

**COLLINGSWORTH COUNTY, TEXAS**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**COLLINGSWORTH COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

TABLE OF CONTENTS

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to the Financial Statements	14-27
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	28
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Road and Bridge Fund	29
Schedule of Changes in Net Pension Liability and Related Ratios	30
Schedule of Contributions	31
<b>OTHER SUPPLEMENTARY INFORMATION SECTION</b>	
Schedule of Revenues Detail – Budget and Actual – General Fund	32
Schedule of Revenues Detail – Budget and Actual – Road and Bridge Fund	33
Schedule of Expenditures Detail – Budget and Actual- General Fund	34-35
Schedule of Expenditures Detail – Budget and Actual – Road and Bridge Fund	36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Government Funds – Summary	37-41



Independent Auditor's Report

The Honorable County Judge and  
Members of the Commissioners' Court  
Collingsworth County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Collingsworth County, Texas**, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **Collingsworth County, Texas**, as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Collingsworth County, Texas's** basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



FOSTER & LAMBERT L.L.C.

Childress, Texas  
February 8, 2016

# COLLINGSWORTH COUNTY, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2015 (UNAUDITED)

As management of Collingsworth County, this narrative overview and analysis is provided of the County's financial activities for the fiscal year ending September 30, 2015. We recommend readers consider information in conjunction with the financial statements taken as a whole.

### **Overview of the Financial Statements**

Management's Discussion and Analysis introduces the County's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The County also includes in this report additional information to supplement the basic financial statements.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances. They are prepared using the full accrual basis of accounting.

The statement of net position presents information on all the County's assets and liabilities with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish governmental activities of the County that are principally supported by taxes and intergovernmental revenues, such as grants. Governmental activities include general government, public safety, and public services.

### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The County uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the County's most significant funds rather than the County as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The County has one kind of fund:

Government funds – Most of the County's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the

# COLLINGSWORTH COUNTY, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2015 (UNAUDITED)

Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

### Notes to the Financial Statements

The accompanying notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the basic financial statements. The notes to the financial statements begin immediately following the basic financial statements.

### Financial Analysis

Net position may serve, over time, as a useful indicator of a governmental financial position. In the case of Collingsworth County, assets exceeded liabilities by \$1,638,981 at the close of the fiscal year.

### Condensed Statement of Net Position

	<u>2014</u>	<u>2015</u>
Current and other assets	\$ 1,129,412	\$ 1,371,044
Capital assets	<u>536,637</u>	<u>449,062</u>
Total assets	<u>1,666,049</u>	<u>1,820,106</u>
Deferred Outflows of resources	<u>-</u>	<u>138,515</u>
Current liabilities, less current debt	81,905	219,150
Long-term debt outstanding	<u>215,605</u>	<u>100,490</u>
Total liabilities	<u>297,510</u>	<u>319,640</u>
Net Position:		
Invested in capital assets	321,032	348,572
Restricted	355,953	545,196
Unrestricted	<u>691,554</u>	<u>745,213</u>
Total net position	<u>\$ 1,368,539</u>	<u>\$ 1,638,981</u>

# COLLINGSWORTH COUNTY, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2015 (UNAUDITED)

Analysis of the County's Operations – Governmental activities increased the County's net position by \$348,601. The key elements of this increase are as follows:

### Changes in Net Position

	<u>2014</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,274	\$ 2,550
Capital grants	32,971	-
General revenues:		
Property taxes	1,383,822	1,585,730
Sales taxes	614,751	598,251
Fines	333,862	181,603
Rent	7,200	7,200
Intergovernmental	229,169	417,349
Investment income	4	3
Miscellaneous income	<u>176,195</u>	<u>545,731</u>
Total revenues	<u>2,780,248</u>	<u>3,338,417</u>
Expenses:		
General government	811,474	1,250,802
Public safety	431,869	463,764
Justice system	517,644	534,649
Health and human services	81,629	100,552
Environmental services	62,353	63,189
Road and bridge maintenance	540,094	533,719
Corrections and rehabilitation	58,777	38,609
Interest on long-term debt	<u>5,872</u>	<u>4,532</u>
Total expenses	<u>2,509,712</u>	<u>2,989,816</u>
Increase (decrease) in net position	270,536	348,601
Beginning net position	847,256	1,368,539
Prior period adjustment	<u>250,747</u>	<u>(78,159)</u>
Ending net position	<u>\$ 1,368,539</u>	<u>\$ 1,638,981</u>

### Financial Highlights

The assets of Collingsworth County exceeded its liabilities at the close of the most recent fiscal year by \$1,638,981. Of this amount, \$745,213 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net position increased by \$270,442.

As of the close of the current fiscal year, Collingsworth County's governmental funds reported combined ending fund balances of \$1,264,209.

# COLLINGSWORTH COUNTY, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2015 (UNAUDITED)

At the end of current fiscal year, unassigned fund balance for the general fund was \$301,152.

Revenues exceeded expenditures by \$285,259 for Collingsworth County for the 2014-2015 fiscal year.

### General Fund Budgetary Highlights

The General Fund budget for fiscal year 2015 was \$943,813 and actual expenses were \$923,404.

The General Fund budget complied with financial policies approved by the County Commissioners and maintained core County services.

### Capital Assets and Debt Administration

#### Capital Assets

The County's investment in capital assets for its government-wide activities as of September 30, 2015, amounts to \$449,062 (net of accumulated depreciation). This investment in capital assets includes property, equipment and infrastructure.

#### Capital Assets at Year-End (Net of Accumulated Depreciation)

	<u>2014</u>	<u>2015</u>
Buildings	\$ 64,557	\$ 62,484
Machinery and equipment	<u>472,080</u>	<u>386,578</u>
Totals	<u>\$ 536,637</u>	<u>\$ 449,062</u>

#### Debt

At year-end, the County had \$100,490 in capital lease payable as shown below. More detailed information about the County's debt is presented in the notes to the financial statements.

#### Outstanding Debt, at Year-End

	<u>2014</u>	<u>2015</u>
Capital lease payable	<u>\$ 215,605</u>	<u>\$ 100,490</u>

# **COLLINGSWORTH COUNTY, TEXAS**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015  
(UNAUDITED)

## **Economic Factors for Next Year**

The County's elected officials considered many factors when preparing the fiscal year 2015-2016 budget. Efforts will be made to cut expenses so taxes won't have to be raised drastically.

## **Request for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Collingsworth County Treasurer, 800 West Avenue, Wellington, Texas 79095.

# COLLINGSWORTH COUNTY, TEXAS

## STATEMENT OF NET POSITION SEPTEMBER 30, 2015

	<u>Primary Govt. Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,318,745
Receivables (net of allowances for uncollectibles)	52,299
Capital assets (net of accumulated depreciation)	
Buildings, net	62,484
Machinery and equipment, net	386,578
Total assets	<u>1,820,106</u>
<b>Deferred Outflows of Resources</b>	
Pension expenditures	<u>138,515</u>
<b>Liabilities</b>	
Accounts payable and other current liabilities	60,874
Accrued interest payable	1,281
Net pension liability	156,995
Noncurrent liabilities:	
Due within one year	24,272
Due in more than one year	76,218
Total liabilities	<u>319,640</u>
<b>Net Position</b>	
Invested in capital assets, net of related debt	348,572
Restricted	545,196
Unrestricted	745,213
Total net position	<u>\$ 1,638,981</u>

*The accompanying notes are an integral part of these financial statements.*

# COLLINGSWORTH COUNTY, TEXAS

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	Revenue and Changes in Net Assets
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,250,802	\$ 2,550	\$ -	\$ (1,248,252)
Public safety	463,764	-	-	(463,764)
Justice system	534,649	-	-	(534,649)
Health and human services	100,552	-	-	(100,552)
Environmental services	63,189	-	-	(63,189)
Road and bridge maintenance	533,719	-	-	(533,719)
Corrections and rehabilitation	38,609	-	-	(38,609)
Interest on long-term debt	4,532	-	-	(4,532)
Total governmental activities	<u>\$ 2,989,816</u>	<u>\$ 2,550</u>	<u>\$ -</u>	<u>(2,987,266)</u>

General revenues:

Property taxes	1,585,730
Sales taxes	598,251
Fines	181,603
Rent	7,200
Intergovernmental	417,349
Unrestricted investment earnings	3
Miscellaneous income	545,731
Total general revenues and transfers	<u>3,335,867</u>
Change in net position	348,601
Net position - October 1	1,368,539
Prior period adjustment	(78,159)
Net position - September 30	<u>\$ 1,638,981</u>

*The accompanying notes are an integral part of these financial statements.*



# COLLINGSWORTH COUNTY, TEXAS

## BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2015

	General Fund	Road and Bridge Fund	Law Fund	Nonmajor Government Funds	Total Government Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 323,010	\$ 350,988	\$ 88,824	\$ 555,923	\$ 1,318,745
Receivables (net of allowance for uncollectible)	41,238	11,061	-	-	52,299
Total assets	\$ 364,248	\$ 362,049	\$ 88,824	\$ 555,923	\$ 1,371,044
<b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>					
Liabilities:					
Accounts payable	\$ 26,942	\$ 17,449	\$ 5,756	\$ 10,727	\$ 60,874
Deferred Inflows or Resources:					
Unavailable revenue - property taxes	36,154	9,807	-	-	45,961
Fund balances:					
Assigned for:					
County business	-	-	-	545,196	545,196
Unassigned	301,152	334,793	83,068	-	719,013
Total fund balance	301,152	334,793	83,068	545,196	1,264,209
<b>Total liabilities and fund balances</b>	<b>\$ 364,248</b>	<b>\$ 362,049</b>	<b>\$ 88,824</b>	<b>\$ 555,923</b>	<b>\$ 1,371,044</b>

*The accompanying notes are an integral part of these financial statements.*

## COLLINGSWORTH COUNTY, TEXAS

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

Total fund balance - governmental funds	\$ 1,264,209
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$1,166,089, and the accumulated depreciation was \$629,452. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	317,741
The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(87,576)
Included in the items related to assets is the recognition of the County's proportionate share of the net pension liability required by GASB 68 in the amount of \$156,995, a deferred resource outflow related to TMRS in the amount of \$138,516. The net effect of this is to decrease net assets.	(18,479)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase (decrease) net position.	117,125
Property tax and fines receivables are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>45,961</u>
Net position of governmental activities	<u><u>\$ 1,638,981</u></u>

*The accompanying notes are an integral part of these financial statements.*

# COLLINGSWORTH COUNTY, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Road and Bridge Fund	Law Fund	Nonmajor Government Funds	Total Government Funds
<b>Revenues</b>					
Property taxes	\$ 1,144,543	\$ 342,066	\$ -	\$ 90,445	\$ 1,577,054
Sales and miscellaneous taxes	2,246	69,587	-	526,418	598,251
Fines and forfeitures	-	-	-	181,603	181,603
Charges for services	2,550	-	-	-	2,550
Rental revenues	7,200	-	-	-	7,200
Intergovernmental	-	-	229,169	-	229,169
Other income	52,124	15,418	693	665,676	733,911
Interest income	-	-	-	3	3
<b>Total revenues</b>	<u>1,208,663</u>	<u>427,071</u>	<u>229,862</u>	<u>1,464,145</u>	<u>3,329,741</u>
<b>Expenditures</b>					
Current:					
General government	482,708	-	-	774,799	1,257,507
Public safety	-	-	452,524	-	452,524
Justice system	273,696	-	-	277,903	551,599
Health and human services	102,414	-	-	-	102,414
Environmental services	64,586	-	-	-	64,586
Road and bridge maintenance	-	610,685	-	-	610,685
Corrections and rehabilitation	-	-	-	38,609	38,609
<b>Total expenditures</b>	<u>923,404</u>	<u>610,685</u>	<u>452,524</u>	<u>1,091,311</u>	<u>3,077,924</u>
Excess (deficiency) of revenue over (under) expenditures	285,259	(183,614)	(222,662)	372,834	251,817
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	215,893	229,169	166,926	611,988
Transfers out	(262,592)	-	-	(350,517)	(613,109)
<b>Total other financing sources (uses)</b>	<u>(262,592)</u>	<u>215,893</u>	<u>229,169</u>	<u>(183,591)</u>	<u>(1,121)</u>
Net change in fund balance	22,667	32,279	6,507	189,243	250,696
Fund balances - beginning	278,485	302,514	76,561	355,953	1,013,513
Fund balances - ending	<u>\$ 301,152</u>	<u>\$ 334,793</u>	<u>\$ 83,068</u>	<u>\$ 545,196</u>	<u>\$ 1,264,209</u>

*The accompanying notes are an integral part of these financial statements.*

# COLLINGSWORTH COUNTY, TEXAS

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

Net change in fund balances - total government funds	\$ 250,696
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase (decrease) net position.	117,125
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource inflows. The County's share of the unrecognized deferred outflows for TMRS as of the measurement date had to be amortized. The net effect is to increase net position.	59,680
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(87,576)
Because property tax receivables will not be collected for several months after the County's fiscal year ends, they are not considered 'available' revenues and are deferred in the government funds. Deferred revenues increased by this amount this year.	<u>8,676</u>
Changes in net position of governmental activities	<u><u>\$ 348,601</u></u>

*The accompanying notes are an integral part of these financial statements.*

# COLLINGSWORTH COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2015

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Collingsworth County reflected in the accompanying financial statements conform to accounting principles generally acceptable in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*. The financial report has been prepared in accordance with GASB Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*", issued in June 1999 and implemented by the County in FY 2004. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

#### 1. Reporting entity

Collingsworth County is an independent governmental entity, governed by elected officials comprising the Commissioners' Court of four county commissioners and the county judge. Because members of the Commissioners' Court are elected by the public, have the authority to make decisions and significantly influence operations, and have the primary accountability for fiscal matters, Collingsworth County is not included in any other governmental "reporting entity" as defined in the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity."

These financial statements of the County include all funds, functions, and activities in which the Commissioners' Court has oversight responsibility. The manifestations of oversight responsibility considered in defining the reporting entity were interdependency, power to designate management, ability to significantly influence operations and primary accountability for fiscal matters. The financial statements include only the individual funds of Collingsworth County as no other entities meet the criteria for inclusion.

#### 2. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

# COLLINGSWORTH COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2015

### 3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The road and bridge fund accounts for all financial resources of the four county precincts.

The law fund accounts for the sheriff's office and jail.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as needed.

# COLLINGSWORTH COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2015

### 4. Assets, liabilities, and net assets or equity

#### a. Deposits and investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

#### b. Receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All property tax receivables are shown net of an allowance for uncollectible. The property tax receivable allowance is equal to 32% of outstanding property taxes at September 30, 2015.

#### c. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at estimated fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	30
Vehicles	5
Machinery, Equipment and Other Assets	10



# COLLINGSWORTH COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2015

### **d. Compensated absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, propriety, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### **e. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

### **f. Fund equity**

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** – represents amounts that can only be used for a specific purpose because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** – represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

**Unassigned Fund Balance** – represents amounts which are unconstrained in that they may be spend for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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



# COLLINGSWORTH COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2015

### **B. Stewardship, compliance, and accountability**

#### **1. Budgetary information**

The Commissioners Court adopts an "appropriated budget" for the General Fund. The County is required to present the adopted and final amended budgeted revenues and expenditures. The County compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1 the County prepares a budget for the succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Court is then called for the purpose of adopting the proposed budget. At least ten day's public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Court. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Court. Amendments are presented to the Court at its regular meetings. Each amendment must have Court approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Court, and are not made after fiscal year end.

### **C. Detailed notes on all funds**

#### **1. Deposits and investments**

Cash includes demand deposits. The County is authorized to invest its funds under State law in obligations of the United States or its agencies, the State of Texas or its agencies, other obligations which are unconditionally guaranteed by the State of Texas or the United States, obligations of other governmental agencies with a bond rating of not less than AA or its equivalent, and certificates of deposit that are insured by Federal depository insurance and fully collateralized direct repurchase agreements. During the year ended September 30, 2015, the County did not own any investments other than those permitted by statute.

The County's bank deposits at September 30, 2015, were fully collateralized by federal deposit insurance coverage.

For purposes of the statements of cash flows, investments with an original maturity of three months or less when purchased are considered cash equivalents.

Deposits of the County can be exposed to risk that has the potential to result in losses. The following is an analysis of those risks:

# COLLINGSWORTH COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2015

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The County will minimize credit risk by limiting investments to certain types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the County will do business, and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. At year-end, the County was not significantly exposed to credit risk.

- Custodial credit risk occurs when deposits are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging of financial institution, or collateralized with securities held by the pledging of financial institutions trust department or agent but not in the County's name. At year-end, the County was not significantly exposed to custodial credit risk.
- Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

To eliminate risk of loss resulting from over-concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all County funds shall be diversified by maturity, issuer, and class of security. At year-end, the County was not significantly exposed to concentration of credit risk related to deposits and investments.

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The County will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The County's policy is to not directly invest in securities maturity more than six (6) months from date of purchase. The County will also invest operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limits the average maturity of the portfolio. At year-end, the County was not exposed to interest rate risk.

# COLLINGSWORTH COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2015

### 2. Receivables

Receivables as of year end for the general fund are as follows for September 30, 2015:

Property taxes	\$ 73,884
Less allowance for uncollectible accounts	<u>(21,585)</u>
Net total receivables	<u>\$ 52,299</u>

### 3. Property taxes

Property taxes attach as an enforceable lien on property as of the prior January 1. Taxes are levied on October 1 and become delinquent after January 31. The County Appraisal District bills property taxes on a fee basis.

The County is permitted by state law to levy taxes for general governmental services, and the payment of principal and interest on long-term debt. The tax rate to finance general governmental services for the year ended September 30, 2015, was \$.694264 per \$100 valuation for the general fund and .209702 per \$100 valuation for road and bridge. The tax rate for jury was \$.055 per \$100 valuation.

### 4. Capital assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, being depreciated:				
Buildings	\$ 186,843	\$ -	\$ -	\$ 186,843
Machinery and equipment	<u>979,246</u>	<u>-</u>	<u>-</u>	<u>979,246</u>
Total capital assets being depreciated:	<u>1,166,089</u>	<u>-</u>	<u>-</u>	<u>1,166,089</u>
Less accumulated depreciation for:				
Buildings	122,286	2,074	-	124,360
Machinery and equipment	<u>507,166</u>	<u>85,502</u>	<u>-</u>	<u>592,668</u>
Total accumulated depreciation	<u>629,452</u>	<u>87,576</u>	<u>-</u>	<u>717,028</u>
Governmental activities capital assets, net	<u>\$ 536,637</u>	<u>\$ (87,576)</u>	<u>\$ -</u>	<u>\$ 449,061</u>

# COLLINGSWORTH COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2015

Depreciation expense was charged to functions/programs of the primary government at September 30, 2015, as follows:

Governmental activities:	
General government	\$ 1,208
Public safety	27,950
Road and bridge maintenance	<u>58,418</u>
Total – governmental activities	<u>\$ 87,576</u>

### 5. Long-term debt

The following is a summary of changes in long-term obligations of the County for the year ended September 30, 2015:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at End of Year</u>	<u>Due Within One Year</u>
<u>Governmental activities:</u>					
Capital lease payable	<u>\$ 215,605</u>	<u>\$ _____</u> -	<u>\$ 115,115</u>	<u>\$ 100,490</u>	<u>\$ 24,272</u>

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future rental payments as of September 30, 2015, as follows:

<u>Year Ending September 30:</u>	
<u>Governmental-type activities</u>	
2016	\$ 26,578
2017	26,578
2018	26,578
2019	<u>26,578</u>
Total minimum lease payment	106,312
Amount representing interest	<u>5,822</u>
Present value of minimum lease payments	<u>\$ 100,490</u>

Leased equipment under capital leases in capital assets at September 30, 2015, had a net book value of \$105,591. Amortization of leased equipment under capital assets is included with depreciation expense.

The County purchased a Caterpillar motor grader March 2014, with a lease/purchase arrangement. The total contract price was \$272,525, less a trade-in value of \$148,500, leaving a net trade difference of \$124,225. The lease/purchase contract is to be paid in five annual installments of \$26,578 each with the first installment due March, 2015, and the final installment due March 2019. The contract carries an interest rate of 2.28% per annum. The principal balance at September 30, 2015, is \$100,490.

# COLLINGSWORTH COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2015

### 6. Health care coverage

The County pays health insurance premiums for each full-time employee. The amount paid per employee per month for the year ended September 30, 2015, is \$687. Additional coverage is available to employees' spouses and families, none of which is paid by the county. Supplemental policies (i.e. vision, dental) are also available at the employee's expense. Health insurance premiums are paid only for active county employees and not for retirees.

### 7. Litigation

The County is a defendant from time to time in various lawsuits. In the opinion of the County's management, any liabilities resulting from such suits will not have a material effect on the financial position of the County.

### 8. Pension plan

#### Plan Description

Collingsworth County participates as one of 656 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas County & District Retirement System (TCFRS). TCDRS is an agency created by the State of Texas and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle G, as an agent multiple-employer retirement system for municipal employees in the State of Texas. TCDRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tcdrs.org](http://www.tcdrs.org).

All eligible employees of the County are required to participate in TCDRS.

#### Benefits Provided

TCDRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the county, within the options available in the state statutes governing TCDRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the county-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan provisions for Collingsworth County were as follows:

Deposit rate:	7%
Matching ratio (to employee)	1 to 1
A member is vested after:	8 years
Service retirement eligibility	60/8, 0/30

# COLLINGSWORTH COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2015

Employees covered by benefit terms:

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>40</u>
Total	<u>75</u>

### Contributions

The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, and the County matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the County. Under the state law governing TCDRS, the contribution rate for each County is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method.

Employees for the County of Collingsworth were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 12.92% and 11.59% in calendar years 2014 and 2015, respectively. The County's contributions to TCDRS for the year ended September 30, 2015, were \$106,592, and were equal to the required contributions.

### Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

### Actuarial Assumptions

The Total Pension Liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions:

Real rate of return	5% per year
Inflation	3% per year
Long-term investment return	8% per year

Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term investment return, long-term inflation and annual payroll increase.

Demographic assumptions are the actuary's best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system-wide valuation report.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2015 information for a 7-10 year time horizon.

# COLLINGSWORTH COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2015

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 30-year time horizon; the most recent analysis was performed in 2013, See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 – December 31, 2013 for more details.

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	Target Allocation	Geometric Real Rate of Return (Expected minus inflation)
US Equities	16.50%	5.35%
Private Equity	12.00%	8.35%
Global Equities	1.50%	5.65%
International Equities- Developed	11.0%	5.35%
International Equities- Emerging	9.00%	6.35%
Investment-Grade Bonds	3.00%	.55%
High yield bonds	3.00%	3.75%
Opportunistic Credit	5.00%	5.54%
Direct Lending	2.00%	5.80%
Distressed Debt	3.00%	6.75%
REIT Equities	2.00%	4.00%
Commodities	2.00%	-.02%
Master Limited Partnerships	2.00%	5.30%
Private Real Estate Partnerships	3.00%	7.20%
Hedge Funds	<u>25.00%</u>	5.15%
Total	<u>100.00%</u>	

### Discount Rate

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

# COLLINGSWORTH COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2015

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
Balance at 12/31/13	\$2,231,897	\$2,076,959	\$ 154,937
Changes for the year:			
Service cost	94,125	-	94,125
Interest	179,057	-	179,057
Effect of economic/demographic gains or losses	42,326	-	42,326
Refund of contributions	(19,288)	(19,288)	-
Benefit payments	(118,310)	(118,310)	-
Administrative expense	-	(1,671)	1,671
Member contributions	-	57,751	(57,751)
Net investment income	-	139,116	(139,116)
Employer contributions	-	106,592	(106,592)
Other changes	-	11,662	(11,662)
Balance at 12/31/2014	<u>\$2,409,807</u>	<u>\$2,252,811</u>	<u>\$ 156,995</u>

### Sensitivity Analysis

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-point higher (9.10%) than the current rate:

	1% Decrease in Discount Rate <u>(7.10%)</u>	Discount Rate <u>(8.10%)</u>	1% Increase in Discount Rate <u>(9.10%)</u>
Total pension liability	\$ 2,708,239	\$ 2,409,807	\$ 2,166,431
Fiduciary net position	<u>2,252,812</u>	<u>2,252,812</u>	<u>2,252,812</u>
Net pension liability/ (asset)	<u>\$ 455,427</u>	<u>\$ 156,995</u>	<u>\$ (86,381)</u>

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at [www.tcdrs.com](http://www.tcdrs.com).



# COLLINGSWORTH COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2015

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

For the year ended September 30, 2015, the County recognized pension expense of \$51,107. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 31,745
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	25,798
Contributions subsequent to the measurement date	-	<u>80,972</u>
Total	<u>\$ -</u>	<u>\$ 138,515</u>

Amounts currently reported as deferred outflows and 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 30:	
2015	\$ 98,004
2016	17,031
2017	17,031
2018	<u>6,449</u>
Total	<u>\$ 138,515</u>

### **9. Risk management**

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2005, the County obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Association of Counties ("TAC"). TAC is a self-funded pool operating as a common risk management and insurance program. The County pays an annual premium to TAC for its above insurance coverage. The agreement for the formation of TAC provides that TAC will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

# COLLINGSWORTH COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2015

### 10. Prior period adjustment

The County implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27, in the current year. Implementation of this statement was made to improve accounting and financial reporting by the County for pensions provided by the Texas County & District Retirement System (TCDRS) as described in Note 8. Implementation required a prior period adjustment to reduce beginning unrestricted net position of the governmental activities as of October 1, 2014. The prior period adjustment to reduce beginning unrestricted net position is composed of the following September 30, 2014 amounts:

Net Pension Liability	\$ 154,937
Net of Deferred Inflows/Outflows of Resources	<u>(76,778)</u>
Prior Period Adjustment	<u>\$ 78,159</u>

# COLLINGSWORTH COUNTY, TEXAS

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2015			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 1,141,863	\$ 1,141,863	\$ 1,144,543	\$ 2,680
Sales and miscellaneous taxes	1,700	1,700	2,246	546
Charges for services	1,800	1,800	2,550	750
Rental revenues	7,200	7,200	7,200	-
Other income	39,163	41,287	52,124	10,837
Total revenues	<u>1,191,726</u>	<u>1,193,850</u>	<u>1,208,663</u>	<u>14,813</u>
<b>Expenditures</b>				
Current:				
General government	497,048	499,172	482,707	16,465
Justice system	284,560	284,560	273,697	10,863
Health and human services	93,021	93,021	102,414	(9,393)
Environmental services	67,060	67,060	64,586	2,474
Total expenditures	<u>941,689</u>	<u>943,813</u>	<u>923,404</u>	<u>20,409</u>
Excess (deficiency) of revenue over (under) expenditures	250,037	250,037	285,259	35,222
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(258,014)</u>	<u>(258,014)</u>	<u>(262,592)</u>	<u>(4,578)</u>
Net change in fund balance	<u>\$ (7,977)</u>	<u>\$ (7,977)</u>	22,667	<u>\$ 30,644</u>
Fund balances - beginning			278,485	
Fund balances - ending			<u>\$ 301,152</u>	

*See accompanying independent auditors' report.*

## COLLINGSWORTH COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 ROAD AND BRIDGE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2015			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 344,899	\$ 344,899	\$ 342,066	\$ (2,833)
Sales and miscellaneous taxes	48,000	48,000	69,587	21,587
Other income	5,250	5,250	15,418	10,168
Total revenues	398,149	398,149	427,071	28,922
<b>Expenditures</b>				
Current:				
Road and bridge maintenance	679,962	679,962	610,685	69,277
Excess (deficiency) of revenue over (under) expenditures	(281,813)	(281,813)	(183,614)	98,199
<b>Other Financing Sources (Uses)</b>				
Loan proceeds	-	-	-	-
Transfers in	185,000	185,000	215,893	30,893
Total other financing sources (uses)	185,000	185,000	215,893	30,893
Net change in fund balances	\$ (96,813)	\$ (96,813)	32,279	\$ 129,092
Fund balance - beginning			302,514	
Fund balance - ending			\$ 334,793	

*See accompanying independent auditors' report.*

# COLLINGSWORTH COUNTY, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2015

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS Last 10 Years (will ultimately be displayed)

	12/31/2014
<b>Total pension liability</b>	
Service Cost	\$ 94,125
Interest (on the Total Pension Liability)	179,057
Changes of benefit terms	-
Effect of economic/demographic (gains) or losses	42,326
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(137,598)
Net change in Total Pension Liability	177,910
Total Pension Liability - Beginning	2,231,897
Total Pension Liability - Ending	\$ 2,409,807
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 106,592
Contributions - Employee	57,751
Net Investment Income	139,117
Benefit payments, including refunds of employee contributions	(137,598)
Administrative expense	(1,671)
Other	11,662
Net Change in Plan Fiduciary Net Position	175,853
Plan Fiduciary Net Position - Beginning	2,076,959
Plan Fiduciary Net Position - Ending	\$ 2,252,812
 Net Pension Liability Ending (a)-(b)	\$ 156,995
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.49%
 Covered Employee Payroll	\$ 825,019
 Net Pension Liability as a Percentage of Covered Employee Payroll	19.03%

# COLLINGSWORTH COUNTY, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2015

### SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years (will ultimately be displayed)

	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Actuarially Determined Contribution	\$ 106,592	\$ 105,563	\$ 77,502	\$ 76,211	\$ 80,895	\$ 77,276	\$ 67,504	\$ 70,357	\$ 66,030
Contributions in relation to the actuarially determined contribution	106,592	105,563	77,756	76,211	80,895	77,276	67,504	70,357	66,030
Contribution deficiency (excess)	\$ -	\$ -	\$ (254)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 825,019	\$ 846,737	\$ 661,844	\$ 672,658	\$ 716,518	\$ 721,528	\$ 652,846	\$ 658,711	\$ 634,290
Contributions as a percentage of covered employee payroll	12.90%	12.50%	11.70%	11.30%	11.30%	10.70%	10.30%	10.70%	10.40%

# COLLINGSWORTH COUNTY, TEXAS

## SCHEDULE OF REVENUES DETAIL BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2015			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes				
Ad Valorem	\$ 1,141,863	\$ 1,141,863	\$ 1,144,543	\$ 2,680
Sales and miscellaneous taxes				
Mixed drink tax	1,700	1,700	2,246	546
Charges for services				
Sheriff's office	1,800	1,800	2,550	750
Rental revenues				
Rent	7,200	7,200	7,200	-
Other income				
County judge supplement	5,000	7,124	7,124	-
County attorney supplement	23,333	23,333	23,333	-
Constitutional County court	10,000	10,000	10,039	39
Miscellaneous	830	830	11,628	10,798
Total other income	39,163	41,287	52,124	10,837
Total revenues	<u>\$ 1,191,726</u>	<u>\$ 1,193,850</u>	<u>\$ 1,208,663</u>	<u>\$ 14,813</u>

# COLLINGSWORTH COUNTY, TEXAS

## SCHEDULE OF REVENUES DETAIL BUDGET AND ACTUAL ROAD AND BRIDGE FUND FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2015			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 344,899	\$ 344,899	\$ 342,066	\$ (2,833)
Sales and miscellaneous taxes	48,000	48,000	69,587	21,587
Other income	5,250	5,250	15,418	10,168
<b>Total revenues</b>	<b>\$ 398,149</b>	<b>\$ 398,149</b>	<b>\$ 427,071</b>	<b>\$ 28,922</b>



# COLLINGSWORTH COUNTY, TEXAS

## SCHEDULE OF EXPENDITURES DETAIL BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2015			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>GENERAL GOVERNMENT:</b>				
General Operations:				
Election expense	\$ 8,000	\$ 8,000	\$ 7,628	\$ 372
Auditor fees	15,000	15,000	15,000	-
County fire expense	25,000	25,000	23,000	2,000
Environmental protection	9,500	9,500	9,100	400
Insurance and bond premium	25,000	25,000	25,641	(641)
Other expense	62,099	62,099	59,383	2,716
Social services	13,000	13,000	15,610	(2,610)
Public library	2,500	2,500	2,500	-
Wellington EMS	25,000	25,000	25,000	-
Travel	12,000	12,000	5,572	6,428
Panhandle Community Services	500	500	500	-
PMHMR	500	500	500	-
City of Wellington 50% fines	14,000	14,000	10,428	3,572
Law library	2,500	2,500	2,439	61
Office supplies and postage	32,000	32,000	28,023	3,977
Appraisal district fees	66,973	66,973	66,972	1
Total general operations	<u>313,572</u>	<u>313,572</u>	<u>297,296</u>	<u>16,276</u>
County Judge's Office:				
Salary	63,232	65,356	65,355	1
Payroll fringes	20,126	20,126	20,276	(150)
Total County Judge's office	<u>83,358</u>	<u>85,482</u>	<u>85,631</u>	<u>(149)</u>
County Treasurer's Office:				
Salary	37,894	37,894	38,034	(140)
Payroll fringes	14,373	14,373	14,242	131
Total County Treasurer's office	<u>52,267</u>	<u>52,267</u>	<u>52,276</u>	<u>(9)</u>
Tax Assessor-Collector's Office:				
Salary	41,506	41,506	41,273	233
Payroll fringes	6,345	6,345	6,231	114
Total Tax Assessor-Collector's office	<u>47,851</u>	<u>47,851</u>	<u>47,504</u>	<u>347</u>
Total current general government expenditures	<u>\$ 497,048</u>	<u>\$ 499,172</u>	<u>\$ 482,707</u>	<u>\$ 16,465</u>
<b>JUSTICE SYSTEM:</b>				
Justice of the Peace:				
Salary	55,052	55,052	55,506	(454)
Payroll fringes	28,237	28,237	18,901	9,336
Travel	3,900	3,900	3,900	-
Total Justice of the Peace	<u>87,189</u>	<u>87,189</u>	<u>78,307</u>	<u>8,882</u>
County Attorney:				
Salary	61,218	61,218	61,264	(46)
Payroll fringes	28,055	28,055	26,708	1,347
Total County Attorney	<u>89,273</u>	<u>89,273</u>	<u>87,972</u>	<u>1,301</u>

# COLLINGSWORTH COUNTY, TEXAS

## SCHEDULE OF EXPENDITURES DETAIL BUDGET AND ACTUAL GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2015			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>JUSTICE SYSTEM (CONT'D.):</b>				
County and District Clerk:				
Salary	70,081	70,081	70,398	(317)
Payroll fringes	38,017	38,017	37,020	997
Total County and District Clerk	<u>108,098</u>	<u>108,098</u>	<u>107,418</u>	<u>680</u>
Total current justice system expenditures	<u>\$ 284,560</u>	<u>\$ 284,560</u>	<u>\$ 273,697</u>	<u>\$ 10,863</u>
<b>HEALTH AND HUMAN SERVICES:</b>				
Veteran's Service Office:				
Salary	\$ 29,315	\$ 29,315	\$ 28,946	\$ 369
Payroll fringes	18,706	18,706	24,105	(5,399)
Telephone and utilities	27,000	27,000	31,118	(4,118)
Office supplies	18,000	18,000	18,245	(245)
Total Veteran's Service office	<u>\$ 93,021</u>	<u>\$ 93,021</u>	<u>\$ 102,414</u>	<u>\$ (9,393)</u>
<b>ENVIRONMENTAL SERVICES:</b>				
Extension Agent:				
Salary	\$ 37,185	\$ 37,185	\$ 35,318	\$ 1,867
Payroll fringes	13,575	13,575	13,262	313
Travel	12,100	12,100	12,252	(152)
Office supplies and repairs	3,000	3,000	2,769	231
Telephone	1,200	1,200	985	215
Total Extension Agent	<u>\$ 67,060</u>	<u>\$ 67,060</u>	<u>\$ 64,586</u>	<u>\$ 2,474</u>
Total General Fund Expenditures	<u>\$ 941,689</u>	<u>\$ 943,813</u>	<u>\$ 923,404</u>	<u>\$ 20,409</u>

# COLLINGSWORTH COUNTY, TEXAS

## SCHEDULE OF EXPENDITURES DETAIL BUDGET AND ACTUAL ROAD AND BRIDGE FUND FOR THE YEAR ENDED SEPTEMBER 30, 2015

	2015			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>ROAD AND BRIDGE MAINTENANCE:</b>				
Salary	\$ 198,906	\$ 198,906	\$ 198,042	\$ 864
Travel allowance	14,000	14,000	13,372	628
Payroll fringes	118,181	118,181	103,714	14,467
Fuel	120,000	120,000	77,038	42,962
Repairs and supplies	58,000	58,000	71,840	(13,840)
Telephone and utilities	5,000	5,000	4,517	483
Insurance	10,000	10,000	5,491	4,509
Capital expenditures	-	-	-	-
Other expense	27,660	27,660	15,015	12,645
Debt service:				
Principal	120,715	120,715	115,114	5,601
Interest	7,500	7,500	6,542	958
Road and bridge	<u>679,962</u>	<u>679,962</u>	<u>610,685</u>	<u>69,277</u>
Less capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total road and bridge maintenance expenditures	<u>\$ 679,962</u>	<u>\$ 679,962</u>	<u>\$ 610,685</u>	<u>\$ 69,277</u>

# COLLINGSWORTH COUNTY, TEXAS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENT FUNDS - SUMMARY FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Sheriff Accounts	Tax Assessor Account	District Clerk Accounts	District Clerk Trust Account
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and miscellaneous taxes	-	526,418	-	-
Fines and forfeitures	-	-	82,263	-
Other income	9,161	-	-	435,774
Interest income	-	-	-	-
Total revenues	<u>9,161</u>	<u>526,418</u>	<u>82,263</u>	<u>435,774</u>
<b>EXPENDITURES</b>				
Current				
General government	-	290,186	30,403	435,774
Justice system	-	-	-	-
Road and bridge maintenance	-	-	-	-
Corrections and rehabilitation	8,220	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>8,220</u>	<u>290,186</u>	<u>30,403</u>	<u>435,774</u>
Excess (deficiency) of revenue over (under) expenditures	941	236,232	51,860	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	(228,632)	(56,265)	-
Total other financing sources (uses)	<u>-</u>	<u>(228,632)</u>	<u>(56,265)</u>	<u>-</u>
Net change in fund balances	941	7,600	(4,405)	-
Fund balances - beginning	<u>9,598</u>	<u>20,943</u>	<u>47,281</u>	<u>1,641</u>
Fund balances - ending	<u>\$ 10,539</u>	<u>\$ 28,543</u>	<u>\$ 42,876</u>	<u>\$ 1,641</u>

<u>County Clerk Trust Account</u>	<u>County Attorney Account</u>	<u>Justice of the Peace</u>	<u>Jury</u>	<u>County Jail</u>	<u>County Workhouse</u>
\$ -	\$ -	\$ -	\$ 90,445	\$ -	\$ -
-	-	-	-	-	-
-	185	95,096	-	1,179	-
1,000	-	-	13,320	-	-
-	-	-	-	-	-
<u>1,000</u>	<u>185</u>	<u>95,096</u>	<u>103,765</u>	<u>1,179</u>	<u>-</u>
1,000	-	-	-	-	-
-	-	-	78,734	131,279	-
-	-	-	-	-	-
-	-	30,361	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,000</u>	<u>-</u>	<u>30,361</u>	<u>78,734</u>	<u>131,279</u>	<u>-</u>
-	185	64,735	25,031	(130,100)	-
-	-	-	-	155,000	2,500
<u>-</u>	<u>-</u>	<u>(64,736)</u>	<u>(560)</u>	<u>-</u>	<u>-</u>
-	-	(64,736)	(560)	155,000	2,500
-	185	(1)	24,471	24,900	2,500
<u>14,871</u>	<u>19,535</u>	<u>19</u>	<u>63,859</u>	<u>17,293</u>	<u>19,095</u>
<u>\$ 14,871</u>	<u>\$ 19,720</u>	<u>\$ 18</u>	<u>\$ 88,330</u>	<u>\$ 42,193</u>	<u>\$ 21,595</u>

# COLLINGSWORTH COUNTY, TEXAS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENT FUNDS - SUMMARY FOR THE YEAR ENDED SEPTEMBER 30, 2015

	County Park	County Clerk	Records Preservation	Courthouse Security
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales and miscellaneous taxes	-	-	-	-
Fines and forfeitures	-	-	-	-
Other income	13,563	-	-	-
Interest income	-	-	-	-
Total revenues	13,563	-	-	-
<b>EXPENDITURES</b>				
Current				
General government	10,848	-	-	-
Justice system	-	-	-	-
Road and bridge maintenance	-	-	-	-
Corrections and rehabilitation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	10,848	-	-	-
Excess (deficiency) of revenue over (under) expenditures	2,715	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	55	7,145	-
Transfers out	-	-	-	(324)
Total other financing sources (uses)	-	55	7,145	(324)
Net change in fund balances	2,715	55	7,145	(324)
Fund balances - beginning	19,230	13,860	88,818	7,277
Fund balances - ending	\$ 21,945	\$ 13,915	\$ 95,963	\$ 6,953

<u>Records Management</u>	<u>Omnibase</u>	<u>Technology Fund</u>	<u>Pretrial</u>	<u>Veteran Fund</u>	<u>Unemployment</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	500	-	-
-	12	-	-	-	4,666
-	-	-	-	3	-
<u>-</u>	<u>12</u>	<u>-</u>	<u>500</u>	<u>3</u>	<u>4,666</u>
-	-	-	-	-	6,588
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,588</u>
-	12	-	500	3	(1,922)
435	173	1,618	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>435</u>	<u>173</u>	<u>1,618</u>	<u>-</u>	<u>-</u>	<u>-</u>
435	185	1,618	500	3	(1,922)
7,216	1,057	2,413	522	648	777
<u>\$ 7,651</u>	<u>\$ 1,242</u>	<u>\$ 4,031</u>	<u>\$ 1,022</u>	<u>\$ 651</u>	<u>\$ (1,145)</u>

# COLLINGSWORTH COUNTY, TEXAS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENT FUNDS - SUMMARY FOR THE YEAR ENDED SEPTEMBER 30, 2015

	District Attorney	Impound Fees	Total
<b>REVENUES</b>			
Property taxes	\$ -	\$ -	\$ 90,445
Sales and miscellaneous taxes	-	-	526,418
Fines and forfeitures	-	2,380	181,603
Other income	188,180	-	665,676
Interest income	-	-	3
Total revenues	188,180	2,380	1,464,145
<b>EXPENDITURES</b>			
Current			
General government	-	-	774,799
Justice system	67,890	-	277,903
Road and bridge maintenance	-	-	-
Corrections and rehabilitation	-	28	38,609
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	67,890	28	1,091,311
Excess (deficiency) of revenue over (under) expenditures	120,290	2,352	372,834
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	166,926
Transfers out	-	-	(350,517)
Total other financing sources (uses)	-	-	(183,591)
Net change in fund balances	120,290	2,352	189,243
Fund balances - beginning	-	-	355,953
Fund balances - ending	\$ 120,290	\$ 2,352	\$ 545,196



February 8, 2016

To the Honorable County Judge and  
Members of the Commissioners' Court  
Collingsworth County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Collingsworth County, Texas for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2015. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note A to the financial statements. The County implemented Governmental Accounting Standards Board Statements Nos. 68 and 71 in the current year, which incorporates the County's Net Pension Liability into the County's financial reporting. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the County's financial statements were:

- Management's estimate of the allowance for property taxes is based on historical collection percentages and information from the appraisal district.
- Management's estimate of useful lives of capital assets used for recording depreciation expense is based on the general knowledge and history of the individual capital assets.
- Management's estimates of pension related liabilities, deferred outflows of resources and deferred inflows of resources are based on information provided by the Texas County and District Retirement System of Texas.

For all the above estimates we evaluated the key factors and assumptions used to develop them in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note A – Summary of Significant Accounting Policies
- Note C-4 – Capital Assets
- Note C-5 – Long-term Liabilities, and
- Note C-8 – Pension Plan

Honorable County Judge and  
Members of the Commissioner's Court  
Collingsworth County, Texas  
February 8, 2016

Page Two

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 8, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Honorable County Judge and  
Members of the Commissioner's Court  
Collingsworth County, Texas  
February 8, 2016

Page Three

**Other Matters**

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Commissioners' Court and management of Collingsworth County, Texas and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

FOSTER & LAMBERT, L.L.C.  
Certified Public Accountants