\$ 121,882</u>	<u>\$ 2,664,743</u>	<u>(2,193,438)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					3,495,862
Property taxes, levied for road and bridge					1,454,121
Investment earnings					87,866
Miscellaneous					40,264
					<u>40,264</u>
Total general revenues					<u>5,078,113</u>
Change in net position					2,884,675
Net position - beginning					<u>5,910,364</u>
Net position - ending					<u>\$ 8,795,039</u>

The notes to the financial statements are an integral part of this statement.

**LIPSCOMB COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	<u>General</u>	<u>Road and Bridge</u>	<u>Courthouse Restoration</u>	<u>Total Nonmajor</u>	<u>Total Governmental</u>
ASSETS					
Cash and cash equivalents	\$ 22,853	\$ 866,308	\$ -	\$ 267,295	\$ 1,156,456
Investments	1,085,527	-	-	-	1,085,527
Accounts receivable, net	20,330	-	-	-	20,330
Taxes receivable, net	22,152	10,243	-	-	32,395
Due from other funds	1,801,511	1,834	-	-	1,803,345
Due from other governments	5,000	-	1,629,245	-	1,634,245
Prepaid expenditures	7,934	-	-	-	7,934
Total assets	<u>\$ 2,965,307</u>	<u>\$ 878,385</u>	<u>\$ 1,629,245</u>	<u>\$ 267,295</u>	<u>\$ 5,740,232</u>
LIABILITIES					
Accounts payable	\$ 88,284	\$ 19,410	\$ 153,227	\$ 2,601	\$ 263,522
Due to other funds	1,834	34,254	1,758,609	8,648	1,803,345
Due to other governmental entities	1,736	-	-	-	1,736
Total liabilities	<u>91,854</u>	<u>53,664</u>	<u>1,911,836</u>	<u>11,249</u>	<u>2,068,603</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	16,519	6,859	-	-	23,378
Unavailable revenue - other receivables	13,782	-	-	-	13,782
Total deferred inflows of resources	<u>30,301</u>	<u>6,859</u>	<u>-</u>	<u>-</u>	<u>37,160</u>
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	7,934	-	-	-	7,934
Restricted:					
By enabling legislation for special projects	-	-	-	264,694	264,694
First-time home buyer loans	17,000	-	-	-	17,000
Committed for:					
Road & bridge	-	752,268	-	-	752,268
Capital outlay	-	65,594	-	-	65,594
Unassigned (deficit)	2,818,218	-	(282,591)	(8,648)	2,526,979
Total fund balances	<u>2,843,152</u>	<u>817,862</u>	<u>(282,591)</u>	<u>256,046</u>	<u>3,634,469</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,965,307</u>	<u>\$ 878,385</u>	<u>\$ 1,629,245</u>	<u>\$ 267,295</u>	<u>\$ 5,740,232</u>

The notes to the financial statements are an integral part of this statement.

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

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds	\$	3,634,469
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		4,923,901
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred and shown as unavailable revenues in the fund financial statements.		37,160
Long-term assets are not due and receivable in the current period and therefore are not reported in the fund financial statements:		
Notes receivable		42,965
Pension contributions paid after the measurement date, December 31, 2019, and before September 30, 2020 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.		
Pension contributions		228,410
The net pension asset is not a current financial resource and therefore, is not reported in the fund financial statement, but is reported in the governmental activities of the Statement of Net Position.		214,567
Pension gains and excess earnings are shown as deferred inflows of resources in the government-wide financial statements.		
Pension economic/demographic gains		(164,244)
Pension excess earnings		(293,399)
The internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.		224,148
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements:		
Accrued compensated absences		(52,938)
Net position - governmental activities	\$	8,795,039

The notes to the financial statements are an integral part of this statement.

LIPSCOMB COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>General</u>	<u>Road and Bridge</u>	<u>Courthouse Restoration</u>	<u>Total Nonmajor</u>	<u>Total Governmental</u>
REVENUES					
Property taxes	\$ 3,494,357	\$ 1,454,316	\$ -	\$ -	\$ 4,948,673
Licenses and fees	145,136	252,203	-	23,152	420,491
Fines and forfeitures	14,175	-	-	-	14,175
Intergovernmental	105,094	53,526	2,619,492	8,513	2,786,625
Investment earnings	70,637	13,691	-	9	84,337
Miscellaneous	35,499	3,903	-	862	40,264
	<u>3,864,898</u>	<u>1,777,639</u>	<u>2,619,492</u>	<u>32,536</u>	<u>8,294,565</u>
Total revenues					
EXPENDITURES					
Current:					
Administrative	1,427,962	-	-	45,852	1,473,814
Judicial	328,178	-	-	9,464	337,642
Public facilities	243,748	-	-	-	243,748
Public safety	1,155,902	-	-	760	1,156,662
Road and bridge	-	1,764,052	-	-	1,764,052
Public service	211,282	-	-	-	211,282
Capital outlay	185,390	126,903	3,115,998	-	3,428,291
	<u>3,552,462</u>	<u>1,890,955</u>	<u>3,115,998</u>	<u>56,076</u>	<u>8,615,491</u>
Total expenditures					
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>312,436</u>	<u>(113,316)</u>	<u>(496,506)</u>	<u>(23,540)</u>	<u>(320,926)</u>
OTHER FINANCING SOURCES (USES)					
Notes receivable issued	(4,000)	-	-	-	(4,000)
Transfers in	-	-	213,915	-	213,915
Transfers out	(213,915)	-	-	-	(213,915)
	<u>(217,915)</u>	<u>-</u>	<u>213,915</u>	<u>-</u>	<u>(4,000)</u>
Total other financing sources (uses)					
NET CHANGE IN FUND BALANCES	94,521	(113,316)	(282,591)	(23,540)	(324,926)
FUND BALANCES - BEGINNING	<u>2,748,631</u>	<u>931,178</u>	<u>-</u>	<u>279,586</u>	<u>3,959,395</u>
FUND BALANCES - ENDING (deficit)	<u>\$ 2,843,152</u>	<u>\$ 817,862</u>	<u>\$ (282,591)</u>	<u>\$ 256,046</u>	<u>\$ 3,634,469</u>

The notes to the financial statements are an integral part of this statement.

**LIPSCOMB COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

Net change in fund balances - total governmental funds: \$ (324,926)

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays, \$3,428,291, exceeded depreciation, \$307,626, in the current period. 3,120,665

In the Statement of Activities, only the gain on the sale, or trade-in, of capital assets is reported. However, in the governmental funds, only the proceeds from the sale, if any, increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital asset disposed of. (7,231)

The Statement of Activities reports gains arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets. 7,000

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenues. (13,995)

In the Statement of Net Position, issuing loans increases long-term assets and does not affect the Statement of Activities. Similarly, repayments of principal is an other financing source in the governmental funds, but reduces the asset in the Statement of Net Assets.

Issuance of loans 4,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest on debt, net change	
Compensated absences, net change	(2,547)
Pension deferred outflows of resources, net change	(651,184)
Pension deferred inflows of resources, net change	(298,330)
Net pension asset, net change	214,567
Net pension liability, net change	845,163

The internal service fund is used by management to charge the costs of health insurance to individual funds. The net revenue (loss) of certain activities of the internal service fund is reported with governmental activities. (8,507)

Change in net position - governmental activities \$ 2,884,675

The notes to the financial statements are an integral part of this statement.

**LIPSCOMB COUNTY, TEXAS
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
SEPTEMBER 30, 2020**

	<u>Employee Health Plan</u>
ASSETS	
Restricted assets:	
Cash and cash equivalents	\$ 224,148
Total restricted assets	<u>224,148</u>
NET POSITION	
Restricted for future insurance claims	<u>224,148</u>
Total net position	<u><u>\$ 224,148</u></u>

The notes to the financial statements are an integral part of this statement.

LIPSCOMB COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Employee Health Plan
OPERATING REVENUES:	
Charges for services	\$ 845,381
Total operating revenues	845,381
OPERATING EXPENSES:	
Insurance premiums	857,417
Total operating expenses	857,417
NET OPERATING LOSS	(12,036)
NON-OPERATING REVENUES:	
Interest	3,529
Total non-operating revenues	3,529
CHANGE IN NET POSITION	(8,507)
NET POSITION - BEGINNING	232,655
NET POSITION - ENDING	\$ 224,148

The notes to the financial statements are an integral part of this statement.

**LIPSCOMB COUNTY, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Employee Health Plan
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from County and participants	\$ 840,835
Cash payments for insurance premiums	(857,417)
Net Cash Used by Operating Activities	(16,582)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest from cash deposits	3,529
Net Cash Provided by Investing Activities	3,529
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,053)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	237,201
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 224,148
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Net operating loss	\$ (12,036)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Increase in due to other funds	(4,546)
Net Cash Used by Operating Activities	\$ (16,582)

The notes to the financial statements are an integral part of this statement.

LIPSCOMB COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2020

ASSETS		
Cash		\$ 196,344
		<hr/>
Total assets		\$ 196,344
		<hr/> <hr/>
LIABILITIES		
Due to other governments		\$ 28,248
Deposits		168,096
		<hr/>
Total liabilities		\$ 196,344
		<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lipscomb County, Texas (County) have been prepared in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles)(GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

A. Financial Reporting Entity

The County, incorporated in 1916, is a public corporation and political subdivision of the State of Texas. The County is governed by the Commissioners Court, composed of four County Commissioners and the County Judge, all of whom are elected officials.

The County provides a variety of services to advance the welfare, morale, comfort, safety and convenience of the County and its citizens.

The definition of the reporting entity is based primarily on the notion of financial accountability. The elected officials governing the County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity, but also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either, it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the County.

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting

Government-Wide Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Fines and forfeitures are recognized when they have been assessed and adjudicated and earned. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Continued

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting – Continuation

The Statement of Activities demonstrates the degree to which the direct expenses of the County’s programs are offset by those programs’ revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational and/or capital requirements of a particular program. Taxes and other items not included among program revenue are reported instead as *general revenue*. In miscellaneous general revenues are non-program specific contributions including capital assets contributions.

Fiduciary funds are excluded in the government-wide presentation of the financial statements.

Fund-Level Statements

All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers property taxes and other revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Grant and entitlement revenues are also susceptible to accrual. These funds are accounted for on a spending “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Any proprietary funds, including internal service, and fiduciary funds, including agency funds, are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses when they are incurred. Claims incurred but not reported are included in payables and expenses. These funds are accounted for using an economic resources measurement focus.

The accounts of the County are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The County reports the following major governmental funds:

The **General Fund** is the general operating fund of the County. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for administrative, judicial, public facilities, public safety, public service, and capital acquisition.

Continued

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting – Continuation

Fund-Level Statements – Continuation

The **Road and Bridge Fund** is a special revenue fund used to account for the revenues derived from property taxes and license fees levied for purposes of road and bridge expenditures.

Additionally, the County reports the following fund types:

Internal Service Fund – *Internal Service Funds* account for the financing of services provided by one department to other departments of the County on a cost-reimbursement basis. The Health Insurance program of the County is accounted for as an Internal Service Fund.

Special Revenue Funds – *Special Revenue Funds* account for the proceeds of specific revenue sources (other than fiduciary funds) that are legally restricted to expenditures for specified purposes.

Agency Funds – *Agency Funds* account for assets received by the governmental unit in its capacity as trustee or agent for the County, other governmental entities, or individuals. The receipts and disbursements of such funds are governed by the terms of the statutes, ordinances, regulations or other authority.

C. Use of Restricted Assets

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, deposits within public fund investment pools and highly liquid investments with an original maturity of three months or less when purchased. Statutes authorize the County to keep funds in demand deposits, time deposits, or securities of the United States. The County's custodial banks are required to pledge for the purpose of securing County funds, securities of the following kind, in an amount equal to the amount of such County funds: bonds and notes of the United States, securities of indebtedness of the United States, bonds of the State of Texas, or of any county, city, or independent school district, and various other bonds as described in Texas Statutes.

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

The Act requires an annual audit of investment policies. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the area of investment practices, management has established and reported appropriate policies. The County adheres to the requirements of the Act. Additionally, investment practices of the County are in accordance with local policies.

Continued

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Financial Statement Presentation, Measurement Focus and Basis of Accounting – Continuation

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the noncurrent portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

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

Notes receivable represent amounts outstanding from the first-time home buyer program that was funded by the Department of Housing and is administered by the Panhandle Regional Planning Commission. A first-time homebuyer can receive a second mortgage of up to \$5,000 if all qualifications are met to participate in the program. No payment is due on the loan until either the first mortgage is paid off or the property is sold. As of September 30, 2020 the County has notes with eight individuals outstanding with no stated interest rate.

Charges for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unavailable revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts of \$350,498.

Payables consist of vendor obligations for goods and services as well as funds payable to others when the criteria for their release have been met.

3. Property Tax Calendar and Revenues

Property taxes are based on taxable value at January 1 and become due October 1 and past due after January 31 of the following year. Tax collections during the months of October through December are entitled to discounts offered by the County. Tax collections after February 1 are treated as late payments and are subject to penalty and interest. Uncollected taxes from the current tax roll become delinquent on July 1 and are subject to additional penalties and interest. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years’ levies are shown net of an allowance for uncollectible accounts of \$91,556.

4. Restricted Assets/Funds

The following accounts reflect restricted status by third-party or statutory obligations for specific purposes:

- Other Non-Major Governmental fund balances (amounts restricted for other specific purposes such as management, preservation, and archiving of public records, personnel and security for the courthouse, technology requirements for the justice court, enhancement of the county attorney operations with fees from processing dishonored and forged checks, the maintenance of the commissary in the Sheriff’s Department, and the State pass-through grants related to the COVID-19 pandemic. All restrictions are enacted according to Texas statutes.)

Continued

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

5. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The County uses the consumption method to record its prepaid items which requires reporting these items as assets and deferring the recognition of expenditures until the period in which prepaid items are used or consumed. In the fund financial statements, they are offset by a designation of nonspendable fund balance which indicates they do not represent “available spendable resources”.

6. Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the government-wide financial statements. The County has opted not to retroactively report infrastructure assets (assets acquired prior to October 1, 2003). According to the County’s capitalization policy, capital assets, such as equipment, are defined as individual assets (or systems of assets) having a cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated lives:

Buildings	20 - 40 years
Equipment	5 - 25 years

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 so will *not* be recognized as an outflow or resources (expense/expenditure) until then. The government has multiple items that qualify for reporting in this category. They are the contributions and other items related to the County’s pension plan reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial 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 so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. One item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and fines and fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are related to the changes in the County’s net pension liability and are reported in the government-wide statement of net position.

Continued

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

8. Compensated Absences

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

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

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

Regular full-time employees are entitled to vacation of up to three weeks per year as earned. Vacation time earned, but not taken, is paid upon termination, but cannot be accumulated beyond one calendar year, except as provided by personnel manual. Compensation time is accrued at one and one-half the employee's regular rate for each hour worked over forty hours in a work week (except law enforcement). After it is accrued, it is treated like vacation time earned and is paid upon termination. Sick leave accrues at 10 hours per month with a maximum accumulation limit of 360 hours; however, no unused sick leave will be paid upon termination. Accrued vacation leave and comp time are accrued in the government-wide financial statements.

9. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's Texas County and District Retirement System Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Non-spendable Fund Balance – includes amounts that are (a) not in spendable forms, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of the resource providers.

Continued

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

10. Fund Balances – Continuation

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the County’s highest level of decision-making authority, the Commissioners’ Court. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally (for example: resolution or ordinance).

Assigned Fund Balance – includes amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by (a) Commissioners’ Court or (b) a body (budget, finance committee, or County Official) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as non-spendable, restricted or committed.

Unassigned Fund Balance – this classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

11. Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three categories.

Net Investment in Capital Assets – This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted Net Position – This amount includes all net positions that do not meet the definition of “net investment in capital assets” or “restricted net position.”

12. Fund Balance Policies

When the County incurs an expenditures for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first, then unrestricted funds. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Committed fund balance amounts may be used for other purposes with appropriate action by the Commissioners’ Court to either modify or rescind a fund balance commitment. Commitments are typically done through adoption and amendment of the budget.

The County’s highest level of decision-making authority is the Commissioners’ Court. The Court has not yet delegated the authority to assign fund balance amounts to a specific individual nor does it have a policy to authorize the assignment of fund balances outside the Court.

Continued

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

13. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the proposed budget is submitted to the Commissioners' Court.
2. The Commissioners' Court provides for a public hearing on the County budget subsequent to August 15, and prior to the levy of taxes by the Commissioners' Court.
3. Prior to October 1, the budget is legally adopted by order of the Commissioners' Court for the General Fund and Road and Bridge Special Revenue Fund.
4. The budget is prepared by fund and department with the legal level of control at the department level. Administrative control is maintained through the establishment of more detailed account or object class budgets within the departments. Emergency expenditures to meet unusual and unforeseen conditions which could not, by reasonable diligent thought and attention, have been included in the original budget, whereby total expenditures of a department have been increased must be authorized by the Court as emergency amendments to the original budget. Management may not amend the budget at any level without approval of the Commissioners' Court. The Court has the authority to make such changes in the budget, in its judgment of facts, the law warrant, and the interest of the taxpayers demand, provided the amounts budgeted for the current expenditures from the various funds for the County do not exceed appropriations, including fund balances from the prior fiscal periods. Amounts shown in the financial statements represent the original budget amounts and all supplemental appropriations. Supplemental appropriations to the original adopted budget are in the Final Budget Amounts column of the Budgetary Comparison Schedule for the General Fund and Road and Bridge Special Revenue Fund.
5. Budgets for the General Fund and Road and Bridge Fund are adopted on a basis consistent with GAAP on the modified accrual basis of accounting on an annual basis.
6. Formal budgetary integration on an annual basis is employed as a management control device during the year for the General Fund and Road and Bridge Special Revenue Fund.
7. All appropriations, except those in grant funds, lapse at the end of the County's fiscal year and may be re-budgeted the next year.

Continued

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – Continuation

B. Excess of Disbursements Over Appropriations

For the year ended September 30, 2020, disbursements exceeded appropriations in the General Fund departments of the County Judge (\$6,185), Miscellaneous court (\$28,000), Courthouse and other buildings (\$1,982), and Capital Outlay (\$89,081). Disbursements exceeded appropriations in the Road & Bridge Fund Precinct #4 (419). The over expenditures in both funds were funded by prior year fund balance reserves.

NOTE 3 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the County's cash and deposit balances as of September 30, 2020:

Cash and deposit balances consist of:

Petty cash funds	\$	7,100
Bank deposits		1,569,848
Total	\$	1,576,948

Cash and deposit balances are reported in the basic financial statements as follows:

Government-wide Statement of Net Position:

Unrestricted

	\$	1,380,604
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Fiduciary Funds Statement of Net Position

		196,344
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Total	\$	1,576,948
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As of September 30, 2020, the County had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Governmental Activities		
Certificates of deposit (interest rates at .55%)	\$ 1,085,527	182
Total fair value	\$ 1,085,527	
Portfolio weighted average maturity		182

Custodial credit risk – deposits. As of September 30, 2020, the carrying amount of the County's deposits with financial institutions was \$2,655,375 and the bank's balance was \$3,361,492. Of the bank balance, \$2,495,138 was insured through the Federal Depository Insurance Corporation (FDIC) and \$866,354 was collateralized with securities held by the pledging institution's agent in the County's name.

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The County manages its exposure to interest rate risk by maintaining its cash in interest-bearing demand accounts, readily available TexPool shares, or in certificates of deposit with weighted average maturities of two years or less.

Continued

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS – Continuation

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law and County policy limit investments in local government pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single insurer. As of September 30, 2020, 100% of the County’s carrying value of cash deposited with the County’s depository banks and was adequately secured as described above.

NOTE 4 – CAPITAL ASSETS

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. In accordance with GASB Statement No. 34, depreciation policies were adopted to include useful lives and classification by function. As stated earlier, the County has opted not to report its infrastructure retroactively.

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 20,853	\$ -	\$ -	\$ 20,853
Construction in progress	451,980	3,115,998	-	3,567,978
	<u>472,833</u>	<u>3,115,998</u>	<u>-</u>	<u>3,588,831</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings and improvements	2,009,864	-	-	2,009,864
Equipment	6,509,236	319,293	(61,980)	6,766,549
	<u>8,519,100</u>	<u>319,293</u>	<u>(61,980)</u>	<u>8,776,413</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(1,245,360)	(79,876)	-	(1,325,236)
Equipment	(5,943,106)	(227,750)	54,749	(6,116,107)
	<u>(7,188,466)</u>	<u>(307,626)</u>	<u>54,749</u>	<u>(7,441,343)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>1,330,634</u>	<u>11,667</u>	<u>(7,231)</u>	<u>1,335,070</u>
Governmental activities capital assets, net	<u>\$ 1,803,467</u>	<u>\$ 3,127,665</u>	<u>\$ (7,231)</u>	<u>\$ 4,923,901</u>

Continued

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 4 – CAPITAL ASSETS – Continuation

Depreciation expense for the year ended September 30, 2020 was charged to the functions/programs of the primary government as follows:

Governmental activities	
Administrative	\$ 6,862
Public safety	66,452
Public facilities	62,355
Road and bridge	<u>171,957</u>
 Total Depreciation Expense	 <u>\$ 307,626</u>

NOTE 5 – CONSTRUCTION COMMITMENTS

The County has an active construction project as of September 30, 2020 for the historical restoration of the County Courthouse. At year end the County’s commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Courthouse restoration	\$ 3,567,978	\$ 2,548,848
 Total	 <u>\$ 3,567,978</u>	 <u>\$ 2,548,848</u>

NOTE 6 – PROPERTY TAX

The State of Texas Constitutional tax rate limit for both operations and debt service is \$.80 on each \$100 of assessed valuation. The tax rate on the 2019 tax roll was \$.53883 per \$100, which means that the County has a tax margin of \$.26117 per \$100 and could raise up to \$1,724,187 additional revenue from the 2019 assessed valuation of \$660,177,925 before the limit is reached.

The State of Texas Constitutional tax rate limit for the maintenance of public roads, commonly referred to as the special road and bridge fund, is \$.15 on each \$100 of assessed valuation. The tax rate on the 2019 tax roll was \$.14026 per \$100, which means that the County has a tax margin of \$.00974 per \$100 and could raise up to \$64,301 additional revenue from the 2019 assessed valuation of \$660,177,925 before the limit is reached.

The State of Texas Constitutional tax rate limit for the maintenance of farm-to-market roads or flood control is \$.30 on each \$100 of assessed valuation. The tax rate on the 2019 tax roll was \$.08413 per \$100, which means that the County has a tax margin of \$.21587 per \$100 and could raise up to \$1,420,223 additional revenue from the 2019 assessed valuation of \$657,906,682 before the limit is reached.

Real and personal property values are assessed for the period January 1 to December 31, as of January 1 at which date property taxes attach as an enforceable lien on property. Taxes are levied by October 1 of the current year and are collected from October 1 to June 30 of the following year. Payments received in October through December are entitled to discounts offered by the County. Payments received after February 1 are considered late and are subject to penalty and interest. Taxes become delinquent on July 1 of the following year.

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7 – RETIREMENT PLAN

Plan Description: Lipscomb County provides retirement and death benefits for all of its employees, except temporary 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 several 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 and is available at www.tcdrs.org.

Benefits Provided: The plan provisions are adopted by the governing body of the County (employer), 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, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years 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 the County.

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 County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees Covered by Benefit Terms: At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	43
Active employees	57

Contributions: The County 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 County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually.

The County contributed using the actuarially determined rate of 10.87% with a supplemental rate of 1.77% for the months of the accounting year in 2019 and 10.19% with a supplemental rate of 2.45% for the months of the accounting year in 2020. The contribution rate payable by the employee members is 7.0% for fiscal year 2020 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 County within the options available in the TCDRS Act.

Net Pension Liability: The County's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability or asset, was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Continued

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7 – RETIREMENT PLAN – Continuation

All actuarial assumptions that determined the total pension liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

In the 2017 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

TCDRS system-wide economic assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	2.50%

The payroll growth assumption is for the aggregate covered payroll of an employer.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term horizon; the most recent analysis was performed in 2017.

Continued

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7 – RETIREMENT PLAN – Continuation

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80%, per Cliffwater's 2020 capital market assumptions.

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

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

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

Continued

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7 – RETIREMENT PLAN – Continuation

Discount Rate: The discount rate used to measure the total pension liability was 8.10%. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternatives methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

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

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Continued

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7 – RETIREMENT PLAN – Continuation

Changes in the Net Pension Liability / (Asset):

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2018	\$ 10,947,008	\$ 10,101,845	\$ 845,163
Changes for the year:			
Service cost	312,329	-	312,329
Interest on total pension liability (1)	881,727	-	881,727
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	(151,643)	-	(151,643)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(95,548)	(95,548)	-
Benefit payments	(666,942)	(666,942)	-
Administrative expenses	-	(8,719)	8,719
Member contributions	-	164,087	(164,087)
Net investment income	-	1,659,231	(1,659,231)
Employer contributions	-	296,293	(296,293)
Other (3)	-	(8,749)	8,749
Balances as of December 31, 2019	<u>\$ 11,226,931</u>	<u>\$ 11,441,498</u>	<u>\$ (214,567)</u>

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

(2) No plan changes valued.

(3) Relates to allocation of system-wide items.

Sensitivity of the net pension liability / (asset) to changes in the discount rate: The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the County's net pension liability / (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 12,339,209	\$ 11,226,931	\$ 10,257,676
Fiduciary net position	<u>11,441,498</u>	<u>11,441,498</u>	<u>11,441,498</u>
Net pension liability / (asset)	<u>\$ 897,711</u>	<u>\$ (214,567)</u>	<u>\$ (1,183,822)</u>

Continued

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7 – RETIREMENT PLAN – Continuation

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued TCDRS financial report.

Pension Expense / (Income):

	January 1, 2019 to December 31, 2019
Service cost	\$ 312,329
Interest on total pension liability (1)	881,727
Effect of plan changes	-
Administrative expenses	8,719
Member contributions	(164,087)
Expected investment return net of investment expenses	(805,559)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(146,712)
Recognition of assumption changes or inputs	43,244
Recognition of investment gains or losses	58,770
Other (2)	8,749
 Pension expense / (income)	 \$ 197,180

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

(2) Relates to allocation of system-wide items.

Deferred Inflows / Outflows of Resources: As of September 30, 2020, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 164,244	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings	293,399	-
Contributions made subsequent to measurement date	N/A	228,410

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7 – RETIREMENT PLAN – Continuation

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2020	\$ (187,040)
2021	(135,778)
2022	35,908
2023	(170,733)
2024	-
Thereafter	-

NOTE 8 – POST-EMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN

Plan Description

Lipscomb County, Texas participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GLTF). This optional plan provides group term life insurance coverage to current eligible employees.

The GTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Funding Policy

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. Lipscomb County, Texas contributions to the GTLF for the year ended September 30, 2020, 2019 and 2018, were \$8,811, \$7,685, and \$6,986, respectively, which equaled the contractually required contributions each year.

NOTE 9 – CONCENTRATION OF TAXPAYERS

As of September 30, 2020, the following taxpayers accounted for a significant portion of the County's total tax levy.

Taxpayer	Industry	Tax Amount	Percent of Total Levy
Taxpayer A	Oil & Gas	\$ 352,814	7.00 %
Taxpayer B	Oil & Gas	333,863	6.63

**LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 10 – INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Individual Fund Inter-fund Receivables and Payables

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ 1,801,511	\$ 1,834
Special Revenue:		
Road and Bridge	1,834	34,254
CARES Fund	-	8,648
Capital Projects Fund:		
Courthouse Restoration	-	1,758,609
	<u>\$ 1,803,345</u>	<u>\$ 1,803,345</u>

The primary purpose of inter-fund receivables and payables are the reimbursement of the general fund for cash disbursements through both the accounts payable and payroll clearing funds.

Individual Fund Inter-fund Transfers

Fund	Inter-fund Transfers In	Inter-fund Transfers Out
General Fund	\$ -	\$ 213,915
Capital Projects Fund:		
Courthouse Restoration	213,915	-
	<u>\$ 213,915</u>	<u>\$ 213,915</u>

The primary purpose of inter-fund transfers was to move prior period costs associated with the Courthouse Restoration project into the capital projects fund in order to be able to track total project costs.

NOTE 11 – ACCRUED COMPENSATED ABSENCES

Accrued compensated absences activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 50,391	\$ 54,267	\$ (51,720)	\$ 52,938	\$ 5,300

LIPSCOMB COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 12 – RISK MANAGEMENT

The County's major areas of risk management are: public officials', law enforcement, and automobile liability, general comprehensive liability and property damage, workers' compensation, and employee health insurance. The County has obtained insurance with an insurance company and a public entity risk pool in which all risk is transferred to those entities for all the above areas. The County pays a deductible per incident except on the employee health insurance in which the deductible is the responsibility of the employee. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage for the current year or the previous three years.

NOTE 13 – PROBATION DEPARTMENTS

Community Supervision and Corrections (Adult Probation)

The 31st District CSCD is a joint venture between Wheeler, Lipscomb, Hemphill and Roberts Counties. There is not an issued audit opinion on the restitution, probation fees, or any county funding.

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**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

LIPSCOMB COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 3,557,237	\$ 3,487,547	\$ 3,494,357	\$ 6,810
Licenses and fees	119,500	157,508	145,136	(12,372)
Fines and forfeitures	25,000	14,624	14,175	(449)
Intergovernmental	-	660,223	105,094	(555,129)
Investment earnings	60,000	70,691	70,637	(54)
Miscellaneous	59,993	(247,263)	35,499	282,762
	<u>3,821,730</u>	<u>4,143,330</u>	<u>3,864,898</u>	<u>(278,432)</u>
EXPENDITURES				
Current:				
Administrative				
County Judge	209,343	191,275	197,460	(6,185)
Commissioners' Court	252,879	242,142	242,142	-
County and District Clerk	272,349	261,001	261,001	-
Administrative	370,100	288,026	277,949	10,077
County Treasurer	184,198	195,903	195,903	-
Tax Assessor/Collector	272,159	253,507	253,507	-
	<u>1,561,028</u>	<u>1,431,854</u>	<u>1,427,962</u>	<u>3,892</u>
Judicial				
District court	89,716	90,665	90,665	-
Justice of the Peace	101,738	97,262	97,262	-
Miscellaneous court	133,761	112,251	140,251	(28,000)
	<u>325,215</u>	<u>300,178</u>	<u>328,178</u>	<u>(28,000)</u>
Public facilities				
Courthouse and other buildings	214,959	193,166	195,148	(1,982)
Libraries	18,250	18,250	18,250	-
Parks	3,200	2,700	2,700	-
Cemeteries	28,100	27,650	27,650	-
	<u>264,509</u>	<u>241,766</u>	<u>243,748</u>	<u>(1,982)</u>
Public safety				
Fire departments	75,000	75,000	75,000	-
County Sheriff	1,150,739	1,081,920	1,080,902	1,018
	<u>1,225,739</u>	<u>1,156,920</u>	<u>1,155,902</u>	<u>1,018</u>

Continued

LIPSCOMB COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Continuation	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current:				
Public service				
Health and welfare	\$ 40,000	\$ 46,399	\$ 46,399	\$ -
Ag extension service	170,789	155,435	155,435	-
Soil and water conservation	5,000	5,000	5,000	-
Historical commission	10,000	4,448	4,448	-
Total public service	<u>225,789</u>	<u>211,282</u>	<u>211,282</u>	<u>-</u>
Capital outlay	<u>219,450</u>	<u>96,309</u>	<u>185,390</u>	<u>(89,081)</u>
Total expenditures	<u>3,821,730</u>	<u>3,438,309</u>	<u>3,552,462</u>	<u>(114,153)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>705,021</u>	<u>312,436</u>	<u>(392,585)</u>
OTHER FINANCING SOURCES (USES)				
Notes receivable issued	-	(4,000)	(4,000)	-
Transfers in	-	25,000	-	(25,000)
Transfers out	-	(284,317)	(213,915)	70,402
Total other financing sources (uses)	<u>-</u>	<u>(263,317)</u>	<u>(217,915)</u>	<u>45,402</u>
NET CHANGE IN FUND BALANCE	-	441,704	94,521	(347,183)
FUND BALANCE - BEGINNING	<u>2,748,631</u>	<u>2,748,631</u>	<u>2,748,631</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 2,748,631</u>	<u>\$ 3,190,335</u>	<u>\$ 2,843,152</u>	<u>\$ (347,183)</u>

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LIPSCOMB COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 1,459,462	\$ 1,450,072	\$ 1,454,316	\$ 4,244
Licenses and fees	265,000	252,203	252,203	-
Intergovernmental	15,552	-	53,526	53,526
Investment earnings	2,000	13,691	13,691	-
Miscellaneous	35,000	54,905	3,903	(51,002)
	<u>1,777,014</u>	<u>1,770,871</u>	<u>1,777,639</u>	<u>6,768</u>
EXPENDITURES				
Current:				
Road and bridge				
Precinct #1	407,827	405,763	405,763	-
Precinct #2	539,303	518,037	518,037	-
Precinct #3	483,411	472,514	472,514	-
Precinct #4	366,473	367,546	367,965	(419)
	<u>1,797,014</u>	<u>1,763,860</u>	<u>1,764,052</u>	<u>(192)</u>
Capital outlay	<u>70,909</u>	<u>126,903</u>	<u>126,903</u>	<u>-</u>
	<u>1,867,923</u>	<u>1,890,763</u>	<u>1,890,955</u>	<u>(192)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(90,909)	(119,892)	(113,316)	6,576
FUND BALANCE - BEGINNING	<u>931,178</u>	<u>931,178</u>	<u>931,178</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 840,269</u>	<u>\$ 821,760</u>	<u>\$ 817,862</u>	<u>\$ (3,898)</u>

LIPSCOMB COUNTY, TEXAS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Years (will ultimately be displayed as available)

	Year Ended December 31,			
	2019	2018	2017	2016
Total Pension Liability:				
Service cost	\$ 312,329	\$ 293,595	\$ 310,928	\$ 314,509
Interest on total pension liability (1)	881,727	854,270	811,592	760,771
Effect of plan changes	-	43,517	-	-
Effect of assumption changes or inputs	-	-	129,734	-
Effect of economic/demographic (gains) or losses	(151,643)	(189,447)	(99,047)	(39,319)
Benefit payments/refunds of contributions	(762,490)	(603,999)	(613,776)	(518,624)
Net change in total pension liability	279,923	397,936	539,431	517,337
Total pension liability, beginning	10,947,008	10,549,072	10,009,641	9,492,304
Total pension liability, ending (a)	<u>\$ 11,226,931</u>	<u>\$ 10,947,008</u>	<u>\$ 10,549,072</u>	<u>\$ 10,009,641</u>
Fiduciary Net Position:				
Employer contributions	296,293	\$ 344,839	\$ 275,303	\$ 285,253
Member contributions	164,087	164,057	152,462	157,973
Investment income net of investment expenses	1,659,231	(194,844)	1,347,185	641,109
Benefit payments/refunds of contributions	(762,490)	(603,999)	(613,776)	(518,624)
Administrative expenses	(8,719)	(8,114)	(6,917)	(6,979)
Other	(8,749)	(1,789)	(2,559)	3,944
Net change in fiduciary net position	1,339,653	(299,850)	1,151,698	562,676
Fiduciary net position, beginning	10,101,845	10,401,695	9,249,997	8,687,321
Fiduciary net position, ending (b)	<u>\$ 11,441,498</u>	<u>\$ 10,101,845</u>	<u>\$ 10,401,695</u>	<u>\$ 9,249,997</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (214,567)</u>	<u>\$ 845,163</u>	<u>\$ 147,377</u>	<u>\$ 759,644</u>
Fiduciary net position as a % of total pension liability	101.91%	92.28%	98.60%	92.41%
Pensionable covered payroll	\$ 2,344,099	\$ 2,343,673	\$ 2,178,030	\$ 2,244,548
Net pension liability as a % of covered payroll	-9.15%	36.06%	6.77%	33.84%

Year Ended December 31,

2015	2014	2013	2012	2011	2010
\$ 297,042	\$ 277,967	\$ N/A	\$ N/A	\$ N/A	\$ N/A
724,103	691,976	N/A	N/A	N/A	N/A
(19,407.00)	-	N/A	N/A	N/A	N/A
111,257.00	-	N/A	N/A	N/A	N/A
(87,747)	(109,615)	N/A	N/A	N/A	N/A
(552,893)	(484,607)	N/A	N/A	N/A	N/A
472,355	375,721	N/A	N/A	N/A	N/A
9,019,949	8,644,228	N/A	N/A	N/A	N/A
<u>\$ 9,492,304</u>	<u>\$ 9,019,949</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$ 265,566	\$ 253,287	\$ N/A	\$ N/A	\$ N/A	\$ N/A
147,070	140,270	N/A	N/A	N/A	N/A
50,285	570,636	N/A	N/A	N/A	N/A
(552,893)	(484,607)	N/A	N/A	N/A	N/A
(6,268)	(6,582)	N/A	N/A	N/A	N/A
25,896	(63,682)	N/A	N/A	N/A	N/A
(70,344)	409,322	N/A	N/A	N/A	N/A
8,757,665	8,348,343	N/A	N/A	N/A	N/A
<u>\$ 8,687,321</u>	<u>8,757,665</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
<u>\$ 804,983</u>	<u>262,284</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
91.52%	97.09%	N/A	N/A	N/A	N/A
\$ 2,101,007	\$ 2,003,857	\$ N/A	\$ N/A	\$ N/A	\$ N/A
38.31%	13.09%	N/A	N/A	N/A	N/A

OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the proceeds of specific sources that are legally restricted to expenditures for specified purposes.

Records Management – The Records Management Funds account for revenues derived from the records management and preservation fees collected by the County and District Clerk on all recorded documents. The revenues are to be used for specific records preservation and automation projects in the County and District Clerk's office.

Records Preservation – The Records Preservation Fund accounts for revenues from fees collected on criminal and civil court cases by the District and County Clerk. The revenues are to be used for specific records management projects in any office in the County.

Justice Court Technology – The Justice Court Technology Fund accounts for revenues from technology fees collected by a justice court from defendants convicted of a misdemeanor offense. The revenues may be used only to finance the purchase of technology enhancements for a justice court.

Courthouse Security – The Courthouse Security Fund accounts for revenues derived from the courthouse security fees collected by the District and County Clerk as well as the Justice of the Peace. The revenues are to be used to help fund security measures or services for buildings housing a district or county court.

Hot Check – The County Attorney Hot Check Fund is used to account for revenues derived from the fees assessed on the collection and processing of dishonored and forged checks. The funds can be used at the County Attorney's discretion to defray the salaries and expenses of the prosecutor's office.

Jail Commissary – The Sheriff's Commissary Fund accounts for the proceeds received by the Sheriff's office from incarcerated persons on the sale of commissary items. The funds are restricted by law to be used to maintain the commissary and for the benefit of the Sheriff's Department.

CARES Fund – The CARES Fund accounts for grants received through various federal agencies passed through the State of Texas. The pass-thru grants were used to reimburse the County for incurred costs as well as purchase qualified equipment related to the COVID-19 pandemic.

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

	Records Management	Records Preservation	Justice Court Technology
ASSETS			
Cash and cash equivalents	\$ 189,986	\$ 26,986	\$ 4,084
Total assets	\$ 189,986	\$ 26,986	\$ 4,084
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 2,100
Due to other funds	-	-	-
Total liabilities	-	-	2,100
FUND BALANCES			
Restricted:			
By enabling legislation for special projects	189,986	26,986	1,984
Unassigned (deficit)	-	-	-
Total fund balances	189,986	26,986	1,984
Total liabilities and fund balances	\$ 189,986	\$ 26,986	\$ 4,084

Jail Commissary	Hot Check	Jail Commissary	Cares Fund	Total Nonmajor Funds
\$ 43,172	\$ 2,075	\$ 992	\$ -	\$ 267,295
<u>\$ 43,172</u>	<u>\$ 2,075</u>	<u>\$ 992</u>	<u>\$ -</u>	<u>\$ 267,295</u>
\$ -	\$ 215	\$ 286	\$ -	\$ 2,601
-	-	-	8,648	8,648
-	215	286	8,648	11,249
43,172	1,860	706	-	264,694
-	-	-	(8,648)	(8,648)
<u>43,172</u>	<u>1,860</u>	<u>706</u>	<u>(8,648)</u>	<u>256,046</u>
<u>\$ 43,172</u>	<u>\$ 2,075</u>	<u>\$ 992</u>	<u>\$ -</u>	<u>\$ 267,295</u>

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

	Records Management	Records Preservation	Justice Court Technology
REVENUES			
Licenses and fees	\$ 19,853	\$ 1,078	\$ 630
Intergovernmental	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	19,853	1,078	630
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current:			
Administrative	28,691	-	-
Judicial	-	-	2,100
Public safety	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	28,691	-	2,100
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,838)	1,078	(1,470)
FUND BALANCES - BEGINNING	198,824	25,908	3,454
	<hr/>	<hr/>	<hr/>
FUND BALANCES - ENDING	\$ 189,986	\$ 26,986	\$ 1,984
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Courthouse Security	Hot Check	Jail Commissary	Cares Fund	Total Nonmajor Funds
\$ 1,463	\$ 128	\$ -	\$ -	\$ 23,152
-	-	-	8,513	8,513
-	-	9	-	9
-	-	862	-	862
<u>1,463</u>	<u>128</u>	<u>871</u>	<u>8,513</u>	<u>32,536</u>
-	-	-	17,161	45,852
7,150	214	-	-	9,464
-	-	760	-	760
<u>7,150</u>	<u>214</u>	<u>760</u>	<u>17,161</u>	<u>56,076</u>
(5,687)	(86)	111	(8,648)	(23,540)
<u>48,859</u>	<u>1,946</u>	<u>595</u>	<u>-</u>	<u>279,586</u>
<u>\$ 43,172</u>	<u>\$ 1,860</u>	<u>\$ 706</u>	<u>\$ (8,648)</u>	<u>\$ 256,046</u>

FIDUCIARY FUNDS

AGENCY FUNDS

The Agency Funds account for assets received in the capacity of trustee or agent for the County, other governmental entity or individual.

Tax Assessor Collector – The Tax Assessor Collector Fund accounts for money collected by the Tax Assessor Collector and remitted to various taxing jurisdictions.

County and District Clerk – The County and District Clerk Fund accounts for registry funds held by the County and District Clerk.

Sheriff – The Sheriff Fund accounts for the proceeds being held from the sale of property seized for failure to pay property taxes.

LIPSCOMB COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2020

	<u>Tax Assessor Collector</u>	<u>County and District Clerk</u>	<u>Sheriff</u>	<u>Total</u>
ASSETS				
Cash	\$ 54,297	\$ 141,448	\$ 599	\$ 196,344
Total assets	<u>\$ 54,297</u>	<u>\$ 141,448</u>	<u>\$ 599</u>	<u>\$ 196,344</u>
LIABILITIES				
Due to other governments	\$ 27,649	\$ -	\$ 599	\$ 28,248
Deposits	<u>26,648</u>	<u>141,448</u>	<u>-</u>	<u>168,096</u>
Total liabilities	<u>\$ 54,297</u>	<u>\$ 141,448</u>	<u>\$ 599</u>	<u>\$ 196,344</u>

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PART III
COMPLIANCE

LIPSCOMB COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2020

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying/ Contract Number	Expenditures, Indirect Costs and Refunds
Federal Awards:			
U.S.Department of Justice			
Edward Byrne Memorial Justice Assistance Grant	16.738	2018-DJ	\$ 45,252
U.S. Department of Treasury			
Texas Department of Emergency Management COVID Relief Fund	21.019	N/A	<u>5,390</u>
Total Federal			<u><u>\$ 50,642</u></u>

LIPSCOMB COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE OF TEXAS AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2020

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying/ Contract Number	Expenditures, Indirect Costs and Refunds
Texas Historical Commission Texas Historic Courthouse Preservation Program	N/A		\$ 2,619,493
Texas Office of the Governor, Criminal Justice Division National Incident Based Reporting System	N/A		83,300
Office of Court Administration Indigent Defense Formula Grant	N/A		<u>15,300</u>
Total State Awards			<u><u>\$ 2,718,093</u></u>

LIPSCOMB COUNTY, TEXAS
NOTES TO SCHEDULES OF FEDERAL AND STATE AWARDS
SEPTEMBER 30, 2020

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of Lipscomb County, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); the State of Texas *Uniform Grant Management Standards* (UGMS) issued by the Governor’s Office of Budget and Planning; and the *State of Texas Single Audit Circular*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the County’s basic financial statements.

NOTE 2 – INDIRECT COST RATE

The County has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Lipscomb County, Texas

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lipscomb County, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Lipscomb County, Texas's basic financial statements, and have issued our report thereon dated May 8, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

May 8, 2021



To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Lipscomb County, Texas

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

Report on Compliance for Each Major Federal Program

We have audited Lipscomb County, Texas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and in the *State of Texas Single Audit Circular* that could have a direct and material effect on each of Lipscomb County, Texas's major federal and state programs for the year ended September 30, 2020. Lipscomb County, Texas's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Lipscomb County, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); the State of Texas *Uniform Grant Management Standards* (UGMS) issued by the Governor's Office of Budget and Planning; and the *State of Texas Single Audit Circular*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lipscomb County, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of Lipscomb County, Texas's compliance.

Opinion on Each Major Federal Program

In our opinion, Lipscomb County, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2020.

Report on Internal Control over Compliance

Management of Lipscomb County, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lipscomb County, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lipscomb County, Texas's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

May 8, 2021

**LIPSCOMB COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditor’s report issued: **Unmodified**

Internal control over financial reporting:

- | | | |
|---|-------|---------------|
| • Material weakness(es) identified? | _____ | X |
| | Yes | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ | X |
| | Yes | None reported |
| Noncompliance material to financial statements noted? | _____ | X |
| | Yes | No |

Federal and State Awards:

Internal control over major programs:

- | | | |
|---|-------|---------------|
| • Material weakness(es) identified? | _____ | X |
| | Yes | No |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ | X |
| | Yes | None reported |

Type of auditors’ report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	_____	X
	Yes	No

Identification of major programs:

Texas Historical Commission
Texas Historic Courthouse Preservation Program

Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000 – Federal**
\$300,000 – State

Auditee qualified as low-risk auditee?	_____	X
	Yes	No

**LIPSCOMB COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020**

There were no findings or questioned costs in the current year.

**LIPSCOMB COUNTY, TEXAS
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020**

There were no findings or questioned costs in the prior year.