

COCHRAN COUNTY, TEXAS  
ANNUAL FINANCIAL STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2014

COCHRAN COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDING DECEMBER 31, 2014

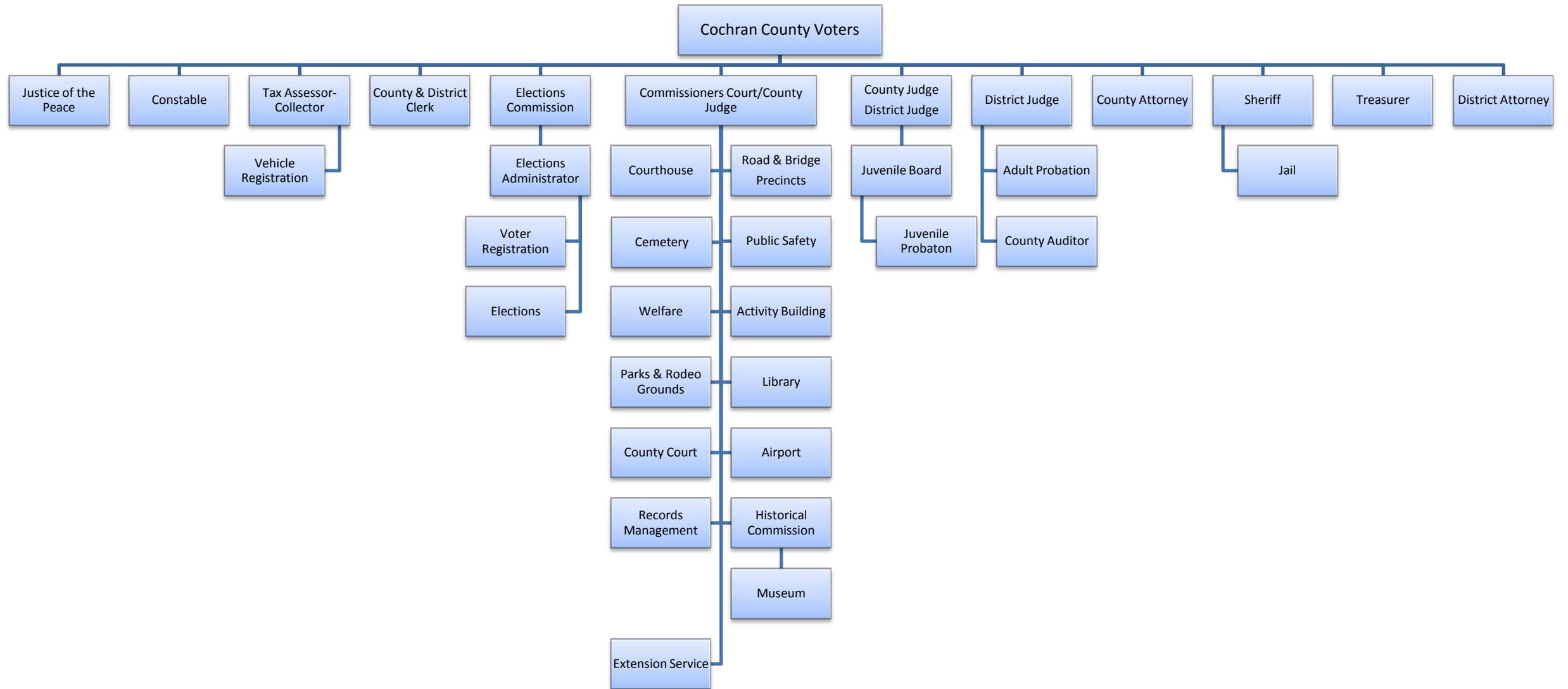
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# COCHRAN COUNTY, TEXAS

## COUNTY OFFICIALS

Pat Phelan ..... Judge, 286<sup>th</sup> Judicial District  
Billy D. Carter ..... County Judge  
Donnie Simpson..... Commissioner, Precinct 1  
Margaret Allen..... Commissioner, Precinct 2  
Stacey Dunn..... Commissioner, Precinct 3  
Johnny Timmons ..... Commissioner, Precinct 4  
Raymond Weber ..... County Sheriff  
J. Collier Adams, Jr. .... County Attorney  
Donna Schmidt ..... Justice of the Peace, Precinct 1  
Christopher Dennis ..... District Attorney  
Clarence Roberts..... Constable, Precinct 1  
Shanna Dewbre ..... County & District Clerk  
Doris Sealy..... County Treasurer  
Treva Jackson ..... County Tax Assessor-Collector  
Danny Wiseley..... County Auditor

## FINANCIAL SECTION

# MYATT, BLUME, AND OSBURN LTD., L.L.P.

Sham L. Myatt CPA  
Phelps Blume CPA  
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MEMBERS  
TEXAS SOCIETY AND AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Cochran County Commissioners Court  
Cochran County, Texas  
Room 104 Courthouse  
Morton, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cochran County, Texas, as of and for the year ended December 31, 2014, 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.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cochran County, Texas, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cochran County, Texas's basic financial statements. The introductory section, combining nonmajor fund financial statements, agency fund financial statements and other schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, on our consideration of Cochran County, Texas' 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 Cochran County, Texas' internal control over financial reporting and compliance.

Respectfully submitted,



Myatt, Blume, & Osburn, Ltd., L.L.P.

Certified Public Accountants

Levelland, Texas

November 13, 2015

COCHRAN COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2014

In this section of the Annual Financial Statements, the management of Cochran County, Texas discuss and analyze the County's financial performance for the fiscal year ended December 31, 2014. Please read it in conjunction with the independent auditor's report and the County's basic financial statements.

**FINANCIAL HIGHLIGHTS**

- At the close of the most recent fiscal year, Cochran County's assets exceeded its liabilities by \$8,776,972. Of this amount, \$4,946,150 was unrestricted net position.
- The County's net position increased by \$368,103, or 4.38% as a result of this year's operations.
- During the year, the County had total expenditures of \$4,849,328, which were \$476,573 more than the \$4,372,755 generated in tax revenues and before any special items. This compares to last year when total expenditures exceeded tax revenues by \$632,010.
- The General Fund ended the year with a fund balance of \$3,552,900. The fund balance of the General Fund is unassigned and is 98.52% of total General Fund expenditures.
- The resources available for appropriation were \$263,187 higher than budgeted for the General Fund. This is primarily due to greater tax collections in the current year.
- The County again has gone through the year without issuing any long-term debt and currently has no long-term debt outstanding.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Cochran County's basic financial statements. Cochran County's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of other County funds or those outside of the County. They show what assets these funds have and who they belong to.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's General Fund and major special revenue fund (Road & Bridge Fund) budget compliance and other supplementary information for additional analysis that is not required to be reported under generally accepted accounting principles including combining schedules for the nonmajor governmental funds and agency funds, a schedule of delinquent taxes receivable, a reconciliation of the current year tax roll, and schedules regarding insurance and fidelity bonding coverage.

COCHRAN COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)  
YEAR ENDED DECEMBER 31, 2014

**REPORTING THE COUNTY AS A WHOLE – THE GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The analysis of the County's overall financial condition and operations is presented in the government-wide statements. The primary purpose of the government-wide statements is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The County's revenues are divided into those provided by outside parties who share the costs of some programs, such as grants provided by federal and state agencies and fees for services (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current year or future years.

These two statements report the County's net position and its respective change during the year. The County's net position (the difference between assets and liabilities) provide one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider non-financial factors as well, such as changes in the County's property tax base and the condition of the County's facilities.

In the Statement of Net Position and the Statement of Activities, the County contains one kind of activity:

- I. **Governmental activities** – All of the County's basic services are reported here, including general administration, public safety, justice system, road and bridge maintenance, cemetery, parks, airport, and library services. Property taxes and vehicle registration fees finance most of these activities.

**REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS – THE FUND FINANCIAL STATEMENTS**

The fund financial statements provide detailed information about the most significant funds—not the County as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Laws and contracts require the County to establish some funds. The County's administration can establish many other funds to help it control and manage money for particular purposes (e.g. capital projects). All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds. Each category uses a different accounting approach.

- **Governmental funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) to reflect that focus. The governmental fund statements provide a detailed near-term view of the County's general operations and the basic services it provides.

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 County's near-term financing decisions.

COCHRAN COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)  
YEAR ENDED DECEMBER 31, 2014

Following each of the governmental fund financial statements (the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance) is a reconciliation to facilitate this comparison between the governmental fund financial statements and the government-wide statements.

**Fiduciary funds** – The County is the trustee, or fiduciary, for money received in numerous offices. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We report the resources these activities produce that are due to County operating funds as an interfund receivable in those funds and as an interfund payable in the Statement of Fiduciary Net Assets. All other resources within the fiduciary activities are excluded from the County's other financial reports because the County cannot use those assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the County's governmental activities.

Net position of the County's governmental activities increased from \$8,408,869 to \$8,776,972. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$4,946,150 at December 31, 2014. This increase in governmental net position was mainly the result of a reduction of some line item expenses – enough to offset a large contribution to the retirement fund in the current year - and an increase in the collection of property taxes.

<b>Table I</b>			
<b>Cochran County, Texas</b>			
<b>NET POSITION</b>			
		<b><u>Governmental Activities</u></b>	
		<b>2014</b>	<b>2013</b>
<b>Assets:</b>			
Current and Other Assets		\$ 6,675,835	\$ 6,592,652
Capital Assets		<u>2,280,585</u>	<u>1,894,465</u>
	<b>Total Assets</b>	8,956,420	8,487,117
<b>Liabilities:</b>			
Other Liabilities		<u>179,448</u>	<u>78,248</u>
	<b>Total Liabilities</b>	179,448	78,248
<b>Net Position:</b>			
Invested in Capital Assets, Net of Related Debt		2,280,584	1,894,465
Restricted		1,550,238	1,542,097
Unrestricted		<u>4,946,150</u>	<u>4,972,307</u>
	<b>Total Net Position</b>	<u>\$ 8,776,972</u>	<u>\$ 8,408,869</u>

Key factors related to the County's financial performance over the last year include the following:

1. Mineral and related taxable values decreased for 2014 to \$824,008,528, a reduction of \$25,376,787 from the prior year. In light of this decrease, the Commissioner's Court increased the tax rate to 53.06 cents per \$100 valuation, an increase of 1.46 cents per \$100 over the prior year.
2. County personnel numbers are substantially the same as the previous year.

COCHRAN COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)  
YEAR ENDED DECEMBER 31, 2014

<b>Table II</b>		
<b>Cochran County, Texas</b>		
<b>CHANGES IN NET POSITION</b>		
	<u>Governmental Activities</u>	
	2014	2013
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services	\$ 457,430	\$ 477,985
Operating Grants and Contributions	245,990	292,508
Capital Grants and Contributions	-	-
<b>General Revenues:</b>		
Property Taxes	4,372,755	4,360,616
Penalty and Interest	31,645	32,155
Gain (Loss) on Sale of Fixed Assets	9,668	11,959
Miscellaneous Revenue	76,977	41,280
Investment Earnings	<u>22,966</u>	<u>27,949</u>
<b>Total Revenue</b>	5,217,431	5,244,452
<b>Expenses:</b>		
General Government	2,188,395	2,046,785
Public Safety	1,278,583	1,135,588
Highways And Streets	968,224	1,094,896
Culture and Recreation	<u>414,126</u>	<u>715,357</u>
<b>Total Expenses</b>	<u>4,849,328</u>	<u>4,992,626</u>
<b>Increase/(Decrease) in Net Position</b>	368,103	251,826
<b>Net Position - Beginning of the Year</b>	<u>8,408,869</u>	<u>8,157,043</u>
<b>Net Position - End of the Year</b>	<u>\$ 8,776,972</u>	<u>\$ 8,408,869</u>

The cost of all governmental activities this year was \$4,849,328. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes was \$4,004,913 because some of the costs were paid with charges for services of \$457,430, capital and operating grants and contributions of \$245,990, other various general revenues of \$140,995, leaving \$367,842 to fund future County operations.

**THE COUNTY'S FUNDS**

As the County completed the year, its governmental funds reported a combined fund balance of \$4,685,126, which increased over last year's total of \$4,685,514. Included in this year's total change in fund balance is an increase of \$35,710 in the County's General Fund. This overall increase is primarily due to an increase in tax collections and decreases in expenditures in all functions.

For fiscal year 2014, actual expenditures on a budgetary basis for the General Fund were \$3,626,646, compared to the original budgeted expenditures of \$4,427,659. Actual revenue on a budgetary basis was \$3,660,615 compared to the original budget of \$3,397,428. Reasons for the actual numbers varying from the budget follow:

1. Continued vigorous efforts to collect delinquent taxes by both County Tax Assessor-Collector Treva Jackson and the law firm of Perdue, Brandon, Fielder, Collins & Mott resulted in more than double the budgeted amount of delinquent tax collections. This also increased the collection commissions paid to the county by other entities for which the County Tax Assessor collects taxes.

COCHRAN COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)  
YEAR ENDED DECEMBER 31, 2014

2. Although the bulk of the Texas Department of Housing and Community Affairs grant was finished during 2013, over \$178,000 in grant revenue and expenditures occurred in 2014.
3. Continued favorable results from County loss control programs, and benefits derived from participation in the Texas Association of Counties Risk Pools for liability and property coverage led to continued low premiums. Good fortune was again realized in regard to claims and judgments, roof and building systems replacement, and expensive equipment breakdowns.
4. Substantial savings continue to be realized from the cancellation of heating, ventilation, and air conditioning mechanical maintenance contracts on major County buildings. Repair and maintenance of these systems is being provided on a time and materials basis by other contractors. It is becoming more difficult to find suitable repair firms willing to travel to Morton, so resorting to an annual contract could become necessary in the future.
5. Group health insurance costs actually decreased during 2014. County Treasurer Doris Sealy aggressively promotes participation by employees and officials in available health maintenance programs, as well as an annual health screening. This could be a contributor to the favorable loss ratios being reported for the county group by Blue Cross/Blue Shield. The county received and credited against premiums a renewal credit in excess of \$76,000 during 2014. Again, the County benefited from participation in a Texas Association of Counties group program.
6. Repairs to the decades-old locking system in the County Jail exceeded \$60,000, but the repairs were anticipated by Sheriff Weber and included in the 2014 budget. The repairs were completed and the jail received certification by the Texas Commission on Jail Standards.

Over the course of the year, the County's Commissioners Court revised the County's budget eighteen times. Six revisions include amendments and supplemental appropriations that were approved during the year to address mid-year situational changes and amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. The primary amendments include:

- the County increased line items for unanticipated grant funds received during the year to enable compliance with both budget laws and grant covenants. Eleven amendments were necessary to disburse grant revenue for the housing project begun last year;
- one amendment moved an amount budgeted for expenditure during 2013 to the 2014 budget due to a delay in implementation of a road rehabilitation project;
- the County shifted funds budgeted to capital outlay and other accounts as projected purchases were not made and other expenditures were, including funding an additional contribution to the subdivision accumulation fund of the Texas County and District Retirement System.

Exhibits G-1 and G-2 provide a detailed comparison of these changes.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – At the end of fiscal year 2014, the County had \$7,889,912 invested in a broad range of capital assets, including land, buildings, equipment, and infrastructure.

Major capital asset acquisitions during the current fiscal year included the following:

- 2014 Chevrolet Silverado – Juvenile Probation
- 2014 John Deere backhoe and loader - Cemetery
- Patrol car video system, training and software - Sheriff
- 2015 Chevrolet Silverado – non-departmental

COCHRAN COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)  
YEAR ENDED DECEMBER 31, 2014

- 2015 John Deere motor grader – Precinct 1
- 2014 Caterpillar wheeled loader – Precinct 2
- 2014 Caterpillar motor grader – Precinct 3
- 2015 Caterpillar motor grader – Precinct 3
- Road reconstruction / seal coat – Arthur Street, SW 8<sup>th</sup> Street, Courthouse Parking Lot
- Retrofit 3 jail cells - Sheriff
- Camera systems for 7 patrol cars – Sheriff
- Stucco repair and power wash - Courthouse

The County's fiscal year 2015 capital budget calls for expenditures of around \$1,329,000. This includes the following:

- replacement of the eighteen year old courthouse phone system;
- a new mower for the cemetery and park;
- two new patrol cars for the Sheriff's office;
- rehabilitation of County Road 110;
- a new motor grader in Precinct 2;
- a new motor grader in Precinct 3;
- a new motor grader in Precinct 4.

The County does not currently service any long-term debt, and there are no plans to issue any debt to finance these expenditures. More detailed information about the County's capital assets is presented in Note III D in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The County's elected and appointed officials considered many factors when setting the fiscal year 2015 budget and tax rates. Some key items that should be noted are as follows:

1. Mineral and related taxable values declined this year. Local real and personal property taxable values have remained relatively unchanged for the last several years. Overall, valuations decreased approximately three percent from last year's figures. In order to adequately fund the 2015 budget, the Commissioners Court was forced to increase the total county tax rate by \$0.0146/\$100 valuation, even with the use of some of the fund balances (reserves).
2. General Fund revenues, as well as Road and Bridge Fund revenues, are budgeted to remain the same as last year.
3. The budget allows for 52 full-time positions (including elected officials) and 10 part-time positions, a decrease of one full-time employee in the office of the County and District Clerk. Even though budgeted, the County Tax Assessor-Collector and County Treasurer were able to complete their duties without part-time help in both 2013 and 2014.
4. Capital expenditures in the 2015 Road & Bridge Fund anticipate the replacement of at least three motor graders. The Commissioners Court has determined that keeping motor graders longer than the warranty period results in higher overall costs due to market factors affecting trade allowances. It seems that factory governmental pricing breaks follow the machine for a period of time, making them more attractive to independent contractors if they are traded within that period. Continuing to operate the graders past the warranty period also exposes the County to the monetary risk of major repairs in addition to the downtime involved
5. The oil industry in our area has had successful years, but continues to be very unpredictable, as has been the agriculture industry. These two industries remain the largest parts of our local business activity and the uncertainty that goes along with them makes it a challenge to accurately predict long-term economic and

COCHRAN COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)  
YEAR ENDED DECEMBER 31, 2014

population numbers for Cochran County. The release of 2010 census figures confirmed that the population of Cochran County is declining rapidly, showing a 16.2% loss since the 2000 census. Efforts to help strengthen and expand existing business and industry are largely invisible, and progress in the area of economic development seems to be limited.

**REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, consumers, and investors and creditors with a general overview of Cochran County's finances and to show the County's accountability for the money it receives. For questions concerning any information provided in this report or requests for additional financial information, contact the County Auditor, Cochran County, Texas at 100 North Main St., Morton, Texas, 79346.

## BASIC FINANCIAL STATEMENTS

COCHRAN COUNTY  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014

EXHIBIT A-1

		Primary Government
		Governmental Activities
<b>ASSETS</b>		
Cash and Cash Equivalents	\$	3,378,077
Investments - Current		1,386,736
Receivables (net of allowance for uncollectibles)		1,811,262
Due from Fiduciary Funds		99,761
Capital Assets:		
Land		76,518
Buildings, net		584,315
Improvements other than Buildings, net		229,577
Machinery and Equipment, net		1,390,174
Total Assets		8,956,420
<b>LIABILITIES</b>		
Accounts Payable		179,448
Total Liabilities		179,448
<b>NET POSITION</b>		
Net Investment in Capital Assets		2,280,584
Restricted for:		
Library Endowment		28,083
Highways and Streets		1,478,168
Courthouse Projects		21,123
Records Management/Retension		22,864
Unrestricted Net Position		4,946,150
Total Net Position	\$	8,776,972

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

COCHRAN COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

EXHIBIT B-1

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 2,188,395	\$ 204,206	\$ 178,751	\$ (1,805,438)
Public Safety	1,278,583	15,570	50,917	(1,212,096)
Highways and Streets	968,224	237,284	-	(730,940)
Culture and Recreation	414,126	370	16,322	(397,434)
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 4,849,328</b>	<b>\$ 457,430</b>	<b>\$ 245,990</b>	<b>(4,145,908)</b>
 General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				4,372,755
Penalty and Interest				31,645
Gain (Loss) on Sale of Fixed Assets				9,668
Miscellaneous Revenue				76,977
Investment Earnings				22,966
Total General Revenues				4,514,011
				Change in Net Position 368,103
				Net Position- Beginning 8,408,869
				Net Position--Ending \$ 8,776,972

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

COCHRAN COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014

	General Fund	Road and Bridge Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,497,344	\$ 594,855	\$ 285,878	\$ 3,378,077
Investments - Current	1,026,316	326,187	34,233	1,386,736
Taxes Receivable	1,318,770	513,905	-	1,832,675
Allowance for Uncollectible Taxes (credit)	(134,700)	(48,201)	-	(182,901)
Due from Other Funds	78,763	20,247	1,329	100,339
<b>Total Assets</b>	<b>\$ 4,786,493</b>	<b>\$ 1,406,993</b>	<b>\$ 321,440</b>	<b>\$ 6,514,926</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 10,255	\$ 130,504	\$ -	\$ 140,759
Wages and Salaries Payable	38,689	-	-	38,689
Due to Other Funds	578	-	-	578
<b>Total Liabilities</b>	<b>49,522</b>	<b>130,504</b>	<b>-</b>	<b>180,026</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue-Ad Valorem Taxes	1,184,071	465,703	-	1,649,774
<b>Total Deferred Inflows of Resources</b>	<b>1,184,071</b>	<b>465,703</b>	<b>-</b>	<b>1,649,774</b>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
Library Endowment Principal	-	-	28,083	28,083
Restricted Fund Balance:				
Highways and Streets	-	810,786	232,101	1,042,887
Courthouse Projects	-	-	21,123	21,123
Records Management/Preservation	-	-	22,864	22,864
Committed Fund Balance:				
Culture & Recreation	-	-	6,652	6,652
Airport Use	-	-	10,617	10,617
Unassigned Fund Balance	3,552,900	-	-	3,552,900
<b>Total Fund Balances</b>	<b>3,552,900</b>	<b>810,786</b>	<b>321,440</b>	<b>4,685,126</b>
<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<b>\$ 4,786,493</b>	<b>\$ 1,406,993</b>	<b>\$ 321,440</b>	<b>\$ 6,514,926</b>

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

COCHRAN COUNTY  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 FOR THE YEAR ENDED DECEMBER 31, 2014

<b>Total Fund Balances - Governmental Funds</b>	\$	4,685,126
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$7,420,316 and the accumulated depreciation was \$5,525,850. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase (decrease) net position.		1,894,466
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase (decrease) net position.		835,671
The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(449,553)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		1,811,262
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>8,776,972</b>

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

COCHRAN COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Road and Bridge Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 3,151,171	\$ 1,239,211	\$ -	\$ 4,390,382
Penalty and Interest on Taxes	23,766	7,879	-	31,645
Licenses and Permits	9,950	176,440	-	186,390
Intergovernmental Revenue and Grants	229,150	-	16,654	245,804
Charges for Services	191,144	28,520	12,687	232,351
Fines	3,199	32,324	3,164	38,687
Investment Earnings	18,150	4,806	11	22,967
Rents and Royalties	24,440	-	2,400	26,840
Contributions & Donations from Private Sources	-	-	185	185
Other Revenue	9,888	40,181	70	50,139
Total Revenues	3,660,858	1,529,361	35,171	5,225,390
<b>EXPENDITURES:</b>				
Current:				
General Government	1,850,207	313,518	390	2,164,115
Public Safety	1,219,764	-	-	1,219,764
Highways and Streets	-	719,053	-	719,053
Culture and Recreation	338,929	-	20,824	359,753
Capital Outlay:				
Capital Outlay	197,398	575,363	-	772,761
Total Expenditures	3,606,298	1,607,934	21,214	5,235,446
Excess (Deficiency) of Revenues Over (Under) Expenditures	54,560	(78,573)	13,957	(10,056)
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	1,150	8,518	-	9,668
Transfers In	-	-	20,000	20,000
Transfers Out (Use)	(20,000)	-	-	(20,000)
Total Other Financing Sources (Uses)	(18,850)	8,518	20,000	9,668
Net Change in Fund Balances	35,710	(70,055)	33,957	(388)
Fund Balance - January 1 (Beginning)	3,517,190	880,841	287,483	4,685,514
Fund Balance - December 31 (Ending)	\$ 3,552,900	\$ 810,786	\$ 321,440	\$ 4,685,126

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

COCHRAN COUNTY  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(388)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase (decrease) the change in net position.		835,671
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(449,553)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		(17,627)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>368,103</b>

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

COCHRAN COUNTY  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2014

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 390,567
Accounts Receivable-Net of Uncollectible Allowance	1,627
Total Assets	<u>\$ 392,194</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 224,912
Intergovernmental Payable	67,521
Due to Other Funds	99,761
Total Liabilities	<u>\$ 392,194</u>

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

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Cochran County, Texas (County) was created in 1924 under the provisions of the State of Texas. The County operates under an elected Commissioners Court form of government. The County's major operations include county road maintenance, law enforcement, court system maintenance, and health and social services.

The County prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and the requirements of contracts and grants of agencies from which it receives funds. The following is a summary of the more significant accounting policies the County utilizes to prepare its basic financial statements.

**A. REPORTING ENTITY**

The members of the County's Commissioners Court (Court) are elected by the public, and the Court has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the County is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, *The Financial Reporting Entity*. There are no component units included within the reporting entity.

**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 Cochran County, Texas' non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, state funds, grants, and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The County currently has no business-type activities.

The Statement of Activities demonstrates how other people or entities that participate in programs the County operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the County. Examples include charges for collecting taxes for the surrounding cities/districts and record management services provided by the County Clerk. The "grants and contributions" columns include amounts paid by organizations outside the County to help meet the operational or capital requirements of a given function. Examples include grants for emergency response equipment. If revenues are not considered program revenues, they are considered general revenues used to support all of the County's functions. Taxes are always general revenues.

Interfund activities within governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other sources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. All interfund transactions within 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 Net Position.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds to be major and reports their financial condition and results of operations in a separate column for each major fund. The County currently has no proprietary funds.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**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, as do the fiduciary fund financial statements. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

Pursuant to GASB Statement No. 20, the County applies all GASB pronouncements as well as all Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of the government-wide activities and fiduciary funds are included on the appropriate Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

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, current liabilities, 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).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The County considers all revenues available if they are collectible within 60 days after year end. Revenues not considered available are recorded as an allowance for uncollectibles.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. In applying the susceptible-to-accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one type, monies are expended on the specific purpose or project before any amounts will be paid to the County; therefore, revenues are recognized based upon the expenditures incurred. In the other type, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt, or earlier, if the susceptible-to-accrual criteria are met.

Property taxes are recognized as revenues in the year for which the taxes are levied if they will be collected within 60 days of the end of the fiscal year. Sales taxes, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the County to refund all or part of the unused amount.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. FUND ACCOUNTING

1. Governmental funds are used to account for the County's expendable financial resources and related liabilities. Currently, the County maintains a general fund and several special revenue funds. The County reports the General Fund and the Road & Bridge Fund as major funds. The General Fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. Additionally, the County reports the following fund types:

a. Governmental Funds:

**Special Revenue Funds** – The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in special revenue funds. Some federal and state financial assistance is accounted for in special revenue funds, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The County has eleven funds designated as special revenue funds. The County reports one of these funds, the Road & Bridge Fund, as a major fund.

b. Fiduciary Funds:

**Agency Funds** – The County accounts for resources held in a custodial capacity in agency funds. This includes amounts received for County operations but not transferred to the governmental funds. The County maintained ten agency funds during the year ended December 31, 2014.

E. OTHER ACCOUNTING POLICIES

1. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the General Fund. All appropriations lapse at the end of each fiscal year, and encumbrances outstanding at that time are either cancelled or appropriately provided for in the subsequent year's budget. Encumbrances do not constitute expenditures or liabilities.
2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as an expense in the year of the bond issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

COCHRAN COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**E. OTHER ACCOUNTING POLICIES (Cont.)**

3. County employees are entitled to certain compensated absences based on their length of employment. Compensated absences do not vest or accumulate and are recorded as expenditures when they are paid. The County has also adopted a policy creating a sick leave pool. This pool is used for employees who have suffered a catastrophic illness or injury and have exhausted all other paid and compensatory time. The pool gains hours from employees contributing excess sick leave.
4. Capital assets, which include land, buildings, furniture, equipment, and infrastructure assets are reported in the governmental activities column 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. Land is always capitalized. 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 assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years	Assets	Years
Buildings	40	Office Equipment	5-10
Building and Land Improvements	15-25	Machinery & Equipment	5-30
Infrastructure	20-25	Water Rights	12-40
Vehicles	5		

5. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portions of loans or notes receivable, or property held for resale unless the use of the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as the principal balance of an endowment.
- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the Commissioners Court. This formal action is the passage of a court order specifying the purposes for which amounts can be used. The same type of formal action is necessary to remove or change the specified use.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. OTHER ACCOUNTING POLICIES (Cont.)

- Assigned fund balance includes amounts that are constrained by a responsible official's request for a specific purpose, but are neither restricted nor committed. For governmental fund types other than the General Fund, this is the residual amount within the fund that is not restricted or committed.
  - Unassigned fund balance is the residual amount of the General Fund not included in the four categories above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.
6. The County has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources and Deferred Inflows of Resources and Net Position* within the financial statements of governmental entities. This pronouncement was effective for all financial statements for periods beginning after December 15, 2011 and defines the following:
- Deferred outflows of resources* are defined as consumption of net position by the government that is applicable to a future reporting period.
- Deferred inflows of resources* are defined as an acquisition of net position by a government that is applicable to a future reporting period.
- Net Position* is defined as the difference between all other elements in a statement of financial position and displays Net Position in three components: net investment in capital assets; restricted (distinguished between major categories of restrictions); and unrestricted.
7. In the government-wide financial statements, restricted net assets are reported for amounts that are externally restricted by (1) creditors (e.g. bond covenants), grantors, contributors, or laws and regulations of other governments or (2) law through constitutional provision or enabling legislation.
8. When both restricted and unrestricted amounts are available for use, County policy is generally to use restricted amounts first, with unrestricted resources utilized as needed. In the case of unrestricted resources, the policy uses committed amounts first, followed by assigned amounts, then unassigned amounts as needed. The County does reserve the right to deviate from this policy.
9. Any inventory or materials and supplies on hand at year-end are considered insignificant, and, therefore, not reflected in the financial statements.
10. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
11. The County participates in federally-assisted programs. In connection with grants under these programs, the County is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives. In the opinion of management, the County has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the County expects the resulting liability to be immaterial. Since the federal expenditures were below \$500,000, the County is not subject to the Federal Single Audit as described in the U.S. Office of Management and Budget (OMB) Circular A-133.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**E. OTHER ACCOUNTING POLICIES (Cont.)**

12. FASB ASC 855-10-50-1 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or available to be issued. Management has evaluated subsequent events through November 13, 2015, the date the financial statements were available to be issued.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**BUDGETARY DATA**

The State of Texas requires annual budgets to be prepared for the general and special revenue funds. The budgets are prepared on the cash basis (budget basis) in order to comply with the Constitution of the State of Texas. The County Commissioners Court, on a category basis, exercises budgetary controls over expenditures.

The actual results of operations for the County's major funds are presented in Exhibits G-1 and G-2 in accordance with the budget (cash) basis to provide a meaningful comparison of actual results with the original and final budget. The differences between the cash basis (budget basis) and the modified accrual basis (generally accepted accounting principles [GAAP] basis) are that revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid (budget) as opposed to when incurred (GAAP).

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

1. As required by the State of Texas, the County Judge, assisted by the County Auditor, prepares an annual budget prior to the beginning of the fiscal year. Budgeted funds include the general and special revenue funds. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is filed in the County Clerk's office and is open to public inspection. The Commissioners Court is required to hold at least one public hearing on the budget no less than 15 days subsequent to the filing by the County Judge.
3. The budget is then adopted at the conclusion of the last public hearing by the favorable votes of a majority of the members of the Commissioners Court. The original budget was adopted by the Commissioners Court on September 9, 2013, in accordance with the above process. The final fiscal 2014 budget revision was adopted by the Commissioners Court on December 30, 2013.
4. The Commissioners Court approves all revisions of the budget, including transfers of budgeted amounts between departments within a specific fund, transfers between funds, and increases to total expenditures of any fund.
5. The fiscal 2014 budget was prepared on the cash basis using estimated beginning and ending cash balances. There is not a significant difference in the budgeted revenues and expenditures between the cash basis and modified accrual basis.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2014

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

County Policies and Legal and Contractual Provisions Governing Deposits:

*Custodial Credit Risk for Deposits* – State statute requires that public funds in the County's depository institution be secured by eligible securities, as defined by V.T.C.A., Government Code, Chapter 2257, in an amount not less than the amount on deposit plus any accrued interest less any amount provided for by insurance of the United States or an instrumentality thereof.

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the V.T.C.A., Local Government Code, Chapter 116. 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. The County's depository agreement provides that as security for the deposits of the County their bank will pledge to the County securities at 100% of the amount of County funds on deposit including interest accrued to date. Value of the securities comprising the pledge will be set at the lower of par value or estimated market value. The securities pledged must satisfy the requirements of V.T.C.A., Local Government Code, §116.054.

Furthermore, the pledged securities are subject to the approval of the Commissioners Court as to type and value. Substitutions of securities or change of total amounts of securities may be made only by and with proper written authorization by the County. A copy of the safekeeping receipts for securities pledged will be issued to the County at the conclusion of each investment transaction.

At December 31, 2014, the carrying amount of the County's deposits (cash and certificates of deposit) was \$3,378,077. The County's cash deposits at December 31, 2014 and during the year ended December 31, 2014 were properly secured at all times by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

County Policies and Legal and Contractual Provisions Governing Investments:

**Compliance with the Public Funds Investment Act**

The County's investment policies are governed by State statutes. 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. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County's investment policies further limit State statutes such that eligible investments include the following:

- Time deposits;
- Certificates of Deposit;

COCHRAN COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2014

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**A. DEPOSITS AND INVESTMENTS (Cont.)**

County Policies and Legal and Contractual Provisions Governing Investments (Cont.):

- Negotiable Order of Withdrawal (NOW) accounts;
- Eligible SEC-registered money market funds;
- United States Treasury Notes, Bills, and Bonds;
- Securities issued and guaranteed by various governmental agencies and instrumentalities;
- Investment pools.

The County is in substantial compliance with the requirements of the **Public Funds Investment Act** and with local policies.

As of December 31, 2014, Cochran County, Texas had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Under 1</u>	<u>1-5</u>	<u>6-10</u>	<u>&gt; 10</u>
TexPool Investment Pool	<u>\$ 1,386,736</u>	<u>\$ 1,386,736</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Additional policies and contractual provisions governing deposits and investments for Cochran County, Texas are specified below:

Credit Risk – To limit the risk that an insurer or other counter-party to an investment will not fulfill its obligations, the County prohibits investments in commercial paper, corporate bonds, and mutual bond funds. Investments by the County in investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

Custodial Credit Risk for Investments – To limit the risk that, in the event of the failure of the counter-party to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the County requires counter-parties to register the securities in the name of the County and hand them over to the County or its designated agent. This includes securities in securities lending transactions. All of the securities are in the County’s name and held by the County’s agent.

Concentration of Credit Risk – To limit the risk of loss attributed to the magnitude of a government’s investment in a single issuer, the County has set its policy to attempt to diversify its investments. The County currently achieves this through its investments in TexPool, which has a diversified portfolio.

Interest Rate Risk – To limit the risk that changes in interest rates will adversely affect the fair value of investments, the County allows the investment officer to only place funds in investments with maturities of one year or less. The Commissioners Court may approve investments with maturities of greater than one year.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2014

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**B. TEXPOOL**

During 1986, the 69<sup>th</sup> Texas Legislature authorized the State Treasurer to incorporate a special-purpose trust company called the Texas Treasury Safekeeping Trust Company (the Trust). The Trust has direct access to the services of the Federal Reserve Bank and performs other trust company activities. It is specifically authorized to manage, disburse, transfer, safe-keep, and invest public funds and securities more efficiently and economically (Sec. 404.102 et seq., Texas Government Code).

The Trust created the Texas Local Government Investment Pool (TexPool) for governmental entities 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. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters.

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. Finally, TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the Office of the Comptroller of Public Accounts for review. TexPool is established as a trust fund, segregated from all other trustors, investments and activities of the Trust Company.

The primary objective of TexPool is to provide a safe environment for the placement of public funds in short-term, fully collateralized investments. While safety is the primary goal of TexPool, liquidity is a simultaneous objective. After meeting the first two objectives, TexPool seeks to provide a competitive yield for the invested funds.

Investments are carried at amortized cost, which approximates fair value, as provided for by the GASB in its publication *Codification of Governmental Accounting and Financial Reporting Standards*, Section In5. Investments are priced daily and compared to TexPool's carrying value. If the ratio of the fair value of the portfolio of investments to the carrying value of investments is less than 0.995 or greater than 1.005, TexPool will sell investment securities, as required, to maintain the ratio at a point between 0.995 and 1.005.

As of December 31, 2014, the County had investments with a cost and market value of approximately \$1,386,736 with TexPool. Participation in TexPool is voluntary and the County can withdraw from participation upon approval from the County Commissioners.

TexPool issues a separately stated annual financial report with an August 31 fiscal year-end. A copy of this report may be obtained by writing to Texas Treasury Safekeeping Trust Company, 208 East 10<sup>th</sup> Street, Austin, Texas, 78701, or by accessing the Trust's website at [www.ttstc.com](http://www.ttstc.com).

**C. PROPERTY TAXES**

In accordance with state law, all appraisals of County property for tax purposes are made by the county-wide appraisal authority, Cochran Central Appraisal District. Assessed values are based upon 100 percent of appraised market value and are reviewed every three years. Taxpayers have the right to challenge the assessed value.

COCHRAN COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2014

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**C. PROPERTY TAXES (Cont.)**

The County's property taxes are levied each October 1 based upon 100 percent of the assessed value listed as of the prior January 1 for all real and business personal property located in the County 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 year following the year in which imposed. On January 1 of each year, a tax lien attaches to property by state law to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the County's fiscal year on December 31<sup>st</sup>.

The maximum allowable tax rate for the County is \$1.10 for each \$100 assessed value. The County is subject to a tax rate rollback if the total amount of property taxes imposed in any year, as defined by statute, exceeds the total amount of property taxes imposed in the preceding year, as defined by statute, by 8%.

Since the County recognizes the tax collections on a modified accrual basis, the tax rates for the fiscal year 2014 change when the new levy is approved each October 1<sup>st</sup>. Levies for the 2014 and 2013 tax years were \$0.3805 and \$0.3700 per \$100 assessed value for County General Fund operations, respectively, and \$0.1501 and \$0.1460 per \$100 assessed value for County Road and Bridge Fund operations, respectively.

The original appraised taxable values upon which the 2014 tax levy was based were \$824,008,528 and \$821,842,791 for the General Fund tax rate and the Road and Bridge tax rate, respectively. Current tax collections for the 2014 and 2013 tax levies were approximately 59.92% and 99.04% of the respective tax levies.

Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. However, for government-wide purposes, the County does record an allowance based on historical collection rates. As of December 31, 2014, this allowance was \$21,413.

**Concentration of Risk** - During the year, approximately 27.7% of the County's property tax levy was assessed on one oil and gas company operating within the County. This poses a potential risk to the County, which could be adversely affected if a situation arose where this company could or would not pay the assessed taxes.

**D. CAPITAL ASSET ACTIVITY**

Capital asset activity for the County for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 76,518	\$ -	\$ -	\$ 76,518
Land Improvements	298,020	113,092	-	411,112
Infrastructure – Roads	1,209,959	-	-	1,209,959
Buildings & Building Improvements	2,138,325	-	-	2,138,325
Machinery & Equipment	<u>3,697,493</u>	<u>752,400</u>	<u>(395,895)</u>	<u>4,053,998</u>
Totals at Historical Cost	<u>7,420,315</u>	<u>865,492</u>	<u>(395,895)</u>	<u>7,889,912</u>

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2014

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**D. CAPITAL ASSET ACTIVITY (Cont.)**

	Beginning Balance	Additions	Retirements	Ending Balance
Less Accumulated Depreciation:				
Land Improvements	(162,198)	(19,337)	-	(181,535)
Infrastructure – Roads	(1,209,959)	-	-	(1,209,959)
Buildings & Building Improvements	(1,487,003)	(67,007)	-	(1,554,010)
Machinery & Equipment	<u>(2,666,690)</u>	<u>(363,208)</u>	<u>366,074</u>	<u>(2,663,824)</u>
Total Accumulated Depreciation	<u>(5,525,850)</u>	<u>(449,552)</u>	<u>366,074</u>	<u>(5,609,328)</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,894,465</u>	<u>\$ 415,940</u>	<u>\$ (29,821)</u>	<u>\$ 2,280,584</u>

Depreciation expense for governmental activities is charged to functions as follows:

General Government	\$ 101,628
Public Safety	58,818
Highways and Streets	235,222
Culture and Recreation	<u>53,884</u>
Total	<u>\$ 449,552</u>

**E. INTERFUND BALANCES AND TRANSFERS**

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Reimbursements from one fund to another for expenditures or expenses already made are recorded as expenditures or expenses in the reimbursing fund. Non-recurring or non-routine transfers of equity between funds are treated as residual equity transfers and are reported as additions to or deductions from the fund balance of governmental funds. All other transfers are treated as operating transfers and are included in the results of operations of the governmental funds.

During the year ended December 31, 2014, the County transferred \$20,000 from the General Fund to the Airport Fund.

The County had the following interfund balances as of the end of the year:

Due From	Due To			Totals
	General Fund	Road and Bridge Fund	Other Funds	
General Fund	\$ -	\$ 578	\$ -	\$ 578
Agency Funds	<u>78,763</u>	<u>19,669</u>	<u>1,329</u>	<u>99,761</u>
Totals	<u>\$ 78,763</u>	<u>\$ 20,247</u>	<u>\$ 1,329</u>	<u>\$ 100,339</u>

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2014

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**F. EMPLOYEE PENSION PLAN**

*Plan Description* - The County provides retirement, disability, and survivor benefits for all of its full-time employees through a cash balance-account type defined-benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The TCDRS Board of Trustees is responsible for the administration of the statewide, agent multiple-employer, public employee retirement system consisting of 656 cash balance-like defined-benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034, or by calling 800-823-7782. The CAFR is also available online at [www.tcdrs.org](http://www.tcdrs.org).

The plan provisions for the County (employer) are adopted by the Commissioners Court, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 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 80 or more. Members are vested after 10 years of service but their accumulated deposits and allocated interest must remain in the plan to receive any employer-financed benefit. Members who withdraw their personal account balance in a lump sum prior to retirement are not entitled to any pension benefits provided by the employer. The County has not elected the partial lump-sum payment option.

Benefit amounts are determined by the employee's personal account balance and employer-financed monetary credits. The level of these monetary credits has been adopted by the Commissioners Court within the actuarial constraints imposed by the TCDRS Act so that the expected benefits can 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 personal account balance and the employer-financed monetary credits to a monthly annuity using the actuarial equivalent as prescribed by the TCDRS Act.

*Funding Policy* - Cochran County's Commissioners Court has elected the variable-rate plan provisions of the TCDRS Act. The plan is funded monthly from employee deposits and from employer contributions based on the covered payroll of employee members. Under variable-rate plan provisions, the contribution rate of the employer is actuarially determined annually. As allowed by the provisions of the TCDRS Act, the Commissioners Court elected to pay the rate of 13% for calendar year 2014, which was in excess of the calculated rate for that year. The deposit rate payable by employee members is the rate of 7% as adopted by the Commissioners Court. The employee deposit rate and the employer contribution rate may be changed by the Commissioners Court within the options available in the TCDRS Act.

*Annual Pension Cost* - The tables on the following pages present an overview of actuarial methods and assumptions employed during the last three years to develop costs of benefits for County employees, present annual pension costs for the past three years, and reflect the funding progress made by the County over the last three years. For the County's fiscal year ending December 31, 2014, the annual pension cost requirement for the TCDRS plan for its employees was \$239,060. The County contributed the required amount for the plan year plus elected to make a one-time additional contribution of \$250,000.

COCHRAN COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2014

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**F. EMPLOYEE PENSION PLAN (Cont.)**

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2012, the basis for the contribution rate for calendar year 2014. The December 31, 2014 actuarial valuation is the most recent valuation.

**Retirement Plan Actuarial Methods and Assumptions  
 For the Employees of Cochran County, Texas**

Actuarial valuation date	12-31-12	12-31-13	12-31-14
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	9.4 years	9.2 years	6.4 years
Asset valuation method	SAF: 10-year smoothed value ESF: fund value	SAF: 5-year smoothed value ESF: fund value	SAF: 5-year smoothed value ESF: fund value
Actuarial Assumptions:			
Investment return	8.0%	8.0%	8.0%
Projected salary increases	5.4%	4.9%	4.9%
Inflation	3.5%	3.0%	3.0%
Cost-of-living adjustments (Includes inflation at the stated rate)	0.0%	0.0%	0.0%

**Retirement Plan Trend Information  
 For the Employees of Cochran County, Texas**

Accounting Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-10	\$239,393	100%	\$ -
12-31-11	\$255,874	100%	\$ -
12-31-12	\$251,159	100%	\$ -
12-31-13	\$263,437	100%	\$ -
12-31-14	\$239,060	100%	\$ -

COCHRAN COUNTY, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
 YEAR ENDED DECEMBER 31, 2014

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**F. EMPLOYEE PENSION PLAN (Cont.)**

**Retirement Plan Funding Progress  
 For the Employees of Cochran County, Texas**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Covered Payroll (b-a)/c
12-31-10	5,239,714	6,558,456	1,318,742	79.89%	1,841,486	71.61%
12-31-11	5,770,155	6,982,745	1,212,590	82.63%	1,971,487	61.51%
12-31-12	5,864,140	6,887,560	1,023,420	85.14%	1,931,991	52.97%
12-31-13	6,465,204	7,440,425	975,221	86.89%	2,026,938	48.11%
12-31-14	7,236,995	7,988,866	751,871	90.59%	2,004,962	37.50%

(The annual covered payroll is based on employee deposits received by TCDRS for the year ending with the valuation date)

**G. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

The County has adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires certain disclosures regarding any postemployment benefits other than pensions offered by the County. The only postemployment benefits other than pensions offered by the County are discussed below.

**Plan Description:** The County also participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by TCDRS referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

The GTLF is a separate trust administered by the TCDRS Board of Trustees. TCDRS' CAFR includes financial statements and required supplementary information for the GTLF. This report may be obtained by writing to TCDRS, P.O. Box 2034, Austin, Texas 78768-2034, or online at [www.tcdrs.org](http://www.tcdrs.org).

The Commissioners Court elected to provide group-term life insurance coverage to both current and retired employees. The GTLF program is voluntary and the Commissioners Court can cease participation at the beginning of any calendar year.

**Funding Policy:** Each participating employer contributes to the GTLF for all participants at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The County's contributions to the GTLF for the years ended December 31, 2014, 2013, 2012, and 2011 were \$17,443, \$16,824, \$16,808, and \$16,166, respectively, which equaled the contractually required contributions each year.

The funding policy for the GTLF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2014

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**G. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Cont.)**

*Transition Disclosure:* The County elected to implement GASB Statement No. 45 prospectively; therefore the net OPEB obligation was zero at the transition to that statement effective January 1, 2010.

**H. EMPLOYEE DEFERRED COMPENSATION PLAN**

The employees of Cochran County also participate in a deferred compensation plan administered by Nationwide Retirement Solutions. The County does not contribute to the plan. Nine of the County employees were participating in the plan at the end of 2014.

Net Assets Available for Participants	\$ <u>656,955</u>
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**I. MEDICAL/HEALTH CARE COVERAGE**

The County has established a third party insurance plan with the Texas Association of Counties Health and Employee Benefits Pool. Benefits are paid based on four categories of medical service. The plan allows employees the option to purchase additional coverage for spouses, children, and families through payroll deductions. The plan is renewable October 1 annually. The maximum lifetime benefits cannot exceed two million dollars. Annual deductible limits per employee are two hundred fifty or five hundred dollars and coinsurance percentages vary depending on whether the services are provided by a network or non-network provider. Employees are eligible to remain on the medical and health plan in accordance with laws established by COBRA. Such laws provide different time limits depending on whether the employment separation was due to voluntary or involuntary termination.

As of December 31, 2014, the County was paying approximately \$801 per month, per employee for medical and health insurance benefits. The total expense incurred by the County for the calendar year was approximately \$444,949.

Additional information can be attained by contacting the Texas Association of Counties Health Benefits Pool (TAC HEBP), P.O. Box 911968, Dallas, Texas, 75391-1968.

**J. RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; errors and omissions; violations of civil rights; theft of, damage to, and destruction of assets; natural disasters; injuries to employees; and other claims of various natures. The County participates in the Texas Association of Counties Intergovernmental Risk Pool (TAC Pool) which provides protection for risks of loss. TAC Pool was established by the Texas Association of Counties to provide self-insurance for its members and to obtain lower costs for insurance. The County pays annual premiums for liability, property, workers' compensation, and unemployment coverage. Annual contribution rates are determined by the TAC Pool Board. Such rates are estimated to include all claims expected to occur during the policy period, including claims incurred but not reported. TAC Pool has established Claims Reserves for each of the types of insurance offered. Thus, although TAC Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions and the member's policies' deductibles. If losses incurred are significantly higher than actuarially estimated, TAC Pool adjusts the contribution rate for subsequent years. Members are also entitled to returns of contributions if actual results are more favorable than estimated.

COCHRAN COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
YEAR ENDED DECEMBER 31, 2014

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Cont.)**

**J. RISK MANAGEMENT (Cont.)**

Any losses reported but unsettled, or incurred and not reported, are believed to be insignificant to the County's basic financial statements.

TAC Pool also makes available to the County loss control services to assist the County in following a plan of loss control that may result in reduced losses. The County agrees that it will cooperate in instituting any and all reasonable loss control recommendations made by TAC Pool.

For the year ended December 31, 2014, Cochran County, Texas contributed approximately \$74,652 for its property, liability, workers' compensation, and unemployment coverage.

The County also carries insurance on most other risks of loss including employee health and accident insurance and surety bond coverage. The County does retain the risk on automobile physical damage.

No significant reductions in insurance coverage occurred in the past fiscal year, and settled claims have not exceeded insurance coverage in any of the past three fiscal years.

**K. RESTRICTED NET ASSETS**

During 2002 and 2003, Cochran County's Love Memorial Library Fund (a nonmajor special revenue fund) received a total bequest of \$28,083. These funds are a permanent endowment according to the stipulation of the will and only the interest earned on the funds can be used for operations of the library. The base funds cannot be used at all. On Exhibit C-1, this amount is considered as Nonspendable Fund Balance: Library Endowment Principal. On Exhibit A-1 this amount is classified as Net Assets Restricted for Library Endowment.

REQUIRED SUPPLEMENTARY INFORMATION

COCHRAN COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

EXHIBIT G-1

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance With
	Original	Final	on GAAP Basis	to Budget Basis	on Cash (Budget) Basis	Final Budget Positive or (Negative)
<b>REVENUES:</b>						
Taxes:						
Property Taxes	\$ 3,099,871	\$ 3,099,871	\$ 3,151,171	\$ -	\$ 3,151,171	51,300
Penalty and Interest on Taxes	20,000	20,000	23,766	-	23,766	3,766
Licenses and Permits	6,000	6,000	9,950	-	9,950	3,950
Intergovernmental Revenue and Grants	60,300	60,300	229,150	-	229,150	168,850
Charges for Services	147,743	147,743	191,144	-	191,144	43,401
Fines	-	-	3,199	-	3,199	3,199
Investment Earnings	-	-	18,150	-	18,150	18,150
Rents and Royalties	-	-	24,440	-	24,440	24,440
Other Revenue	63,514	63,514	9,888	(243)	9,645	(53,869)
Total Revenues	3,397,428	3,397,428	3,660,858	(243)	3,660,615	263,187
<b>EXPENDITURES:</b>						
Current:						
General Government	2,241,933	2,452,464	1,850,207	743	1,850,950	601,514
Public Safety	1,272,307	1,253,487	1,219,764	8,156	1,227,920	25,567
Culture and Recreation	446,419	472,664	338,929	11,449	350,378	122,286
Capital Outlay:						
Capital Outlay	467,000	359,825	197,398	-	197,398	162,427
Total Expenditures	4,427,659	4,538,440	3,606,298	20,348	3,626,646	911,794
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,030,231)	(1,141,012)	54,560	(20,591)	33,969	1,174,981
<b>OTHER FINANCING SOURCES (USES):</b>						
Sale of Real and Personal Property	-	-	1,150	(1,150)	-	-
Transfers Out (Use)	(350,000)	(350,000)	(20,000)	20,000	-	350,000
Total Other Financing Sources (Uses)	(350,000)	(350,000)	(18,850)	18,850	-	350,000
Change in Fund Balance	(1,380,231)	(1,491,012)	35,710	(1,741)	33,969	1,524,981
Fund Balance - January 1 (Beginning)	3,547,303	3,547,303	3,517,190	30,113	3,547,303	-
Fund Balance - December 31 (Ending)	\$ 2,167,072	\$ 2,056,291	\$ 3,552,900	\$ 28,372	\$ 3,581,272	\$ 1,524,981

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

COCHRAN COUNTY  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - ROAD & BRIDGE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2014

EXHIBIT G-2

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance With
	Original	Final	on GAAP Basis	to Budget Basis	on Cash (Budget) Basis	Final Budget Positive or (Negative)
<b>RECEIPTS:</b>						
Taxes:						
Property Taxes	\$ 1,218,003	\$ 1,218,003	\$ 1,239,211	\$ -	\$ 1,239,211	21,208
Penalty and Interest on Taxes	5,000	5,000	7,879	-	7,879	2,879
Licenses and Permits	177,500	177,500	176,440	-	176,440	(1,060)
Charges for Services	-	-	28,520	-	28,520	28,520
Fines	56,000	-	32,324	-	32,324	32,324
Investment Earnings	-	56,000	4,806	-	4,806	(51,194)
Other Revenue	5,500	5,500	40,181	-	40,181	34,681
<b>Total Receipts</b>	<b>1,462,003</b>	<b>1,462,003</b>	<b>1,529,361</b>	<b>-</b>	<b>1,529,361</b>	<b>67,358</b>
<b>DISBURSEMENTS:</b>						
Current:						
General Government	346,153	346,153	313,518	-	313,518	32,635
Highways and Streets	1,618,320	1,074,465	719,053	2,050	721,103	353,362
Capital Outlay:						
Capital Outlay	-	-	575,363	(124,500)	450,863	(450,863)
<b>Total Disbursements</b>	<b>1,964,473</b>	<b>1,420,618</b>	<b>1,607,934</b>	<b>(122,450)</b>	<b>1,485,484</b>	<b>(64,866)</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(502,470)	41,385	(78,573)	122,450	43,877	2,492
<b>OTHER FINANCING SOURCES (USES):</b>						
Sale of Real and Personal Property	-	-	8,518	(8,518)	-	-
Transfers In	350,000	691,855	-	-	-	(691,855)
<b>Total Other Financing Sources (Uses)</b>	<b>350,000</b>	<b>691,855</b>	<b>8,518</b>	<b>(8,518)</b>	<b>-</b>	<b>(691,855)</b>
Change in Fund Balance	(152,470)	733,240	(70,055)	113,932	43,877	(689,363)
Fund Balance - January 1 (Beginning)	-	888,996	880,841	8,055	888,896	(100)
<b>Fund Balance - December 31 (Ending)</b>	<b>\$ (152,470)</b>	<b>\$ 1,622,236</b>	<b>\$ 810,786</b>	<b>\$ 121,987</b>	<b>\$ 932,773</b>	<b>(689,463)</b>

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

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

COCHRAN COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2014

	Love Memorial Library Fund	Personal Bond Office Fund	Alternative Dispute Resolution	Lateral Road Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ (4,269)	\$ 14,495	\$ 20	\$ 232,101
Investments - Current	34,233	-	-	-
Due from Other Funds	-	-	80	-
Total Assets	\$ 29,964	\$ 14,495	\$ 100	\$ 232,101
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
Library Endowment Principal	28,083	-	-	-
Restricted Fund Balance:				
Highways and Streets	-	-	-	232,101
Courthouse Projects	-	14,495	100	-
Records Management/Preservation	-	-	-	-
Committed Fund Balance:				
Culture & Recreation	1,881	-	-	-
Airport Use	-	-	-	-
Total Fund Balances	29,964	14,495	100	232,101
Total Liabilities and Fund Balances	\$ 29,964	\$ 14,495	\$ 100	\$ 232,101

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

Clerk Management & Preservation	County Records M&P Fund	Courthouse Security Fund	Court Reporter Service Fund	Airport Fund	Historical Commission Fund	Total Nonmajor Governmental Funds
\$ 20,522	\$ 1,415	\$ 4,447	\$ 1,759	\$ 10,617	\$ 4,771	\$ 285,878
-	-	-	-	-	-	34,233
825	102	247	75	-	-	1,329
<u>\$ 21,347</u>	<u>\$ 1,517</u>	<u>\$ 4,694</u>	<u>\$ 1,834</u>	<u>\$ 10,617</u>	<u>\$ 4,771</u>	<u>\$ 321,440</u>
-	-	-	-	-	-	28,083
-	-	-	-	-	-	232,101
-	-	4,694	1,834	-	-	21,123
21,347	1,517	-	-	-	-	22,864
-	-	-	-	-	4,771	6,652
-	-	-	-	10,617	-	10,617
<u>21,347</u>	<u>1,517</u>	<u>4,694</u>	<u>1,834</u>	<u>10,617</u>	<u>4,771</u>	<u>321,440</u>
<u>\$ 21,347</u>	<u>\$ 1,517</u>	<u>\$ 4,694</u>	<u>\$ 1,834</u>	<u>\$ 10,617</u>	<u>\$ 4,771</u>	<u>\$ 321,440</u>

COCHRAN COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Love Memorial Library Fund	Personal Bond Office Fund	Alternative Dispute Resolution	Lateral Road Fund
<b>REVENUES:</b>				
Intergovernmental Revenue and Grants	\$ -	\$ -	\$ -	\$ 16,654
Charges for Services	-	-	300	-
Fines	-	-	-	-
Investment Earnings	11	-	-	-
Rents and Royalties	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	-	-	20	-
Total Revenues	11	-	320	16,654
<b>EXPENDITURES:</b>				
Current:				
General Government	-	-	240	-
Culture and Recreation	-	-	-	-
Total Expenditures	-	-	240	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	11	-	80	16,654
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	11	-	80	16,654
Fund Balance - January 1 (Beginning)	29,953	14,495	20	215,447
Fund Balance - December 31 (Ending)	\$ 29,964	\$ 14,495	\$ 100	\$ 232,101

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

Clerk Management & Preservation	County Records M&P Fund	Courthouse Security Fund	Court Reporter Service Fund	Airport Fund	Historical Commission Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,654
11,387	630	-	-	-	370	12,687
-	-	2,834	330	-	-	3,164
-	-	-	-	-	-	11
-	-	-	-	2,400	-	2,400
-	-	-	-	-	185	185
-	-	-	-	-	50	70
11,387	630	2,834	330	2,400	605	35,171
-	-	150	-	-	-	390
-	-	-	-	19,227	1,597	20,824
-	-	150	-	19,227	1,597	21,214
11,387	630	2,684	330	(16,827)	(992)	13,957
-	-	-	-	20,000	-	20,000
-	-	-	-	20,000	-	20,000
11,387	630	2,684	330	3,173	(992)	33,957
9,960	887	2,010	1,504	7,444	5,763	287,483
\$ 21,347	\$ 1,517	\$ 4,694	\$ 1,834	\$ 10,617	\$ 4,771	\$ 321,440

## FIDUCIARY FUNDS

COCHRAN COUNTY  
COMBINING BALANCE SHEET  
FIDUCIARY FUNDS  
DECEMBER 31, 2014

	COUNTY CLERK	DISTRICT CLERK	COUNTY SHERIFF	COUNTY TAX ASSESSOR- COLLECTOR	JUSTICE OF THE PEACE PRECINCT ONE
<b>ASSETS</b>					
<b>Current Assets:</b>					
Petty Cash/Cash on Hand	\$ 100	\$ -	\$ 500	\$ 200	\$ -
Cash in Bank	7,631	35,066	312	294,068	4,781
Deposits in TexPool	-	-	-	-	-
Accounts Receivable	-	-	53	1,574	-
Due from State	-	-	-	-	-
Due from Agency Funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 7,731</b>	<b>\$ 35,066</b>	<b>\$ 865</b>	<b>\$ 295,842</b>	<b>\$ 4,781</b>
<b>LIABILITIES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 11	\$ 32,352	\$ 1	\$ 192,548	\$ -
Due to State	115	-	-	17,366	-
Due to General Fund	6,123	1,659	864	68,022	863
Due to Agency Funds	539	731	-	-	2,092
Due to Special Revenue Funds	943	324	-	17,906	1,826
<b>TOTAL LIABILITIES</b>	<b>\$ 7,731</b>	<b>\$ 35,066</b>	<b>\$ 865</b>	<b>\$ 295,842</b>	<b>\$ 4,781</b>

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

COCHRAN CO.					
JUVENILE PROBATION	L.E.O.S.E. ALLOCATION	D.A. FORFEITURE	SHERIFF FORFEITURE	STATE FEE	TOTAL
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800
-	16,555	1,712	20,914	8,728	389,767
-	-	-	-	-	-
-	-	-	-	-	1,627
-	-	-	-	-	-
-	-	-	-	3,362	3,362
<u>\$ -</u>	<u>\$ 16,555</u>	<u>\$ 1,712</u>	<u>\$ 20,914</u>	<u>\$ 12,090</u>	<u>\$ 395,556</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 224,912
-	16,451	1,712	19,787	12,090	67,521
-	104	-	1,127	-	78,762
-	-	-	-	-	3,362
-	-	-	-	-	20,999
<u>\$ -</u>	<u>\$ 16,555</u>	<u>\$ 1,712</u>	<u>\$ 20,914</u>	<u>\$ 12,090</u>	<u>\$ 395,556</u>

## OTHER SCHEDULES

COCHRAN COUNTY, TEXAS  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
DECEMBER 31, 2014

YEAR ENDED DECEMBER 31,	TAX RATES		ASSESSED/ APPRAISED VALUE TAX PURPOSES	BEGINNING BALANCE 1/1/2014	CURRENT YEAR'S TOTAL LEVY	TOTAL COLLECTIONS	ADJUSTMENTS	ENDING BALANCE 12/31/2014
	LOCAL	ROAD & BRIDGE						
2005 AND PRIOR	\$ VARIOUS	\$ VARIOUS	\$ VARIOUS	\$ 23,164	\$ -	\$ 3,641	\$ (2,863)	\$ 16,660
2006	\$ 0.4390	\$ 0.1200	\$ 503,042,040	4,380	-	1,003	(201)	3,176
2007	\$ 0.4191	\$ 0.1143	\$ 570,479,440	5,070	-	897	(348)	3,825
2008	\$ 0.3879	\$ 0.1055	\$ 723,022,660	6,283	-	1,413	(282)	4,588
2009	\$ 0.4598	\$ 0.1251	\$ 610,297,070	9,608	-	2,694	(411)	6,503
2010	\$ 0.3700	\$ 0.1500	\$ 728,994,430	10,879	-	3,179	(306)	7,394
2011	\$ 0.3440	\$ 0.1350	\$ 790,987,215	14,615	-	4,779	(219)	9,617
2012	\$ 0.3140	\$ 0.1250	\$ 927,176,833	19,377	-	8,365	(521)	10,491
2013	\$			1,758,378	-	1,741,447	4,906	21,837
2014	\$				4,374,314	2,621,041	(4,689)	1,748,584
TOTALS				<u>\$ 1,851,754</u>	<u>\$ 4,374,314</u>	<u>\$ 4,388,459</u>	<u>\$ (4,934)</u>	<u>\$ 1,832,675</u>

COCHRAN COUNTY, TEXAS  
 TREVA JACKSON, TAX ASSESSOR-COLLECTOR  
 RECONCILIATION OF CURRENT YEAR TAX ROLL  
 FOR THE YEAR ENDED DECEMBER 31, 2014

TAX ROLL	
2014 Assessed Tax Roll	\$ 4,374,314
Add (Deduct): Adjustments	<u>(4,689)</u>
2014 ADJUSTED TAX ROLL	<u><u>\$ 4,369,625</u></u>
Valuations/\$100 x Tax Rate of \$0.5306	\$ 4,369,625
Current Year Collections	<u>(2,621,041)</u>
UNPAID CURRENT YEAR TAXES	<u><u>\$ 1,748,584</u></u>
Percent of Current Taxes Collected Through December 31, 2014	59.98%

COCHRAN COUNTY, TEXAS  
SCHEDULE OF RISK MANAGEMENT PROVISIONS  
DECEMBER 31, 2014

CARRIER	DOCUMENT NUMBER	EFFECTIVE DATE	RENEWAL DATE
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	WC-0400	06/25/74	01/01/14
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	99-991884-0	01/04/78	01/01/14
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	GL 0400 2014 01 15	01/15/87	01/15/14
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	AL 0400 2014 01 15	01/15/87	01/15/14
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	PR 0400 2014 07 01	02/13/90	07/01/14
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	CR 0400 2014 01 15	02/01/92	01/15/14
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	PO 0400 2014 04 11	04/11/88	04/11/14
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	PO 0400 2014 04 11	04/11/88	04/11/14
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	LE 0400 2014 04 11	04/11/88	04/11/14
RETAINED RISK	N/A	N/A	N/A
TEXAS ASSOCIATION OF COUNTIES COUNTY GOVERNMENT SELF INSURANCE POOL	PR 0400 2014 07 01	07/16/09	07/01/14

RISK COVERED	AMOUNT OF COVERAGE	2014 CONTRIBUTION*
WORKER'S COMPENSATION	STATUTORY BENEFITS	\$24,390.00
UNEMPLOYMENT COMPENSATION	STATUTORY BENEFITS	(\$16.81)
COMPREHENSIVE GENERAL LIABILITY	TORT CLAIMS ACT 100/300/100 \$1,000 DED.	\$5,748.00
AUTOMOBILE LIABILITY	TORT CLAIMS ACT 100/300/100 \$1,000 DED.	\$12,239.00
BUILDINGS, STRUCTURES, PERSONAL PROPERTY, BOILER – ALL-RISK FORM	\$8,229,171 \$1,000 - \$25,000 DED.	\$16,204.00
CRIME COVERAGE	\$20,000 - \$100,000 \$1,000 DED.	\$3,504.00
PUBLIC OFFICIALS LIABILITY	\$2,000,000 \$5,000 DEDUCTIBLE	\$4,638.00
CLERK'S ERRORS & OMISSIONS	\$43,000 - \$20,000 \$5,000 DEDUCTIBLE	INCLUDED ABOVE
LAW ENFORCEMENT LIABILITY	\$2,000,000 \$5,000 DEDUCTIBLE	\$3,842.00
AUTOMOBILE PHYSICAL DAMAGE	N/A	N/A
MOBILE EQUIPMENT PHYSICAL DAMAGE	\$2,007,699 \$5,000 DEDUCTIBLE	\$4,104.00

\*CASH BASIS

Cochran County, Texas  
Schedule of Fidelity and Surety Bonds  
December 31, 2014

Surety	Document Number	Office/Principal
Old Republic	LPO2133649	County Judge/Billy D. Carter
Western Surety	70630766	County Commissioner/Donnie Simpson
Western Surety	70403944	County Commissioner/Margaret Ann Allen
Western Surety	70630758	County Commissioner/Stacey Dunn
Western Surety	71025087	County Commissioner/Johnny Timmons
Western Surety	12382532	County Attorney/J. Collier Adams, Jr.
Western Surety	15485611	County Treasurer/Doris Sealy
Old Republic	LPO2126106	County Sheriff/Raymond Weber
Old Republic	LPO2133874	County Clerk/Shanna Dewbre
Old Republic	LPO2133875	District Clerk/Shanna Dewbre
Western Surety	18019730	PUBLIC EMPLOYEES FAITHFUL PERFORMANCE BLANKET POSITION
Western Surety	68562579	Deputy Tax Assessor/Susan Wiseley
Western Surety	70630778	Constable/Clarence Roberts, Jr.
Old Republic	LPO1036980	County Auditor/Danny Wiseley
Western Surety	71117946	Justice of Peace/Donna Schmidt
Western Surety	68595171	Reserve Deputy/James P. Henry
Western Surety	70585148	Reserve Deputy/Max Villanueva
Western Surety	71238440	Tax Collector/Treva Jackson
Western Surety	71238445	Tax Collector/Treva Jackson
Old Republic	POB2127511	Deputy Tax Assessor/Dixie Mendoza
Western Surety	61781817	Reserve Deputy/Cassondra Davis
Western Surety	61758076	Reserve Deputy/Kevin Davis
Western Surety	71523198	Reserve Deputy/Lisa Peralta
Old Republic	W150209338	Reserve Deputy/Revalee Ann Vargas
Western Surety	71338535	Elections Administrator/Cheryl Butler

Amount	Obligee	Approved By	Premium
\$5,000	County Treasurer	Commissioners Court	\$63.00
\$3,000	County Treasurer	County Judge	\$177.50
\$3,000	County Treasurer	County Judge	\$50.00
\$3,000	County Treasurer	County Judge	\$177.50
\$3,000	County Treasurer	County Judge	\$50.00
\$5,000	Governor of Texas	Commissioners Court	\$50.00
\$50,000	County Judge	Commissioners Court	\$250.00
\$5,000	Governor of Texas	Commissioners Court	\$50.00
\$5,000	County	Commissioners Court	\$50.00
\$5,000	Governor of Texas	Commissioners Court	\$50.00
\$5,000	County	Commissioners Court	\$160.00
\$10,000	County Tax Assessor	County Tax Assessor	\$50.00
\$1,500	Governor of Texas	Commissioners Court	\$50.00
\$5,000	District Judge	District Judge	\$50.00
\$2,500	County Judge	County Judge	\$50.00
\$2,000	County Sheriff	County Sheriff	\$50.00
\$2,000	County Sheriff	County Sheriff	\$50.00
\$100,000	Commissioners Court	Commissioners Court	\$500.00
\$15,000	Governor of Texas	Commissioners Court	\$75.00
\$10,000	County Tax Assessor	County Tax Assessor	\$50.00
\$2,000	County Sheriff	County Sheriff	\$50.00
\$2,000	County Sheriff	County Sheriff	\$50.00
\$2,000	County Sheriff	County Sheriff	\$50.00
\$2,000	County Sheriff	County Sheriff	\$50.00
\$5,000	County Judge	Commissioners Court	\$50.00

INTERNAL CONTROL AND COMPLIANCE SECTION

# MYATT, BLUME, AND OSBURN LTD., L.L.P.

Sham L. Myatt CPA  
Phelps Blume CPA  
Sarah J Osburn CPA  
Buford A. Duff CPA

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MEMBERS  
TEXAS SOCIETY AND AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC ACCOUNTANTS

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

To the Cochran County Commissioners Court  
Cochran County, Texas  
Morton, 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, each major fund, and the aggregate remaining fund information of Cochran County, Texas, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Cochran County, Texas' basic financial statements, and have issued our report thereon dated November 13, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cochran County, Texas' 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 Cochran County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Cochran County, Texas' internal control.

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

Respectfully submitted,



Myatt, Blume, and Osburn, Ltd., L.L.P.

Certified Public Accountants

Levelland, Texas

November 13, 2015