

GARZA COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

GARZA COUNTY, TEXAS

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TABLE OF CONTENTS (Continued)

	<u>Statement Identification</u>	<u>Page No.</u>
FINANCIAL SECTION		
Independent Auditor’s Report		1
Management’s Discussion and Analysis (Required Supplementary Information)		4
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements:		
Statement of Net Position	Exhibit A-1	10
Statement of Activities	Exhibit A-2	11
Fund Financial Statements:		
Balance Sheet – Governmental Funds	Exhibit A-3	12
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	Exhibit A-4	13
Statement of Revenues, Expenditures, and		
Changes in Fund Balances – Governmental Funds	Exhibit A-5	14
Reconciliation of the Statement of Revenues, Expenditures, and		
Changes in Fund Balances of Governmental Funds to the		
Statement of Activities	Exhibit A-6	15
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Net Position	Exhibit A-7	16
Notes to Financial Statements		17
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Changes in Net Pension Liability and Related Ratios	Exhibit B-1	37
Schedule of Employer Contributions	Exhibit B-2	38
Schedule of Revenues, Expenditures, and Changes in Fund Balance –		
Budget and Actual – General Fund	Exhibit B-3	39
Schedule of Revenues, Expenditures, and Changes in Fund Balance –		
Budget and Actual – County Jail Fund	Exhibit B-4	40
Schedule of Revenues, Expenditures, and Changes in Fund Balance –		
Budget and Actual –Road & Bridge Fund	Exhibit B-5	41
Notes to Required Supplementary Information		42

GARZA COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

TABLE OF CONTENTS (Concluded)

	<u>Statement Identification</u>	<u>Page No.</u>
COMBINING STATEMENTS		
Combining Balance Sheet – Non-Major Governmental Funds	Exhibit C-1	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	Exhibit C-2	44
Combining Balance Sheet – Non-Major Governmental Funds	Exhibit C-3	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	Exhibit C-4	46
OTHER INFORMATION REQUIRED BY GAO		
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>		47
Schedule of Findings and Responses		49

GARZA COUNTY, TEXAS

**COUNTY OFFICIALS
SEPTEMBER 30, 2015**

Lee Norman	County Judge
Gary McDaniel	Commissioner Precinct 1
Charles Morris	Commissioner Precinct 2
Ted Brannon	Commissioner Precinct 3
Jerry Benham	Commissioner Precinct 4
Jim Plummer	District and County Clerk
LuAnne Terry	County Treasurer
Nancy Wallace	Tax-Assessor-Collector
Gordon Terry	Justice of the Peace Precinct 1
Angela Massey	Justice of the Peace Precinct 2
Terry Morgan	County Sheriff
Preston Poole Jr.	County Attorney
Daniel Yarbro	County Constable
Eric Cilotry	County Constable

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Garza County, Texas (the County), as of and for the fiscal 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 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 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.

Basis for Qualified Opinion on Governmental Activities

The County has not recognized the Other Post-Employment Benefit (OPEB) expense or obligation which is required, in accordance with accounting principles generally accepted in the United States of America and under Governmental Accounting Standards Board (GASB) Statement No. 45, to be recorded in the government-wide financial statements. The effects of the departure from generally accepted accounting principles is not reasonably determinable. The County has also not disclosed the descriptive information about the other post-employment benefits required by standards.

Qualified Opinion

In our opinion, except for the omission of the OPEB expense, obligation, and disclosures as described in the “Basis for Qualified Opinions on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the County, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County, 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.

Emphasis of a Matter

As discussed in the Notes to the Financial Statements under “Summary of Significant Accounting Policies” - in 2015 the County adopted new accounting guidance, GASB Statement No. 68, “Accounting and Financial Reporting for Pensions: An Amendment of GASB Statement 27.” Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions, and budgetary comparison information on pages 4 through 9 and 37 through 41 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 County's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining 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 additional schedules 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 March 16, 2016, on our consideration of the County'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 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 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 of the County's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 16, 2016

GARZA COUNTY, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Garza County’s (the County) annual financial report presents our discussion and analysis of the County’s financial performance during the fiscal year ended September 30, 2015. Please read it in conjunction with the County’s financial statements.

FINANCIAL HIGHLIGHTS

- The County’s net position was \$5,498,839 at September 30, 2015. Of this amount, \$2,300,535 (unrestricted net position) may be used to meet the County’s ongoing obligations.
- The General Fund reported a fund balance this year of \$1,811,413, of which \$207,852 is assigned for renovations and improvements and \$1,603,561 is unassigned and can be used as needed by the County.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—Management’s Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the County’s overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the County’s operations in more detail than the Government-Wide statements.
- The Governmental Funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Fiduciary Fund statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1. Required Components of the County’s Annual Financial Report

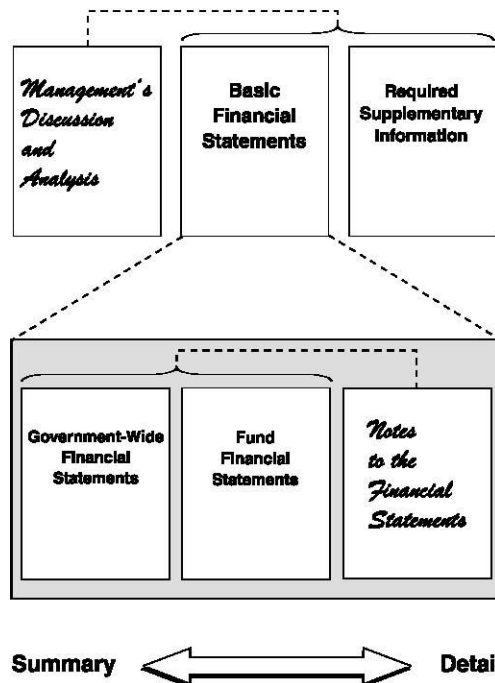


Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of each of the statements.

FIGURE A-2
MAJOR FEATURES OF THE COUNTY'S GOVERNMENT-WIDE AND FUND STATEMENTS

Type of Statement	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary	Instances in which the County is the trustee or agent for someone else's resources
Required financial statements	Statement of net position	Balance Sheet	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of flow/outflow	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received	All revenues and expenses during year; regardless of when cash is received or paid

Government-Wide Statements

The Government-Wide Financial Statements are designed to provide readers with a broad overview of the County's finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the County's financial position is improving or deteriorating when examined in conjunction with non-financial factors. The Statement of Activities presents information showing how the government's net position changed during the 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.

Both of these Government-Wide Financial Statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include Emergency Medical Services, County Jail, Road and Bridge, Extension Services, Museum, Social Services, Probations, Weighstation, Law Enforcement, Fire Station, Constable, Courthouse Maintenance, County Tax Assessor/Collector, County Treasurer, County Attorney, Justice of the Peace Precinct, District Court, General Administration, HAVA Grant, County Clerk, Emergency Management Office, and County Judge. The County does not have business-type activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the County's most significant funds – not the County as a whole. Funds are groupings of related accounts that the County uses to keep track of specific sources of funding and spending for particular purposes. The County, like other state and local governments, uses funds to show compliance with finance-related legal requirements as well as to control and manage money for other particular purposes. The County has two types of funds: governmental and fiduciary.

- *Governmental funds*—Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on Pages 13 and 15 of the basic financial statements section.

The County maintains three individual major governmental funds. Information is presented separately in the governmental fund statements for the General Fund, Garza County Jail Fund, Road and Bridge Fund, the remaining special revenue and permanent funds are considered nonmajor and are reported aggregately in the basic financial statements.

The County adopts an annual appropriated budget for its funds. A budgetary comparison schedule has been provided in the required supplementary information section of the report to demonstrate compliance with this budget.

- *Fiduciary funds*—The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the County cannot use these assets to finance its operations.

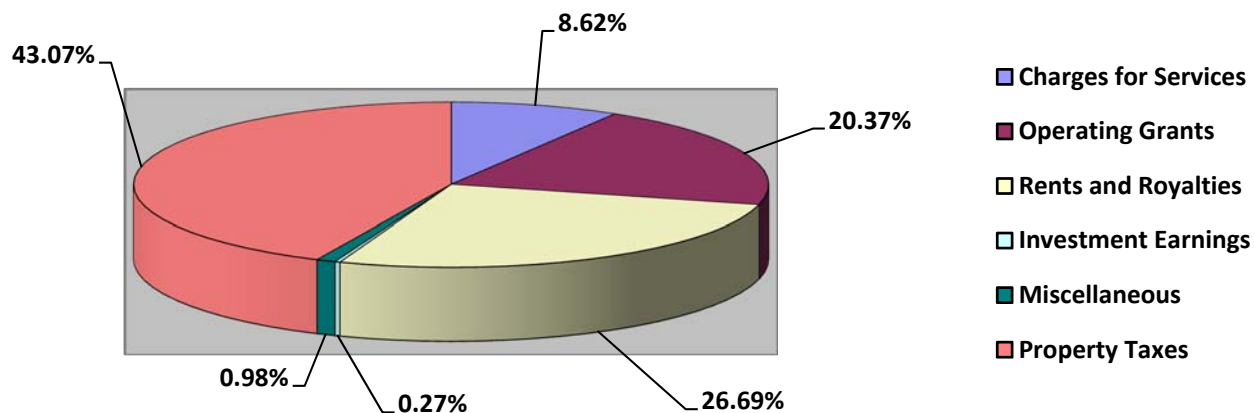
FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The County's net position was approximately \$5,498,839 at September 30, 2015. The largest portion of the County's total assets and deferred outflows (\$8,650,348) reflects its capital assets with the remainder (\$5,042,152) reported as cash, investments, accounts receivable, deferred outflows, and other assets.

**Table A-1
Garza County's Net Position**

	Governmental Activities	
	2015	2014
Current and Other Assets	\$ 4,768,929	\$ 4,017,493
Capital and Non-current Assets	8,650,348	8,967,110
Total Assets	\$ 13,419,277	\$ 12,984,603
Deferred Outflows of Resources	\$ 273,223	\$ 192,462
Current Liabilities	\$ 679,432	\$ 291,284
Long Term Liabilities	7,446,762	7,935,716
Total Liabilities	\$ 8,126,194	\$ 8,227,000
Deferred Inflows of Resources	\$ 67,467	\$ 38,383
Net Position		
Net Investment in Capital Assets	\$ 1,205,773	\$ 1,048,013
Restricted	1,992,531	1,787,387
Unrestricted	2,300,535	2,076,282
Total Net Position	\$ 5,498,839	\$ 4,911,682

Changes in Net Position—The County's net position increased by \$587,157 during the current fiscal year. This increase was mainly due to an increase in state and federal grants from the prior year.



Governmental Activities—Total revenues for the fiscal year ending September 30, 2015 were \$8,970,215. Approximately 8.62% of the County's revenue comes from charges for services, while 43.07% comes from property taxes. Investment earnings account for 0.27% of total revenues. Operating grants and contributions, rents and royalties, sale of property, and miscellaneous revenue accounted for the other 48.04% of total revenues.

Table A-2
Garza County Changes in Net Position

	Governmental Activities	
	2015	2014
Revenues:		
Program Revenues		
Fines, Fees, and Charge for Services	\$ 773,064	\$ 832,832
Operating Grants and Contributions	1,827,641	1,243,847
General Revenues		
Property Taxes	3,863,833	3,638,961
Miscellaneous	87,553	74,234
Rents and Royalties	2,394,214	2,213,952
Gain on Sale of Real and Personal Property		12,316
Investment Earnings	23,910	36,451
Total Revenues	\$ 8,970,215	\$ 8,052,593
Expenses:		
County Functions	\$ 7,527,234	\$ 6,782,618
Depreciation	442,696	468,431
Interest on Long-term Debt	413,128	416,939
Total Expenses	\$ 8,383,058	\$ 7,667,988
Increase in Net Position	\$ 587,157	\$ 384,605
Beginning Net Position	4,911,682	4,527,077
Ending Net Position	\$ 5,498,839	\$ 4,911,682

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of the end of the fiscal year, the County's General Fund reported a fund balance of \$1,811,413, an increase of \$84,177 from the prior year. The unassigned fund balance is \$1,603,561 and is available for spending at the government's discretion. The County has assigned \$207,852 to be used for renovations and improvements as necessary.

As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 35.66% of total General Fund expenditures.

General Fund Budgetary Highlights — As of September 30, 2015, actual expenditures were \$136,905 under final budgeted amounts. Revenues came in under budget by \$205,135.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets — As of September 30, 2015, the County had invested \$8,650,348 in a broad range of capital assets, including land, buildings and equipment, net of accumulated depreciation.

Major events affecting capital assets during the year were:

- The County received funding and enrolled in the County Energy Transportation Reinvestment Program through the State of Texas.
- The County received funding from the Federal Emergency Management Agency related to natural disaster in the County's jurisdiction.

More detailed information about the County's capital assets can be found in the notes to the financial statements.

Table A-3
Garza County's Capital Assets

	Governmental Activities	
	2015	2014
Land	\$ 66,671	\$ 66,671
Buildings and Equipment	12,270,709	12,149,775
Construction Work In Progress	5,000	
Total	\$ 12,342,380	\$ 12,216,446
Total Accumulated Depreciation	\$ 3,692,032	\$ 3,249,336
Net Capital Assets	\$ 8,650,348	\$ 8,967,110

Long-Term Debt — As of September 30, 2015, the County had \$7,439,575 in debt outstanding. See the notes to the financial statements related to debt service requirements on the above outstanding debt.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Office of the Garza County Treasurer, 300 West Main, Post, Texas 79356.

BASIC FINANCIAL STATEMENTS

GARZA COUNTY, TEXAS

Exhibit A-1

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	<u>Primary Government</u> Governmental Activities	<u>Component Unit</u> Garza Public Facility Corp.
ASSETS:		
Cash and Cash Equivalents	\$ 1,999,260	\$
Investments	896,566	
Restricted Investments - Held by Trustee	734,165	8,224,336
Taxes Receivable, Net	54,861	
Accounts Receivable, Net	759,477	12,121,373
Due From Public Facility Corp	116,299	
Office Receivables, Net	200,256	
Prepaid Items	8,045	
Capital Assets, Net:		
Land	66,671	188,500
Buildings and Equipment	8,578,677	
Correctional Facilities		27,735,779
Construction Work In Progress	5,000	
Total Assets	<u>\$ 13,419,277</u>	<u>\$ 48,269,988</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Pension Plan - Earnings Differences	\$ 87,695	\$
Pension Plan - Contribution Deferrals	185,528	
Total Deferred Outflows of Resources	<u>\$ 273,223</u>	<u>\$ 0</u>
LIABILITIES:		
Accounts Payable	\$ 425,993	\$
Accrued Interest Payable	69,625	1,148,340
Due to County		116,299
Due to MTC		11,998,326
Accrued Compensated Absences	30,084	
Accrued Wages Payable	139,000	
Other Current Liabilities	14,730	
Unearned Revenue - Supplements	28,333	
Noncurrent Liabilities:		
Net Pension Liability	7,187	
Due Within One Year	415,529	1,970,000
Due in More Than One Year	7,024,046	32,039,224
Total Liabilities	<u>\$ 8,154,527</u>	<u>\$ 47,272,189</u>
DEFERRED INFLOWS OF RESOURCES:		
Pension Plan - Experience Differences	\$ 39,134	\$
NET POSITION:		
Net Investment in Capital Assets	\$ 1,205,773	\$ (6,084,945)
Restricted For:		
County Schools - Non-spendable	144,223	
Prepaid Items - Non-spendable	8,045	
Enabling Legislation	140,596	
Debt Service	734,165	3,589,000
Road and Bridge	965,502	
Renovations/Improvements		4,581
Unrestricted	2,300,535	3,489,163
Total Net Position	<u>\$ 5,498,839</u>	<u>\$ 997,799</u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Departments/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Fines, Fees & Charges for Services	Operating Grants and Contributions	Primary Government	Component Unit
					Governmental Activities
Net (Expense) Revenue					
Governmental Activities					
County Judge	\$ 226,223	\$ 34	\$ 35,979	\$ (190,210)	\$
Emergency Management Office	93,035			(93,035)	
County Clerk	230,625	81,586		(149,039)	
General Administration	1,138,397	1,259	36,898	(1,100,240)	
District Court	170,542	84,044		(86,498)	
Justices of the Peace	220,877	125,618		(95,259)	
County Attorney	134,017	4,631	25,883	(103,503)	
County Treasurer	170,213	8,727		(161,486)	
County Tax Assessor/Collector	180,762	148,602		(32,160)	
Courthouse Maintenance	241,048	5,218		(235,830)	
Constables	265,980	8,607		(257,373)	
Fire Station	26,428			(26,428)	
Law Enforcement	342,886	7,572	720,402	385,088	
Weighstation	5,901			(5,901)	
Probations	188,275			(188,275)	
Social Services	717,154	14,450	342,335	(360,369)	
Museum	69,634			(69,634)	
Extension Services	121,545			(121,545)	
Road and Bridge	1,171,684	282,716	611,284	(277,684)	
County Jail	1,756,954		16,477	(1,740,477)	
Emergency Medical Services	34,202		38,383	4,181	
Other Expenditures	20,852			(20,852)	
Depreciation	442,696			(442,696)	
Interest on Long-Term Debt	413,128			(413,128)	
Total Governmental Activities	\$ 8,383,058	\$ 773,064	\$ 1,827,641	\$ (5,782,353)	\$ 0
Total Primary Government	\$ 8,383,058	\$ 773,064	\$ 1,827,641	\$ (5,782,353)	\$ 0
Component Units					
Garza Public Facility Corp	\$ 33,815,458	\$ 36,193,035	\$	\$	\$ 2,377,577
Depreciation	846,417				(846,417)
Interest on Long-Term Debt	2,618,843				(2,618,843)
Total Component Units	\$ 37,280,718	\$ 36,193,035	\$ 0	\$ 0	\$ (1,087,683)
General Revenues:					
Property Taxes				\$ 3,863,833	\$
Rents and Royalties				2,394,214	
Misc. Revenue				87,553	
Investment Earnings				23,910	35,686
Total General Revenues				\$ 6,369,510	\$ 35,686
Change in Net Position				\$ 587,157	\$ (1,051,997)
Net Position - Beginning				4,735,839	2,049,796
Prior Period Adjustment				175,843	
Net Position - Ending				\$ 5,498,839	\$ 997,799

The accompanying notes are an integral part of this statement.

-12-
GARZA COUNTY, TEXAS

Exhibit A-3

**BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	Major			Non-major	Total Governmental Funds
	General Fund	County Jail Fund	Road and Bridge Fund	Other Governmental Funds (See Exhibit C-1)	
ASSETS:					
Cash and Cash Equivalents	\$ 1,016,841	\$	\$ 722,574	\$ 259,845	\$ 1,999,260
Investments	803,557		93,008		896,565
Restricted Investments - Held by Trustee		734,165			734,165
Taxes Receivable, Net of Allowance	45,129		9,732		54,861
Accounts Receivable, Net of Allowance	28,875	169,737	532,709	28,156	759,477
Due From Public Facility Corp	116,299				116,299
Prepaid Items			8,045		8,045
Total Assets	<u>\$ 2,010,701</u>	<u>\$ 903,902</u>	<u>\$ 1,366,068</u>	<u>\$ 288,001</u>	<u>\$ 4,568,672</u>
LIABILITIES:					
Accounts Payable	\$ 39,788	\$ 23,374	\$ 362,831	\$	\$ 425,993
Accrued Compensated Absences Payable	17,621	7,544	4,919		30,084
Accrued Wages	82,020	36,990	16,807	3,182	138,999
Other Current Liabilities	14,730				14,730
Unearned Revenue - Supplements		28,333			28,333
Total Liabilities	<u>\$ 154,159</u>	<u>\$ 96,241</u>	<u>\$ 384,557</u>	<u>\$ 3,182</u>	<u>\$ 638,139</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Property Taxes	\$ 45,129	\$	\$ 7,964	\$	\$ 53,093
FUND BALANCES:					
Nonspendable:					
Permanent School Fund	\$	\$	\$	\$ 144,223	\$ 144,223
Prepaid Items			8,045		8,045
Restricted:					
Enabling Legislation				140,596	140,596
Debt Service		734,165			734,165
Road and Bridge			965,502		965,502
Assigned:					
Renovations/Improvements	207,852				207,852
Jail Facility		73,496			73,496
Unassigned:					
Reported in the General Fund	1,603,561				1,603,561
Total Fund Balances	<u>\$ 1,811,413</u>	<u>\$ 807,661</u>	<u>\$ 973,547</u>	<u>\$ 284,819</u>	<u>\$ 3,877,440</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,010,701</u>	<u>\$ 903,902</u>	<u>\$ 1,366,068</u>	<u>\$ 288,001</u>	<u>\$ 4,568,672</u>

The accompanying notes are an integral part of this statement.

GARZA COUNTY, TEXAS

Exhibit A-4

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

Total Fund Balances - Governmental Funds Balance Sheet	\$ 3,877,440
Amounts reported for governmental activities in the statement of net position (SNP) are different because:	
Capital assets used in governmental activities are not reported in the funds.	8,650,348
Revenues unavailable to pay for current period expenditures are deferred in the funds.	53,093
Payables for long term debt which are not due in the current period are not reported in the funds.	(7,532,424)
Payables for bond interest which are not due in the current period are not reported in the funds.	(69,625)
Net pension liability, deferred outflows, and deferred inflows are not recognized in the governmental funds.	226,902
To record the Justice of Peace and County/Dist. Clerk fines receivable.	200,256
Bond Issuance Discounts are not recorded in the funds.	<u>92,849</u>
Net Position of Governmental Activities - Statement of Net Position	<u>\$ 5,498,839</u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Major			Non-major	Total Governmental Funds
	General Fund	County Jail Fund	Road and Bridge Fund	Other Governmental Funds (See Exhibit C-2)	
Revenue:					
Property Taxes	\$ 3,290,332	\$	\$ 580,271	\$	\$ 3,870,603
License and Permits	374		239,093	250	239,717
Intergovernmental Revenue and Grants	924,358	16,477	611,284	275,522	1,827,641
Charges for Services	30,788				30,788
Fines and Fees	320,887		43,623	41,250	405,760
Rents and Royalties	1,433,900	960,314			2,394,214
Investment Earnings	11,266	121	4,282	8,242	23,911
Other Revenue	87,553				87,553
Total Revenues	\$ 6,099,458	\$ 976,912	\$ 1,478,553	\$ 325,264	\$ 8,880,187
Expenditures:					
Current:					
County Judge	\$ 228,226	\$	\$	\$	\$ 228,226
Emergency Management Office	93,983				93,983
County Clerk	232,678				232,678
General Administration	1,106,316			32,863	1,139,179
District Court	170,542				170,542
Justices of the Peace	222,950				222,950
County Attorney	135,317				135,317
County Treasurer	171,855				171,855
County Tax Assessor/Collector	183,191				183,191
Courthouse Maintenance	303,557			20,849	324,406
Constables	268,437				268,437
Fire Station	26,428				26,428
Law Enforcement	353,315				353,315
Weighstation	5,901				5,901
Probations	185,493			2,782	188,275
Social Services	497,532			235,482	733,014
Museum	69,634				69,634
Extension Services	122,406				122,406
Road and Bridge			1,176,612		1,176,612
County Jail		1,795,560			1,795,560
Emergency Medical Services				36,466	36,466
Other Expenditures	25,852				25,852
Debt Service:					
Principal	90,448	320,000	75,706		486,154
Interest	2,486	398,468	9,515		410,469
Total Expenditures	\$ 4,496,547	\$ 2,514,028	\$ 1,261,833	\$ 328,442	\$ 8,600,850
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,602,911	\$ (1,537,116)	\$ 216,720	\$ (3,178)	\$ 279,337
Other Financing Sources (Uses):					
Transfers In/Out	\$ (1,518,734)	\$ 1,515,734	\$ 0	\$ 3,000	\$ 0
Total Other Financing Sources (Uses)	\$ (1,518,734)	\$ 1,515,734	\$ 0	\$ 3,000	\$ 0
Net Change in Fund Balances	\$ 84,177	\$ (21,382)	\$ 216,720	\$ (178)	\$ 279,337
Fund Balances - Beginning	1,727,236	829,043	756,827	284,997	3,598,103
Fund Balances - Ending	\$ 1,811,413	\$ 807,661	\$ 973,547	\$ 284,819	\$ 3,877,440

The accompanying notes are an integral part of this statement.

GARZA COUNTY, TEXAS

Exhibit A-6

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

Net Change in Fund Balances - Total Governmental Funds	\$ 279,337
Amounts reported for governmental activities in the statement of activities (SOA) are different because:	
Capital assets are not reported as expenses in the SOA.	125,934
The depreciation of capital assets used in governmental activities is not reported in the funds.	(442,696)
Net change in pension expense to convert amounts paid in for the governmental funds to accrued pension expense for governmental activities.	51,059
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(6,770)
To record the change in the Justice of the Peace and County/Dist. Clerk fines receivable.	96,798
Change in accrued interest payable from beginning of period to end of period.	3,973
Payments on long-term debt are recorded as expenditures in the funds.	486,154
Bond issuance discounts are not recorded in the funds.	<u>(6,632)</u>
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$ 587,157</u>

The accompanying notes are an integral part of this statement.

GARZA COUNTY, TEXAS

Exhibit A-7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2015**

	<u>Agency Fund</u>
ASSETS:	
Current Assets	
Cash and Cash Equivalents	\$ 285,205
Property Taxes Receivable	19,251
Total Current Assets	<u>\$ 304,456</u>
LIABILITIES:	
Current Liabilities	
Due to Others	\$ 304,456
Total Current Liabilities	<u>\$ 304,456</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The authority of county governments and their specific functions and responsibilities are created by and are dependent upon laws and legal regulations of the Texas State Constitution and Vernon’s Annotated Civil Statutes (V.A.C.S.).

Garza County, Texas (the County) operates under a County Judge and Commissioners’ Court type of government as provided by state statute. The financial and reporting policies of the County conform to generally accepted accounting principles (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB, and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*.

The Commissioners’ Court has governance responsibilities over all activities related to Garza County, Texas. The County receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities; however, the County is not included in any other governmental “reporting entity” as defined by GASB, Statement No. 61, “The Financial Reporting Entity”. There is one blended component unit included within the reporting entity.

Component units are legally separate entities for which the County is considered to be financially accountable. The discretely presented component unit, although a legally separate entity, is in substance part of the County’s operations. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County.

The following table describes the County’s component unit:

<u>Component Unit</u>	<u>Description; Criteria for Inclusion</u>	<u>Reporting Method</u>	<u>For Separate Financial Statements</u>
Garza County Public Facility Corporation	Formed to finance the construction of Dalby Correctional Facility and the acquisition of Garza Juvenile Correctional Facility	Discretely Presented	Not available

The County’s major activities or departments include: Emergency Medical Services, County Jail, Road and Bridge, Extension Services, Museum, Social Services, Probations, Weighstation, Law Enforcement, Fire Station, Constables, Courthouse Maintenance, County Tax Assessor/Collector, County Treasurer, County Attorney, Justices of the Peace Precincts, District Court, General Administration, County Clerk, Emergency Management Office, and County Judge.

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Garza County, Texas non-fiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, fines and fees, grants and other intergovernmental revenues.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include a) fees, fines and charges paid by the recipients of goods or services offered by the program, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds appear as due to/due from on the governmental fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide information about the County's funds, including fiduciary funds and discretely presented component units. Since the resources in the fiduciary funds cannot be used for the County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds (other governmental funds).

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets/deferred outflows, current liabilities/deferred inflows, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include unmatured principal and interest on general long-term obligations which are recognized when due. This exception is in conformity with generally accepted accounting principles. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Property tax revenues and sales tax receipts are considered measurable and available when collected by the tax assessor/collector and recognized as revenue at that time. Property tax revenues are considered measurable at the time of levy and are recognized as deferred revenue and taxes receivable, net of an allowance for estimated uncollectible taxes, at that time. Property tax revenues are considered available if collected within 60 days subsequent to year end. However, the amount of taxes collected in the period 60 days subsequent to year end are considered immaterial and not recorded as current year revenue. All tax collections expected to be received subsequent to year end are, therefore, reported as deferred revenues. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded on the accrual basis in all funds.

Intergovernmental revenues are recorded on a basis applicable to the legal and contractual requirements of the individual grant programs. If funds must be expended on the specific purpose or project before any amounts will be paid to the County, revenues are recognized as the expenditures or expenses are recorded. If funds are virtually unrestricted and irrevocable, except for failure to comply with required compliance requirements, revenues are recognized when received or susceptible to accrual. Federal and State grants awarded on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursable-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position.

In addition to liabilities, the governmental funds balance sheet 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 County has two types of items, which arise under a modified accrual basis of accounting that qualify for reporting in this category. Accordingly, those items, unavailable and unearned revenue, are reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

D. FUND ACCOUNTING

The County applies GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which the amounts in the funds may be spent. Application of the Statement requires the County to classify and report amounts in the appropriate fund balance classifications. The County's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned. From interpretation of the adopted policy the County will spend its fund in the following order: Committed, Assigned, and Unassigned, if more than one classification of fund balance is available.

The County reports the following classifications:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Restrictions are placed on fund balances when legally enforceable legislation establishes the County's right to assess, levy, or charge fees to be used for a specific purpose – such as the County's property tax revenue for debt service requirements, which must be used to repay debt. Legal enforceability means that the County can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Commissioners' Court. Committed amounts cannot be used for any other purposes unless the Commissioners' Court removes those constraints by taking the same type of actions (legislation, resolution, and ordinance). Committed fund balances include non-liquidated encumbrances at year end that are carried forward to the next fiscal year. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Commissioners' Court. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the County Treasurer or (b) an appointed body or official to which the Commissioners' Court has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. 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. Assignment with the General Fund conveys that the intended use of those amounts is for specific purposes that are narrower than the general purposes of the County itself.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents General 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.

The accounts of the County are organized 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 balance, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. County funds do not include funds held by County offices, which are not yet remitted to the County Treasurer. County funds are amounts which have been received by the County Treasurer and which are subject to control by the Commissioners' Court. These various County funds, which are reported as Governmental Funds in the financial statements of this report, are grouped into five fund types: General Fund, Garza County Jail Fund, and Road and Bridge Fund, and aggregate remaining funds. The remaining funds held by other County offices are reported as Fiduciary Funds and are not subject to control by the Commissioner's Court.

The County maintains the following Major funds:

Major Governmental Funds:

General Fund – This fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.

Road and Bridge Fund – This special revenue fund is used to account for proceeds of specific revenue sources that are legally reserved for expenditures for public transportation for county citizens.

Garza County Jail Fund – This special revenue fund is used to account for intergovernmental revenues received for housing prisoners and the correlating expenditures to run and maintain the county jail.

Fiduciary Funds:

Fiduciary Funds, which include funds held by County offices, also are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other government, and/or other funds. These include Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Formal budgetary accounting is not required for Fiduciary Funds.

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

E. OTHER ACCOUNTING POLICIES

1. Capital assets include land, buildings, furniture and equipment and are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Major outlays for capital assets and improvements are capitalized as projects when construction is completed.

Buildings, vehicles, furniture and equipment, and infrastructure of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-60

2. The County provides statutory workers' compensation insurance for its employees through Texas Association of Counties (TAC), a joint insurance fund, in which the County is a member. Health insurance is provided to the County's employees through a licensed insurer paid by the County.

F. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the County has three items that qualify for reporting in this category, and they all relate to pension plan outflows and inflows.

In addition to liabilities, the balance sheet 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 County has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

G. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

Effective September 30, 2015, the County implemented GASB Statement 68, "Accounting and Financial Reporting for Pensions: An Amendment of GASB Statement 27" to improve the usefulness of financial reports of employer governments whose employees are provided with pensions by reporting the effects of pension-related transactions and events on the financial statements of employers and providing information about the County's pension obligations and the assets available to satisfy the obligations. Prior to implementation of GASB 68 these transactions were not reported by the County. As a result of implementation of GASB 68 a restatement in previously reported net position was required as follows:

Adjustment for Prior Year Ending Net Pension Liability	\$	(16,619)
Adjustment for Prior Year Ending Employer Contribution Deferral		<u>192,462</u>
Total Prior Period Adjustment	\$	<u><u>175,843</u></u>

II. PROPERTY TAX

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature that affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county wide Appraisal Districts and for the State Property Tax Board which commenced operation in January, 1980.

Garza County Appraisal District (the Appraisal District) appraises property values in the County. The Garza County Tax Assessor-Collector assesses and collects the County's property taxes. The County is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. Beginning January 1, 1984, the value of property within the Appraisal District must be reappraised every three years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. However, if the effective tax rates for bonds and other contractual obligations and adjustments for new improvements, exceeds the rate for the previous year by more than eight percent, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than eight percent above the effective tax rate of the previous year.

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to \$0.80 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. A practical limitation on taxes levied for debt service is \$1.50 per \$100 of assessed valuation as established by the Attorney General of the State of Texas. The tax rates assessed for the year ended September 30, 2015 to finance maintenance and operations of the County was \$0.40 per \$100 valuation.

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

The County's taxes on real property are a lien against such property until paid. The County may foreclose real property upon which it has a lien for unpaid taxes. Although the County makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2015, the carrying amount of the County's deposits (cash, short-term certificates of deposit, and interest-bearing savings accounts included in cash and cash equivalents) was \$1,999,260 and the bank balance was \$2,266,232.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the County to invest in: (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

TexPool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. KPMG Peat Marwick, 111 Congress Avenue, Suite 1100, Austin, Texas 78701 performs the annual audit. In addition, TexPool is subject to review by the State Auditor’s Office and by the Internal Auditor of the Comptroller’s Office.

The carrying value of unrestricted investments at September 30, 2015 was \$896,566. The investments consist of:

	Cost	Market Value
TexPool	\$ 154,194	\$ 154,194
TexStar	203,289	203,289
ICT - Money Market	539,083	539,083
	<u>\$ 896,566</u>	<u>\$ 896,566</u>

The carrying value of the restricted investments - held by trustee (US Bank) at September 30, 2015 was \$734,165. The restricted investments consist of money market and certificates of deposit.

The carrying value of the restricted investments - held by trustee (US Bank) for the component unit at September 30, 2015 was \$8,224,336. The restricted investments consist of money market accounts and certificates of deposit.

As required by GASB Statement No. 25, investments are reported at fair value which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. Fair values for the government securities are determined by independent quotation bureaus.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the County’s deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2015 were covered by depository insurance or by pledged collateral held by the County’s agent bank in the County’s name.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The County’s securities are all in securities backed by the United States of America and are not exposed to custodial credit risk.

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies' repurchase agreements, and no-load AAAM money market mutual funds registered with the SEC. As of September 30, 2015 TexPool's investments credit quality rating was AAAM (Standard & Poor's).

B. DISAGGREGATION OF RECEIVABLES

Receivables at September 30, 2015, were as follows:

	<u>Property Tax Receivables</u>	<u>Office Receivables</u>	<u>Inmate Receivables</u>	<u>Grants/Other Receivables</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$ 84,678	\$ 1,601,956	\$ 116,299	\$ 28,875	\$ 1,831,808
Garza County Jail Fund			169,737		169,737
Road and Bridge Fund	16,811			532,709	549,520
Other Governmental Funds				28,156	28,156
Less: Allowance for Uncollectibles	<u>(46,628)</u>	<u>(1,401,700)</u>			<u>(1,448,328)</u>
Total - Governmental	<u>\$ 54,861</u>	<u>\$ 200,256</u>	<u>\$ 286,036</u>	<u>\$ 589,740</u>	<u>\$ 1,130,893</u>

C. CAPITAL ASSET ACTIVITY

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

	<u>Balance October 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2015</u>
Governmental Activities				
Land	\$ 66,671	\$	\$	\$ 66,671
Buildings and Equipment	12,149,775	120,934		12,270,709
Construction Work in Progress		5,000		5,000
Totals at Historic Cost	<u>\$ 12,216,446</u>	<u>\$ 125,934</u>	<u>\$ 0</u>	<u>\$ 12,342,380</u>
Less: Accumulated Depreciation				
Buildings and Equipment	<u>\$ 3,249,336</u>	<u>\$ 442,696</u>	<u>\$</u>	<u>\$ 3,692,032</u>
Total Accumulated Depreciation	<u>\$ 3,249,336</u>	<u>\$ 442,696</u>	<u>\$ 0</u>	<u>\$ 3,692,032</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,967,110</u>	<u>\$ (316,762)</u>	<u>\$ 0</u>	<u>\$ 8,650,348</u>

D. ACCRUED COMPENSATED ABSENCES

Accumulated unpaid leave amounts are accrued in governmental funds because they are considered a current liability based on the County's policy, therefore they are recorded in the funds and are also reflected in the government-wide Statement of Net Position. At September 30, 2015, accrued employee benefits recorded on the Statement of Net Position were for vacation pay in the amount of \$14,730.

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

E. LONG-TERM OBLIGATIONS

Long-term obligations include bonds, capital leases, short-term loans, and related issuance discounts. The changes in long-term obligations for the year ended September 30, 2015, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Certificate of Obligation					
Bonds, Series 2008	\$ 7,600,000	\$	\$ 320,000	\$ 7,280,000	\$ 335,000
Capital Leases	333,578		81,154	252,424	80,529
Short-Term Loan	85,000		85,000		
Unamortized Discounts	(99,481)		(6,632)	(92,849)	
Totals:	\$ 7,919,097	\$ 0	\$ 479,522	\$ 7,439,575	\$ 415,529

Total Debt service requirements on Long-Term Debt at September 30, 2015, are as follows:

	Governmental Activities		
	Principal	Interest	Total
Year Ending September 30,			
2016	\$ 415,529	\$ 390,415	\$ 805,944
2017	404,234	371,551	775,785
2018	401,834	352,459	754,293
2019	404,096	333,271	737,367
2020	419,716	313,044	732,760
2021-2025	2,382,015	1,214,525	3,596,540
2026-2029	3,105,000	427,053	3,532,053
Less: Unamortized Discounts	(92,849)		(92,849)
Less: Reserve Fund		(734,165)	(734,165)
Totals	\$ 7,439,575	\$ 2,668,153	\$ 10,107,728

The Reserve Fund is held by the Trustee with US Bank.

Certificate of Obligation Bonds:

A summary of the Certificate of Obligations Bonds is as follows:

Date of Issue	Original Issue	Interest Rates	Maturity Date	Outstanding
1/1/2008	\$ 9,240,000	4.2%-5.75%	2/15/2029	\$ 7,280,000

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Capital Leases:

The assets acquired through capital leases are as follows:

<u>Capital Lease Assets</u>	<u>Governmental Activities</u>
Machinery and Equipment	\$ 801,623
Less: Accumulated Depreciation	<u>(310,369)</u>
Totals	<u>\$ 491,254</u>

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

Year Ending September 30,	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 80,529	\$ 7,424	\$ 87,953
2017	54,234	4,916	59,150
2018	36,834	3,166	40,000
2019	19,096	2,546	21,642
2020	19,716	1,944	21,660
2021-2022	<u>42,015</u>	<u>2,008</u>	<u>44,023</u>
Totals	<u>\$ 252,424</u>	<u>\$ 22,004</u>	<u>\$ 274,428</u>

The effective interest rate on capital leases is 3.00%-4.00%.

F. INTERFUND ACTIVITY

The nature and amount of Interfund Transactions are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Reason for Transfer</u>
General	\$	\$ 1,518,734	Local Portion of Jail Operating Costs
County Jail	1,515,734		Local Portion of Jail Operating Costs
Courthouse Security	3,000		Operating Transfers
Permanent School		307	Operating Transfers
Available School	<u>307</u>		Operating Transfers
	<u>\$ 1,519,041</u>	<u>\$ 1,519,041</u>	

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

G. RETIREMENT PENSION PLAN

Plan Description:

The County provides retirement, disability and death benefits for all of its full time employees through a non-traditional defined benefit pension plan in TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 553 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a Comprehensive Annual Financial Report (CAFR) on a calendar basis. The CAFR is available upon written request from the Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS. Members can retire at ages 60 and above with eight 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 ten years of service.

Members are vested after ten years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the Texas state statutes governing TCDRS 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 Texas state statutes governing TCDRS.

Pension Plan Fiduciary Net Position:

Detailed information about the TCDRS fiduciary net position is available in a separately-issued CAFR that includes financial statements and required supplementary information mentioned in the above section.

The information provided by TCDRS shows the following information regarding the Pension Plan fiduciary net position for the County as of December 31, 2014.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 8,502,750
Less: Plan Fiduciary Net Position	(8,495,563)
Net Pension Liability (Asset)	<u>\$ 7,187</u>
 Net Position as Percentage of Total Pension Liability	 99.92%

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Benefits Provided:

TCDRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries). The normal service retirement is at age 60 with 8 years of credited service, when the sum of the member's age and years of credited service equals 75 or more years, or after 30 years of service regardless of age. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions:

The plan is funded by monthly contributions from employee deposits and from employer contributions based on the covered payroll of employee members. Under the variable rate plan provisions, the contribution rate of the employer is actuarially determined annually. The required contribution was determined as part of the December 31, 2014 actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions at December 31, 2014 included (a) an 8.00% investment rate of return (net of administrative expenses), and (b) a projected salary increase of 4.90%. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The employer contribution rate was 8.03% for 2015. The deposit rate payable by employee members is the rate of 7.00% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the Texas state statutes governing TCDRS.

	Contribution Rates	
	2015	2014
Member	7.00%	7.00%
Employer	8.03%	8.50%
2014 Employer Contributions	\$	210,167
2014 Member Contributions	\$	255,203

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Actuarial Assumptions:

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Smoothing Period	Five years
Recognition Method	Non-asymptotic
Corridor	None
Remaining Amortization Period	20 years
Discount Rate	8.10%
Long-Term Expected Investment	
Rate of Return*	8.10%
Salary Increases*	3.50% - 4.90%
Payroll Growth Rate	3.50%

**Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of the County's workforce and estimate of benefits it will pay its employees. The economic and demographic assumptions have been established based on the 2013 experience study for TCDRS, details of which can be found in the 2013 Investigation and Experience Report on the TCDRS website. The RP-2000 Active Employee Mortality Table was used with a four year set forward.

Discount Rate:

The discount rate used to measure the total pension liability was 8.10%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. 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. The long-term rate of return on pension plan investments is 8.10%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of December 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
U.S. Equities	16.50%	5.35%
Private Equity	12.00%	8.35%
Global Equities	1.50%	5.65%
International Equities - Developed	11.00%	5.35%
International Equities - Emerging	9.00%	6.35%
Investment-Grade Bonds	3.00%	0.55%
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%	-0.20%
Master Limited Partnerships	2.00%	5.30%
Private Real Estate Partnerships	3.00%	7.20%
Hedge Funds	25.00%	5.15%
Total	<u>100.00%</u>	<u>5.00%</u>

* - Geometric real rates of return in addition to assumed inflation of 1.7%,
per Cliffwater's 2015 capital market assumptions

Discount Rate Sensitivity Analysis:

The following schedule shows the impact of the Net Pension Liability if the discount rate used was one percent less than and one percent greater than the discount rate that was used (8.10%) in measuring the 2014 Net Pension Asset.

	1% Decrease in <u>Discount Rate (7.1%)</u>	Discount Rate (8.1%)	1% Increase in <u>Discount Rate (9.1%)</u>
Total Pension Liability	\$ 9,512,363	\$ 8,502,750	\$ 7,664,941
Fiduciary Net Position	(8,495,563)	(8,495,563)	(8,495,563)
Net Pension Liability / (Asset)	<u>\$ 1,016,800</u>	<u>\$ 7,187</u>	<u>\$ (830,622)</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At December 31, 2014, the County reported a liability of \$7,187 for its proportionate share of the TCDRS net pension liability.

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

The net pension liability was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period January 1, 2014 through December 31, 2014.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

At December 31, 2014, the County reported its proportionate share of the TCDRS deferred outflows of resources related to pensions from the following sources:

	Deferred (Inflows) Outflows of Resources
Differences Between Expected and Actual Economic Experience	\$ (39,134)
Net Difference Between Projected and Actual Earnings	87,695
Contributions Paid to TCDRS Subsequent to the Measurement Date	<u>185,528</u>
Total	<u>\$ 234,089</u>

The net amounts of the employer's balances of deferred outflows related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
2016	\$ 197,668
2017	12,140
2018	12,140
2019	12,140
2020	0
Thereafter	0

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

At December 31, 2014, the County reported deferred resource outflows for the TCDRS pension plan as follows:

	Deferred (Inflows) Outflows of Resources
Total Net Amounts as of December 31, 2013 Measurement Date	\$ 192,462
Contributions Made Subsequent to the Measurement Date	185,528
Contributions Made Prior to the Measurement Date	(192,462)
Experience Differences	109,618
Earnings Differences	(48,918)
Amortization of Deferred (Inflows) Outflows	(12,139)
Total Net Amounts as of December 31, 2014	<u>\$ 234,089</u>

H. DISCRETELY PRESENTED COMPONENT UNIT

Garza County Public Facility Corporation leased Dalby Correctional Facility (the Facility) to Management and Training Corporation (MTC) in exchange for rental payments based on inmate man-days. Garza County Public Facility Corporation is a legally separate non-profit public corporation. The Corporation constructed the Facility through the issuance of lease revenue bonds (the Bonds). The County has no obligation relating to the payments under the Bonds. The Bonds are solely payable from the revenue generated from the Facility. The Facility is under an operational contract with Management and Training Corporation (MTC).

Capital Assets:

Component Unit	Balance October 1, 2014	Additions	Retirements	Balance September 30, 2015
Land	\$ 188,500	\$	\$	\$ 188,500
Correctional Facilities	38,476,988	65,418		38,542,406
Totals at Historic Cost	<u>\$ 38,665,488</u>	<u>\$ 65,418</u>	<u>\$ 0</u>	<u>\$ 38,730,906</u>
Less: Accumulated Depreciation				
Correctional Facilities	\$ 9,960,211	\$ 846,416	\$	\$ 10,806,627
Total Accumulated Depreciation	<u>\$ 9,960,211</u>	<u>\$ 846,416</u>	<u>\$ 0</u>	<u>\$ 10,806,627</u>
Component Unit Capital Assets, Net	<u>\$ 28,705,277</u>	<u>\$ (780,998)</u>	<u>\$ 0</u>	<u>\$ 27,924,279</u>

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

Long-term Debt:

<u>Series</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Outstanding</u>	<u>Type of Debt</u>
2012	\$ 4,165,000	7.75%	2/15/2029	\$ 3,945,000	Taxable Revenue Bonds
2012	35,890,000	6.75%-7.20%	10/1/2025	31,755,000	Taxable Revenue Refunding Bonds
2012	<u>(1,929,675)</u>			<u>(1,690,776)</u>	Unamortized Discounts
	<u>\$ 38,125,325</u>			<u>\$ 34,009,224</u>	

Debt Service Requirements:

Year Ending September 30,	Component Unit		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,970,000	\$ 2,400,920	\$ 4,370,920
2017	2,100,000	2,272,619	4,372,619
2018	2,230,000	2,136,063	4,366,063
2019	2,370,000	1,990,984	4,360,984
2020	2,525,000	1,836,565	4,361,565
2021-2025	15,380,000	6,264,527	21,644,527
2026-2030	9,125,000	735,586	9,860,586
Less: Reserve Fund		(3,589,000)	(3,589,000)
Less: Unamortized Discounts	<u>(1,690,776)</u>		
Totals	<u>\$ 34,009,224</u>	<u>\$ 14,048,264</u>	<u>\$ 49,748,264</u>

I. LITIGATION, COMMITMENTS, AND SUBSEQUENT EVENTS

There is no pending litigation against the County at September 30, 2015, that would have a material effect on the financial statements.

Management has evaluated subsequent events through March 16, 2016 the date which the financial statements were available to be issued.

GARZA COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

J. DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The County's Deferred Compensation Plan is administered by one trustee; New York Life. In 1997, the County implemented the requirements of GASB No. 32, *Accounting and Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. In accordance with this statement and recent tax law changes, the County amended their trust agreements, which establish that all assets and income of the trust are for the exclusive benefit of eligible employees and their beneficiaries. Due to the implementation of these changes, the County does not have any fiduciary responsibility or administrative duties relating to the deferred compensation plan other than remitting employees' contributions to the trustees. Accordingly, the County has not presented the assets and liabilities from the Deferred Compensation Plan in these basic financial statements. Deferred compensation investments are held by an outside trustee. The County's Deferred Compensation Plan investments are chosen by the individual (employee) participant and include mutual funds whose focus is on stocks, bonds, treasury securities, money market-type investments or a combination of these. The County's Deferred Compensation Plan, available to all permanent County employees, permits them to defer until future years up to \$16,500. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

REQUIRED SUPPLEMENTARY INFORMATION

GARZA COUNTY, TEXAS

Exhibit B-1

**SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>12/31/2014</u>
TOTAL PENSION LIABILITY:	
Service Cost	\$ 351,992
Interest Cost	645,370
Effect of Economic/Demographic losses	(48,918)
Benefit Payments/Refunds of Contributions	<u>(472,120)</u>
Net Change in Total Pension Liability	\$ 476,324
Total Pension Liability, Beginning	<u>8,026,425</u>
Total Pension Liability, Ending	<u>\$ 8,502,749</u>
FIDUCIARY NET POSITION:	
Employer Contributions	\$ 255,203
Member Contributions	210,167
Investment Income, Net of Expenses	543,248
Benefit Payments/Refunds of Contributions	(472,120)
Administrative Expenses	(6,355)
Other	<u>(44,387)</u>
Net Change in Fiduciary Net Position	\$ 485,756
Fiduciary Net Position, Beginning	<u>8,009,806</u>
Fiduciary Net Position, Ending	<u>\$ 8,495,562</u>
NET PENSION LIABILITY:	<u>\$ 7,187</u>
Fiduciary Net Position as a % of Total Pension Liability	<u>99.92%</u>
County's Covered-Employee Payroll	<u>\$ 3,002,392</u>
Net Pension Liability as a % of Covered Payroll	<u>0.24%</u>

Note: Only one year of data is presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the ten year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

GARZA COUNTY, TEXAS

Exhibit B-2

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll (1)</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2006	\$ 124,126	\$ 124,126	\$ 0	\$ 1,672,860	7.40%
2007	127,700	127,700	0	1,845,377	6.90%
2008	120,931	120,931	0	1,919,542	6.30%
2009	162,122	162,122	0	2,529,206	6.40%
2010	216,322	216,322	0	2,780,490	7.80%
2011	205,642	205,642	0	2,759,678	7.50%
2012	206,117	206,117	0	2,676,840	7.70%
2013	227,147	227,147	0	2,780,259	8.20%
2014	255,203	255,203	0	3,002,392	8.50%

Note: Only nine years of data are presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the ten year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

GARZA COUNTY, TEXAS

Exhibit B-3

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

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 3,338,019	\$ 3,338,019	\$ 3,290,332	\$ (47,687)
License and Permits	1,100	1,100	374	(726)
Intergovernmental Revenue and Grants	996,766	996,766	924,358	(72,408)
Charges for Services	30,000	30,000	30,788	788
Fines and Fees	394,070	394,070	320,887	(73,183)
Investment Earnings	10,000	10,000	11,266	1,266
Rents and Royalties	1,483,938	1,483,938	1,433,900	(50,038)
Other Revenue	50,700	50,700	87,553	36,853
Total Revenues	<u>\$ 6,304,593</u>	<u>\$ 6,304,593</u>	<u>\$ 6,099,458</u>	<u>\$ (205,135)</u>
Expenditures:				
Current:				
County Judge	\$ 228,636	\$ 228,636	\$ 228,226	\$ 410
Emergency Management Office	91,036	91,036	93,983	(2,947)
County Clerk	245,717	245,717	232,678	13,039
General Administration	1,131,055	1,119,055	1,106,316	12,739
District Court	149,972	149,972	170,542	(20,570)
Justices of the Peace	238,412	238,412	222,950	15,462
County Attorney	145,409	146,609	135,317	11,292
County Treasurer	171,071	171,071	171,855	(784)
County Tax Assessor/Collector	182,724	183,924	183,191	733
Courthouse Maintenance	356,410	356,410	303,557	52,853
Constables	275,828	275,828	268,437	7,391
Fire Station	36,300	36,300	26,428	9,872
Law Enforcement	416,430	417,630	353,315	64,315
Weighstation	5,600	5,600	5,901	(301)
Probations	190,392	199,665	185,493	14,172
Social Services	541,198	541,198	497,532	43,666
Museum	69,151	69,151	69,634	(483)
Extension Services	126,248	126,248	122,406	3,842
Other Expenditures	30,990	30,990	25,852	5,138
Debt Service:				
Principal			90,448	(90,448)
Interest			2,486	(2,486)
Total Expenditures	<u>\$ 4,632,579</u>	<u>\$ 4,633,452</u>	<u>\$ 4,496,547</u>	<u>\$ 136,905</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 1,672,014</u>	<u>\$ 1,671,141</u>	<u>\$ 1,602,911</u>	<u>\$ (68,230)</u>
Other Financing Sources (Uses):				
Transfers In/Out	<u>\$ (1,579,635)</u>	<u>\$ (709,195)</u>	<u>\$ (1,518,734)</u>	<u>\$ (809,539)</u>
Total Other Financing Sources (Uses)	<u>\$ (1,579,635)</u>	<u>\$ (709,195)</u>	<u>\$ (1,518,734)</u>	<u>\$ (809,539)</u>
Net Changes in Fund Balance	\$ 92,379	\$ 961,946	\$ 84,177	<u>\$ (877,769)</u>
Fund Balances - Beginning	<u>1,727,236</u>	<u>1,727,236</u>	<u>1,727,236</u>	
Fund Balances - Ending	<u>\$ 1,819,615</u>	<u>\$ 2,689,182</u>	<u>\$ 1,811,413</u>	

GARZA COUNTY, TEXAS

Exhibit B-4

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - COUNTY JAIL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Intergovernmental Revenue and Grants	\$	\$	\$ 16,477	\$ 16,477
Rents and Royalties	746,625	746,625	960,314	213,689
Investment Earnings			121	121
Total Revenues	<u>\$ 746,625</u>	<u>\$ 746,625</u>	<u>\$ 976,912</u>	<u>\$ 230,287</u>
Expenditures:				
Current:				
County Jail	\$ 1,598,625	\$ 1,607,025	\$ 1,795,560	\$ (188,535)
Debt Service:				
Principal	320,000	320,000	320,000	
Interest	386,558	386,558	398,468	(11,910)
Total Expenditures	<u>\$ 2,305,183</u>	<u>\$ 2,313,583</u>	<u>\$ 2,514,028</u>	<u>\$ (200,445)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (1,558,558)</u>	<u>\$ (1,566,958)</u>	<u>\$ (1,537,116)</u>	<u>\$ 29,842</u>
Other Financing Sources (Uses):				
Transfers In/Out	<u>\$ 806,709</u>	<u>\$ 806,709</u>	<u>\$ 1,515,734</u>	<u>\$ 709,025</u>
Total Other Financing Sources (Uses)	<u>\$ 806,709</u>	<u>\$ 806,709</u>	<u>\$ 1,515,734</u>	<u>\$ 709,025</u>
Net Changes in Fund Balance	\$ (751,849)	\$ (760,249)	\$ (21,382)	<u>\$ 738,867</u>
Fund Balances - Beginning	<u>829,043</u>	<u>829,043</u>	<u>829,043</u>	
Fund Balances - Ending	<u>\$ 77,194</u>	<u>\$ 68,794</u>	<u>\$ 807,661</u>	

GARZA COUNTY, TEXAS

Exhibit B-5

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

	(Unaudited)		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Budgeted Amounts			
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 589,062	\$ 589,062	\$ 580,271	\$ (8,791)
License and Permits	228,907	228,907	239,093	10,186
Intergovernmental Revenue and Grants	17,621	17,621	611,284	593,663
Fines and Fees	64,000	64,000	43,623	(20,377)
Investment Earnings	2,100	2,100	4,282	2,182
Total Revenues	<u>\$ 901,690</u>	<u>\$ 901,690</u>	<u>\$ 1,478,553</u>	<u>\$ 576,863</u>
Expenditures:				
Current:				
Road and Bridge	\$ 863,120	\$ 944,448	\$ 1,176,612	\$ (232,164)
Debt Service:				
Principal	70,296	70,296	75,706	(5,410)
Interest	4,274	4,274	9,515	(5,241)
Total Expenditures	<u>\$ 937,690</u>	<u>\$ 1,019,018</u>	<u>\$ 1,261,833</u>	<u>\$ (242,815)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (36,000)</u>	<u>\$ (117,328)</u>	<u>\$ 216,720</u>	<u>\$ 334,048</u>
Other Financing Sources (Uses):				
Transfers In/Out	<u>\$ 36,000</u>	<u>\$ 107,067</u>	<u>\$ 0</u>	<u>\$ (107,067)</u>
Total Other Financing Sources (Uses)	<u>\$ 36,000</u>	<u>\$ 107,067</u>	<u>\$ 0</u>	<u>\$ (107,067)</u>
Net Changes in Fund Balance	\$ 0	\$ (10,261)	\$ 216,720	<u>\$ 226,981</u>
Fund Balances - Beginning	<u>756,827</u>	<u>756,827</u>	<u>756,827</u>	
Fund Balances - Ending	<u>\$ 756,827</u>	<u>\$ 746,566</u>	<u>\$ 973,547</u>	

GARZA COUNTY, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

A. PENSION PLAN

CHANGES OF BENEFIT TERMS

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

CHANGES OF ASSUMPTIONS

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

B. BUDGETARY DATA

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

1. The County Judge, as budget officer, prepares a budget to cover all proposed expenditures and the means of financing them, for the succeeding year and delivers the proposed budget to Commissioners' Court.
2. Commissioners' Court holds budget sessions with each department head.
3. Commissioners' Court holds budget hearings for the public at which all interested persons' comments concerning the budget are heard.
4. Commissioners' Court formally adopts the budget in the open court meeting.
5. The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.
6. The formally adopted budget may legally be amended by Commissioners' in accordance with article 689A-11 or 689A-20 of Vernon's Annotated Civil Statutes.

An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or before September 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2013-2014 budget were approved by the Commissioners' Court as provided by law.

C. EXCESS EXPENDITURES OVER APPROPRIATIONS

The County's County Jail Fund had material excess expenditures over appropriations for fiscal year 2015.

COMBINING STATEMENTS

GARZA COUNTY, TEXAS

Exhibit C-1

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	Special Revenue Funds						Total Non-major Governmental Funds (See Exhibit A-3)
	Commercial Residential Permits	Victims Assistance	Courthouse Security	Preservation and Records Management	Justice of the Peace Technology	Garza County EMS	
ASSETS:							
Cash and Cash Equivalents	\$ 6,771	\$ 2,089	\$ 1,374	\$ 51,383	\$ 22,410	\$ 4,162	\$ 171,656
Accounts Receivable, Net of Allowance							28,156
Total Assets	<u>\$ 6,771</u>	<u>\$ 2,089</u>	<u>\$ 1,374</u>	<u>\$ 51,383</u>	<u>\$ 22,410</u>	<u>\$ 4,162</u>	<u>\$ 288,001</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accrued Wages	\$ 0	\$ 0	\$ 1,028	\$ 0	\$ 0	\$ 2,154	\$ 3,182
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,028</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,154</u>	<u>\$ 3,182</u>
FUND BALANCES:							
Permanently Restricted for:							
County Schools	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 144,223
Restricted for:							
Enabling Legislation	6,771	2,089	346	51,383	22,410	2,008	140,596
Total Fund Balances	<u>\$ 6,771</u>	<u>\$ 2,089</u>	<u>\$ 346</u>	<u>\$ 51,383</u>	<u>\$ 22,410</u>	<u>\$ 2,008</u>	<u>\$ 284,819</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,771</u>	<u>\$ 2,089</u>	<u>\$ 1,374</u>	<u>\$ 51,383</u>	<u>\$ 22,410</u>	<u>\$ 4,162</u>	<u>\$ 288,001</u>

GARZA COUNTY, TEXAS

Exhibit C-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds							Total Non-major Governmental Funds (See Exhibit A-5)
	Commercial Residential Permits	Victims Assistance	Courthouse Security	Preservation and Records Management	Justice of the Peace Technology	Garza County EMS	Other Governmental Funds (See Exhibit C-4)	
Revenue:								
Licenses and Permits	\$ 250	\$	\$	\$	\$	\$ 38,383	\$ 237,139	\$ 250
Intergovernmental Revenue and Grants				31,129	4,903			275,522
Fines and Fees			5,218	223	100	91	7,743	41,250
Investment Earnings		10	75					8,242
Total Revenues	\$ 250	\$ 10	\$ 5,293	\$ 31,352	\$ 5,003	\$ 38,474	\$ 244,882	\$ 325,264
Expenditures:								
Current:								
General Administration				20,381	468		307	32,863
Courthouse Maintenance			32,556					20,849
Probations							2,782	2,782
Social Services							235,482	235,482
Emergency Medical Services						36,466		36,466
Total Expenditures	\$ 0	\$ 0	\$ 32,556	\$ 20,381	\$ 468	\$ 36,466	\$ 238,571	\$ 328,442
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 250	\$ 10	\$ (27,263)	\$ 10,971	\$ 4,535	\$ 2,008	\$ 6,311	\$ (3,178)
Other Financing Sources:								
Transfers Out	\$ 0	\$ 0	\$ 3,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,000
Total Other Financing Sources	\$ 0	\$ 0	\$ 3,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,000
Net Change in Fund Balances	\$ 250	\$ 10	\$ (24,263)	\$ 10,971	\$ 4,535	\$ 2,008	\$ 6,311	\$ (178)
Fund Balances - Beginning	6,521	2,079	24,609	40,412	17,875	0	193,501	284,997
Fund Balances - Ending	\$ 6,771	\$ 2,089	\$ 346	\$ 51,383	\$ 22,410	\$ 2,008	\$ 199,812	\$ 284,819

GARZA COUNTY, TEXAS

Exhibit C-3

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	Special Revenue Funds					Permanent Fund	Total Non-major Governmental Funds (See Exhibit C-1)
	Voter Registration	Garza County Title IV-E	National School Lunch Program	Available School	Permanent School		
ASSETS:							
Cash and Cash Equivalents	\$ 650	\$ 489	\$ 24,611	\$ 93	\$ 145,813	\$ 171,656	
Accounts Receivables, Net of Allowance			28,156		(1,590)	28,156	
Interfund Balances				1,590			
Total Assets	\$ 650	\$ 489	\$ 52,767	\$ 1,683	\$ 144,223	\$ 199,812	
FUND BALANCES:							
Permanently Restricted for:	\$	\$	\$	\$	\$ 144,223	\$ 144,223	
County Schools							
Restricted for:							
Enabling Legislation	\$ 650	\$ 489	\$ 52,767	\$ 1,683		\$ 55,589	
Total Fund Balances	\$ 650	\$ 489	\$ 52,767	\$ 1,683	\$ 144,223	\$ 199,812	

GARZA COUNTY, TEXAS

Exhibit C-4

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds					Permanent Fund	Total Non-major Governmental Funds (See Exhibit C-2)
	Voter Registration	Garza County Title IV-E	National School Lunch Program		Available School		
			School Lunch Program	School Lunch			
Revenue:							
Intergovernmental Revenue and Grants	\$	\$	\$	\$	\$	\$	\$
Investment Earnings		11	128		1	7,603	7,743
Total Revenues	\$ 0	\$ 11	\$ 237,267	\$	1	\$ 7,603	\$ 244,882
Expenditures:							
Current:							
General Administration	\$	\$	\$	\$	307	\$	\$ 307
Probations		2,782					2,782
Social Services			235,482				235,482
Total Expenditures	\$ 0	\$ 2,782	\$ 235,482	\$	307	\$ 0	\$ 238,571
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ (2,771)	\$ 1,785	\$	(306)	\$ 7,603	\$ 6,311
Other Financing Sources:							
Transfers In/Out	\$	\$	\$	\$	307	\$ (307)	\$
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$	307	\$ (307)	\$ 0
Net Change in Fund Balances	\$ 0	\$ (2,771)	\$ 1,785	\$	1	\$ 7,296	\$ 6,311
Fund Balances - Beginning	650	3,260	50,982		1,682	136,927	193,501
Fund Balances - Ending	\$ 650	\$ 489	\$ 52,767	\$	1,683	\$ 144,223	\$ 199,812

OTHER INFORMATION REQUIRED BY GAO

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**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**

Independent Auditor's Report

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

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 Garza County, Texas, (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Garza County, Texas' basic financial statements, and have issued our report thereon dated March 16, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. [2015-1]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garza County, Texas' 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*.

The County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses [2015-1]. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

March 16, 2016

GARZA COUNTY, TEXAS

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Current Year's Findings: [2015-1]

Condition: Lack of review and authorization procedures surrounding the reconciliation of balance sheet accounts (excluding cash and cash equivalents).

Criteria: The County does not have a system in place that ensures balance sheet accounts are being properly reconciled and that necessary journal entries are being posted to ensure that the accounts are in balance with reconciliations available.

Cause of Condition: Lack of Internal Controls related to review and authorization procedures.

Recommendation: The County needs to have procedures in place for recording and reconciling journal entries and other activity posted to all balance sheet accounts.

Client Response: The County will begin recording entries for these items in fiscal year 2016 and will continue to improve controls in this area in the future.