
ARMSTRONG COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FOR YEAR ENDED
DECEMBER 31, 2015**

ARMSTRONG COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED DECEMBER 31, 2015

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PART I

INTRODUCTORY SECTION

ARMSTRONG COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
DECEMBER 31, 2015

Hugh Reed	County Judge
John Britten	Commissioner, Precinct #1
Parker Stewart	Commissioner, Precinct #2
Tom Ferris	Commissioner, Precinct #3
Bruce Ferguson	Commissioner, Precinct #4
Dan Schaap	Judge, 47 th Judicial District
Randall Sims	District Attorney
Patricia Sherrill	District/County Clerk
Joe D. Reck	County Tax Assessor/Collector
Sara Messer	County Treasurer
James R. Walker	County Sheriff
Dianne Samaniego	Justice of the Peace

PART II
FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and their respective budgetary comparison schedule, and the aggregate remaining fund information of Armstrong County, Texas as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 with their respective budgetary comparison schedule, and the aggregate remaining fund information of Armstrong County, Texas, as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in pension liability and related ratios and the schedule of employer contributions on pages 33 – 34 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Armstrong County, Texas' financial statements as a whole. The combining non-major and agency fund financial statements listed under other supplementary information in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining non-major and agency fund financial statements listed under other supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2016, on our consideration of Armstrong 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 Armstrong County, Texas' internal control over financial reporting and compliance.

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

DOSHIER, PICKENS & FRANCIS, LLC
April 8, 2016

BASIC FINANCIAL STATEMENTS

ARMSTRONG COUNTY, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 1,287,635
Investments	307,098
Accounts receivable, net	89,162
Taxes receivable, net	374,612
Due from other governmental entities	119,729
Net pension asset	275,644
Capital assets, net of accumulated depreciation	1,629,794
	<hr/>
Total assets	4,083,674
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions	38,771
Pension economic/demographic losses	4,226
Pension deficient earnings	27,425
	<hr/>
Total deferred outflows of resources	70,422
	<hr/>
LIABILITIES	
Accounts payable	27,853
Due to other governmental entities	43,734
Accrued interest	5,956
Noncurrent liabilities:	
Due within one year	83,891
Due in more than one year	128,999
	<hr/>
Total liabilities	290,433
	<hr/>
NET POSITION	
Net investment in capital assets	1,436,113
Restricted:	
By enabling legislation	148,163
Capital projects	25,605
Unrestricted	2,253,782
	<hr/>
Total net position	\$ 3,863,663
	<hr/> <hr/>

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

ARMSTRONG COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
					Governmental Activities
Primary government					
Governmental Activities:					
Administrative	\$ 121,518	\$ -	\$ 19,454	\$ -	\$ (102,064)
Judicial	282,223	390,918	-	-	108,695
Elections	3,277	-	-	-	(3,277)
Financial administration	269,219	136,712	111,775	-	(20,732)
Public facilities	120,906	57,652	-	123,206	59,952
Corrections and rehabilitation	247,440	60	-	-	(247,380)
Public safety	363,148	10,892	10,347	-	(341,909)
Road and bridge	349,586	21,820	56,989	-	(270,777)
Community and economic development	44,031	-	-	-	(44,031)
Public service	4,600	-	-	-	(4,600)
Interest on long-term debt	7,587	-	-	-	(7,587)
Total	\$ 1,813,535	\$ 618,054	\$ 198,565	\$ 123,206	(873,710)

General revenues:

Taxes:

Property taxes, levied for general purposes	729,383
Property taxes, levied for road and bridge	334,610
Investment earnings	2,334
Miscellaneous	28,451

Total general revenues	<u>1,094,778</u>
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Change in net position	221,068
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Net position - beginning	3,325,569
Prior period restatement	<u>317,026</u>

Net position - beginning, as restated	<u>3,642,595</u>
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Net position - ending	<u>\$ 3,863,663</u>
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The notes to the financial statements are an integral part of this statement.

**ARMSTRONG COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Non-Major</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 777,693	\$ 336,123	\$ 173,819	\$ 1,287,635
Investments	307,098	-	-	307,098
Accounts receivable, net	88,923	-	239	89,162
Taxes receivable, net	256,181	118,431	-	374,612
Due from other governmental entities	82,042	37,687	-	119,729
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,511,937</u>	<u>\$ 492,241</u>	<u>\$ 174,058</u>	<u>\$ 2,178,236</u>
LIABILITIES				
Accounts payable	\$ 2,909	\$ 24,654	\$ 290	\$ 27,853
Due to other governmental entities	43,689	45	-	43,734
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>46,598</u>	<u>24,699</u>	<u>290</u>	<u>71,587</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	41,113	19,538	-	60,651
Unavailable revenue - other receivables	36,460	-	-	36,460
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>77,573</u>	<u>19,538</u>	<u>-</u>	<u>97,111</u>
FUND BALANCES				
Restricted:				
By enabling legislation	-	-	148,163	148,163
Capital projects	-	-	25,605	25,605
Committed for:				
Special projects	-	448,004	-	448,004
Unassigned	1,387,766	-	-	1,387,766
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,387,766</u>	<u>448,004</u>	<u>173,768</u>	<u>2,009,538</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,511,937</u>	<u>\$ 492,241</u>	<u>\$ 174,058</u>	<u>\$ 2,178,236</u>

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

ARMSTRONG COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015

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

Total fund balances - governmental funds	\$ 2,009,538
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	1,629,794
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements	97,111
The net pension asset is not a current financial resource and therefore, is not reported in the fund financial statement, but is reported in the governmental activities of the Statement of Net Position.	275,644
Pension contributions paid after the measurement date, December 31, 2014, and before December 31, 2015 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.	38,771
Pension economic/demographic losses are shown as deferred outflows of resources in the government-wide financial statements.	4,226
Pension deficient earnings are shown as deferred outflows of resources in the government-wide financial statements.	27,425
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements:	
Accrued interest payable	(5,956)
Notes payable	(193,681)
Landfill closure and post-closure costs	(14,000)
Accrued compensated absences	(5,209)
	<hr/>
Net position - governmental activities	\$ <u>3,863,663</u>

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

ARMSTRONG COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General</u>	<u>Road and Bridge</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 831,368	\$ 371,668	\$ -	\$ 1,203,036
Licenses and fees	279,867	21,820	34,407	336,094
Fines and forfeitures	252,831	-	-	252,831
Intergovernmental	216,272	56,989	48,510	321,771
Investment earnings	2,220	109	5	2,334
Miscellaneous	18,785	2,860	6,806	28,451
Total revenues	<u>1,601,343</u>	<u>453,446</u>	<u>89,728</u>	<u>2,144,517</u>
EXPENDITURES				
Current:				
Administrative	102,845	-	9,333	112,178
Judicial	268,343	-	14,333	282,676
Elections	3,292	-	-	3,292
Financial administration	273,189	-	-	273,189
Public facilities	55,585	-	-	55,585
Corrections and rehabilitation	253,402	-	-	253,402
Public safety	341,417	-	6,082	347,499
Road and bridge	-	300,202	-	300,202
Community and economic development	44,476	-	-	44,476
Public service	4,600	-	-	4,600
Debt service:				
Principal	29,302	51,302	-	80,604
Interest	3,191	6,973	-	10,164
Capital outlay	-	14,772	58,922	73,694
Total expenditures	<u>1,379,642</u>	<u>373,249</u>	<u>88,670</u>	<u>1,841,561</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>221,701</u>	<u>80,197</u>	<u>1,058</u>	<u>302,956</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	14,772	-	14,772
Transfers in	-	74,000	-	74,000
Transfers out	-	-	(74,000)	(74,000)
Total other financing sources (uses)	<u>-</u>	<u>88,772</u>	<u>(74,000)</u>	<u>14,772</u>
NET CHANGE IN FUND BALANCES	<u>221,701</u>	<u>168,969</u>	<u>(72,942)</u>	<u>317,728</u>
FUND BALANCES - BEGINNING	<u>1,166,065</u>	<u>279,035</u>	<u>246,710</u>	<u>1,691,810</u>
FUND BALANCES - ENDING	<u>\$ 1,387,766</u>	<u>\$ 448,004</u>	<u>\$ 173,768</u>	<u>\$ 2,009,538</u>

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

ARMSTRONG COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

Amounts reported for Governmental Activities in the Statement of Activities are different

Net change in fund balances - total governmental funds:	\$	317,728
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Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which depreciation, \$160,409, exceeded capital outlays, \$73,694, in the current period.		(86,715)
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Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenue.		(109,914)
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In the Statement of Net Position, incurring debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayments of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position.

Debt issued or incurred:		
Note payable		(14,772)
Principal repayments:		
Note payable		80,604

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

Accrued interest on debt, net change		2,576
Compensated absences, net change		2,521
Pension contributions, net change		(3,198)
Pension economic/demographic losses		4,226
Pension deficient earnings		27,425
Net pension asset, net change		587

Change in net position - governmental activities	\$	221,068
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The notes to the financial statements are an integral part of this statement.

ARMSTRONG COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 658,438	\$ 658,438	\$ 831,368	\$ 172,930
Licenses and fees	257,115	257,115	279,867	22,752
Fines and forfeitures	325,000	325,000	252,831	(72,169)
Intergovernmental	206,167	238,318	216,272	(22,046)
Investment earnings	1,700	1,700	2,220	520
Miscellaneous	100	100	18,785	18,685
Total revenues	1,448,520	1,480,671	1,601,343	120,672
EXPENDITURES				
Current:				
Administrative	108,925	108,925	102,845	6,080
Judicial	274,657	282,257	268,343	13,914
Elections	18,000	7,000	3,292	3,708
Financial administration	281,612	284,612	273,189	11,423
Public facilities	69,081	68,330	55,585	12,745
Corrections and rehabilitation	244,369	254,569	253,402	1,167
Public safety	315,604	360,731	341,417	19,314
Community and economic development	59,746	51,997	44,476	7,521
Public service	44,033	44,033	4,600	39,433
Debt service:				
Principal	-	29,302	29,302	-
Interest	-	3,191	3,191	-
Capital outlay	32,493	-	-	-
Total expenditures	1,448,520	1,494,947	1,379,642	115,305
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(14,276)	221,701	235,977
OTHER FINANCING SOURCES (USES)				
Transfers in	-	10,000	-	(10,000)
Total other financing sources (uses)	-	10,000	-	(10,000)
NET CHANGE IN FUND BALANCE	-	(4,276)	221,701	225,977
FUND BALANCE - BEGINNING	1,166,065	1,166,065	1,166,065	-
FUND BALANCE - ENDING	<u>\$ 1,166,065</u>	<u>\$ 1,161,789</u>	<u>\$ 1,387,766</u>	<u>\$ 225,977</u>

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

ARMSTRONG COUNTY, TEXAS
ROAD AND BRIDGE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 298,454	\$ 298,454	\$ 371,668	\$ 73,214
Licenses and fees	24,000	24,000	21,820	(2,180)
Intergovernmental	45,000	45,000	56,989	11,989
Investment earnings	50	50	109	59
Miscellaneous	-	-	2,860	2,860
	<u>367,504</u>	<u>367,504</u>	<u>453,446</u>	<u>85,942</u>
Total revenues				
EXPENDITURES				
Current:				
Road and bridge	367,504	315,229	300,202	15,027
Debt Service:				
Principal	-	51,302	51,302	-
Interest	-	6,973	6,973	-
Capital outlay	-	-	14,772	(14,772)
	<u>367,504</u>	<u>373,504</u>	<u>373,249</u>	<u>255</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(6,000)</u>	<u>80,197</u>	<u>86,197</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	-	14,772	14,772
Transfers in	-	74,000	74,000	-
	<u>-</u>	<u>74,000</u>	<u>88,772</u>	<u>14,772</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>68,000</u>	<u>168,969</u>	<u>100,969</u>
FUND BALANCE - BEGINNING	<u>279,035</u>	<u>279,035</u>	<u>279,035</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 279,035</u>	<u>\$ 347,035</u>	<u>\$ 448,004</u>	<u>\$ 100,969</u>

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

**ARMSTRONG COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2015**

ASSETS

Cash and cash equivalents	\$ 64,840
	<hr/>
Total assets	\$ 64,840
	<hr/> <hr/>

LIABILITIES

Due to other governments	\$ 5,640
Deposits	59,200
	<hr/>
Total liabilities	\$ 64,840
	<hr/> <hr/>

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

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The County, incorporated in 1890, is a public corporation and political subdivision of the State of Texas. The County is governed by the Commissioners Court, composed of four County Commissioners and the County Judge, all of whom are elected officials.

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

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

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

Government-Wide Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, are supported by taxes and intergovernmental revenue.

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

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

Government-Wide Statements – Continuation

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

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

Fund-Level Statements

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

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

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

The County reports the following major governmental funds:

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

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

Fund-Level Statements – Continuation

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

Fiduciary fund level financial statements include fiduciary funds which are classified into private purpose trust and agency funds. The County has only agency funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Use of Restricted Assets

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

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

1. Deposits and Investments

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

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

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

2. Receivables and Payables

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

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

2. Receivables and Payables – Continuation

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unavailable revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts of \$622,588.

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

3. Property Tax Calendar and Revenues

Property taxes are based on taxable value at January 1 and become due October 1 and past due after January 31 of the following year. Tax collections during the months of October through December are entitled to discounts offered by the County. Tax collections after February 1 are treated as late payments and are subject to penalty and interest. Uncollected taxes from the current tax roll become delinquent on July 1 and are subject to additional penalties and interest. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables are shown net of an allowance for uncollectible accounts of \$41,624.

4. Capital Assets

Capital assets, which include land, buildings and improvements, infrastructure, and equipment, are reported in the government-wide financial statements. The County has opted not to retroactively report infrastructure assets (assets acquired prior to January 1, 2004). According to the County's capitalization policy, capital assets, such as equipment, are defined as individual assets (or systems of assets) having a cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

4. Capital Assets – Continuation

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

Buildings and improvements	20-50 years
Infrastructure	40 years
Equipment	5-10 years

5. Compensated Absences

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

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

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

The County's permanent, full-time employees are entitled to vacations of up to a maximum of twenty-one days per year based on years of employment. Vacation time earned, but not taken, is paid at termination, but employees cannot accumulate more than seven days beyond one calendar year. Sick leave accrues at one day per month with a maximum of 120 working days, but compensation is paid only for an illness-related absence. Unused sick leave is non-vesting and will not be paid on termination. Accrued vacation leave and comp time are accrued in the government-wide financial statements.

6. Long-term Obligations

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

In the fund financial statements the face amount of debt issued is reported as other financing sources.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow or resources (expense/expenditure) until then. The government has multiple items that qualify for reporting in this category. They are the contributions and other items related to the County's pension plan reported in the government-wide statement of net position.

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

7. Deferred Outflows/Inflows of Resources – Continuation

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item that qualifies for reporting in this category. One item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Pensions

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

9. Fund Balances

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

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

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

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

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

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

9. Fund Balances – Continuation

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

10. Net Position

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

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

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

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

11. Use of Estimates

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

12. Implementation of New Standards

The County implemented Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions*. This standard requires government employers to recognize as a liability, for the first time, their long-term obligation for pension benefits. The employer liability is to be measured as the difference between the present value of projected benefit payments to be provided through the pension plan for past periods of service less the amount of the pension plan’s fiduciary net position. The standard also requires more immediate recognition of annual service cost, interest and changes in benefits for pension expense; specifies requirements for discount rates, attribution methods; and changes disclosure requirements.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

1. Prior to September 1, the proposed budget is submitted to the Commissioners' Court.

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – Continuation

A. Budgetary Information – Continuation

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

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2015, expenditures exceeded appropriations in the Capital Outlay function of the Road and Bridge Fund by \$14,772. The excess of expenditures were covered by proceeds from debt related to the acquisition of the asset.

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the County's cash and deposit balances as of December 31, 2015:

Cash and deposit balances consist of:

Petty cash funds	\$ 50
Bank deposits	445,450
Temporary investments - TexPool	<u>906,975</u>
Total	<u><u>\$ 1,352,475</u></u>

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

Government-wide Statement of Net Assets:	
Unrestricted	\$ 1,287,635
Fiduciary Funds Statement of Net Assets	<u>64,840</u>
Total	<u><u>\$ 1,352,475</u></u>

As of December 31, 2015, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Governmental activities		
Certificates of deposit (interest rate at .40%)	<u>\$ 307,098</u>	
Total fair value	<u><u>\$ 307,098</u></u>	
Portfolio weighted average maturity		<u><u>365</u></u>

Custodial credit risk – deposits. As of December 31, 2015, the carrying amount of the County's deposits with financial institutions was \$752,548 and the bank's balance was \$776,792. Of the bank balance, \$619,606 was insured through the Federal Depository Insurance Corporation (FDIC) and \$157,186 was collateralized with securities held by the pledging institution's agent in the County's name.

As of December 31, 2015, the County had \$906,975 invested with Texas Treasury Safekeeping Trust Company (TexPool). TexPool is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over the funds. 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 of the pool and other persons who do not have a business relationship with the pool. The advisory board members review the investment policy and management fee structure.

The investment pool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Both pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in the pools is the same as the value of the shares.

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

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 – DEPOSITS AND INVESTMENTS – Continuation

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

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single insurer. As of December 31, 2015, 55% of the County's carrying value of cash was invested in pooled investment accounts. All other cash was deposited with the County's depository bank and was adequately secured as described above.

NOTE 4 – PROPERTY TAX

The State of Texas Constitutional tax rate limit for both operations and debt service is \$.80 on each \$100 of assessed valuation. The tax rate on the 2015 tax roll was \$.364322 per \$100, which means that the County has a tax margin of \$.435678 per \$100 and could raise up to \$863,469 additional revenue from the 2015 assessed valuation of \$198,189,740 before the limit is reached.

The State of Texas Constitutional tax rate limit for the maintenance of farm-to-market roads is \$.30 on each \$100 of assessed valuation. The tax rate on the 2015 tax roll was \$.167932 per \$100, which means that the County has a tax margin of \$.132068 per \$100 and could raise up to \$260,391 additional revenue from the 2015 assessed valuation of \$197,164,160 before the limit is reached.

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

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5 – CAPITAL ASSETS

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

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 41,108	\$ -	\$ -	\$ 41,108
Construction in progress	78,732	49,159	(52,073)	75,818
	<u>119,840</u>	<u>49,159</u>	<u>(52,073)</u>	<u>116,926</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings and improvements	1,792,891	9,763	-	1,802,654
Infrastructure	-	52,073	-	52,073
Equipment	1,472,760	14,772	-	1,487,532
	<u>3,265,651</u>	<u>76,608</u>	<u>-</u>	<u>3,342,259</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Buildings and improvements	(600,071)	(78,498)	-	(678,569)
Equipment	(1,068,911)	(81,911)	-	(1,150,822)
	<u>(1,668,982)</u>	<u>(160,409)</u>	<u>-</u>	<u>(1,829,391)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>1,596,669</u>	<u>(83,801)</u>	<u>-</u>	<u>1,512,868</u>
Governmental activities capital assets, net	<u>\$ 1,716,509</u>	<u>\$ (34,642)</u>	<u>\$ (52,073)</u>	<u>\$ 1,629,794</u>

Construction in progress

The County has active construction projects as of December 31, 2015 for transportation infrastructure projects on the County road system. As of December 31, 2015, the County has spent \$127,891 and anticipates on spending an estimated \$320,109, comprised of both County and State funds, to finish the project over the next year.

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5 – CAPITAL ASSETS – Continuation

Depreciation expense for the year ended December 31, 2015 was charged to the functions/programs of the primary government as follows:

Governmental activities	
Administrative	\$ 13,705
Financial administration	1,204
Judicial	2,547
Public facilities	65,630
Public safety	22,478
Road and bridge	54,845
	<hr/>
Total Depreciation Expense	\$ 160,409
	<hr/>

NOTE 6 – RETIREMENT PLAN

Benefits Provided: The plan provisions are adopted by the governing body of the County (employer), within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees Covered by Benefit Terms: At September 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	46
Active employees	35

Contributions: The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually.

The County contributed using the actuarially determined rate of 6.13% for the months of the accounting year in 2014 and 5.25% for the months of the accounting year in 2015. The contribution rate payable by the employee members is 7.0% for fiscal year 2015 as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6 – RETIREMENT PLAN – Continuation

Net Pension Liability: The County's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	General wage inflation component of 3.5% and a merit, promotion and longevity component that on average approximates 1.4% per year for career employees.
Investment rate of return	8.10%
Cost-of-living adjustments	None

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions that determined the total pension liability as of December 31, 2014 were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information are provided by TCDRS' investment consultant based on January 2015 information for a 7 – 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6 – RETIREMENT PLAN – Continuation

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

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	16.50%	5.35%
Private Equity	12.00%	8.35%
Global Equities	1.50%	5.65%
International Equities - Developed	11.00%	5.35%
International Equities - Emerging	9.00%	6.35%
Investment-Grade Bonds	3.00%	0.55%
High-Yield Bonds	3.00%	3.75%
Opportunistic Credit	5.00%	5.54%
Direct Lending	2.00%	5.80%
Distressed Debt	3.00%	6.75%
REIT Equities	2.00%	4.00%
Commodities	2.00%	-0.20%
Master Limited Partnerships	2.00%	5.30%
Private Real Estate Partnerships	3.00%	7.20%
Hedge Funds	25.00%	5.15%

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

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

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

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6 – RETIREMENT PLAN – Continuation

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

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

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

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

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

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6 – RETIREMENT PLAN – Continuation

Changes in the Net Pension Liability / (Asset):

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2013	\$ 2,147,318	\$ 2,422,375	\$ (275,057)
Changes for the year:			
Service cost	79,674	-	79,674
Interest on total pension liability (1)	173,152	-	173,152
Effect of economic/demographic gains or losses	6,339	-	6,339
Refund of contributions	(11,391)	(11,391)	-
Benefit payments	(87,956)	(87,956)	-
Administrative expenses	-	(1,929)	1,929
Member contributions	-	47,904	(47,904)
Net investment income	-	163,728	(163,728)
Employer contributions	-	41,969	(41,969)
Other (2)	-	8,080	(8,080)
Balances as of December 31, 2014	<u>\$ 2,307,136</u>	<u>\$ 2,582,780</u>	<u>\$ (275,644)</u>

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

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

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 2,535,575	\$ 2,307,136	\$ 2,115,360
Fiduciary net position	<u>2,582,780</u>	<u>2,582,780</u>	<u>2,582,780</u>
Net pension liability / (asset)	<u>\$ (47,205)</u>	<u>\$ (275,644)</u>	<u>\$ (467,420)</u>

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6 – RETIREMENT PLAN – Continuation

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

Pension Expense / (Income):

	January 1, 2014 to December 31, 2014
Service cost	\$ 79,674
Interest on total pension liability (1)	173,152
Effect of plan changes	-
Administrative expenses	1,929
Member contributions	(47,904)
Expected investment return net of investment expenses	(198,009)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	2,113
Recognition of assumption changes or inputs	-
Recognition of investment gains or losses	6,856
Other (2)	(8,080)
Pension expense / (income)	<u>\$ 9,731</u>

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

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

Deferred Inflows / Outflows of Resources: As of December 31, 2014, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,226
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	27,425
Contributions made subsequent to measurement date	N/A	38,771

Continued

**ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 6 – RETIREMENT PLAN – Continuation

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

Year ended December 31:		
2015	\$	8,969
2016		8,969
2017		6,856
2018		6,856
2019		-
Thereafter		-

NOTE 7 – POSTEMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN

Plan Description

Armstrong County, Texas participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GLTF). This optional plan provides group term life insurance coverage to current eligible employees. The 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 issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Funding Policy

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. Armstrong County, Texas contributions to the GTLF for the years ended December 31, 2015, 2014, and 2013, were \$5,169, \$5,043, and \$4,343, respectively, which equaled the contractually required contributions each year.

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Fund	Interfund Transfers In	Interfund Transfers Out
Special Revenue Fund:		
Road and Bridge	\$ 74,000	\$ -
Capital Projects Fund:		
TxDot Road Grant Fund	-	74,000
	<u>\$ 74,000</u>	<u>\$ 74,000</u>

The primary purpose for interfund transfers is to move funds for debt service payments to the fund where the payments are made.

NOTE 9 – CONCENTRATION OF TAXPAYERS

As of December 31, 2015, the following taxpayers accounted for a significant portion of the County's total tax levy.

Taxpayer	Industry	Tax Amount	Percent of Total Levy
Taxpayer A	Public Electric Utility	\$ 174,203	16.54 %
Taxpayer B	Railroad	143,113	13.59

NOTE 10 – LONG-TERM LIABILITIES

In 2013 the County financed capital purchases of heavy equipment with Caterpillar Financial. Principal and interest payments are to be made annually. The interest rate is 3.20% and the debt is collateralized by the purchased equipment

In 2013 the County financed capital purchases of vehicles with Public Property Finance Contract #6336. Principal and interest payments are to be made annually on February 15. The interest rate is 4.90% and the debt is collateralized by the purchased equipment.

In 2013 the County financed capital purchases of vehicles with Public Property Finance Contract #6460. Principal and interest payments are to be made annually on February 15. The interest rate is 5.20% and the debt is collateralized by the purchased equipment.

In 2015 the County financed capital purchases of heavy equipment with John Deere Financial. Principal and interest payments are to be made annually. The interest rate is 4.00% and the debt is collateralized by the purchased equipment

Continued

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 10 – LONG-TERM LIABILITIES – Continuation

The annual debt service requirement on long-term liabilities outstanding as of December 31, 2015 is as follows:

Fiscal Year	Total	Notes Payable							
		Caterpillar Financial		Public Property Finance Contract # 6336		Public Property Finance Contract # 6460		John Deere Financial	
		Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2016	\$ 90,768	\$ 4,046	\$ 40,940	\$ 1,273	\$ 8,099	\$ 1,636	\$ 30,857	\$ 442	\$ 3,475
2017	58,274	2,736	42,250	869	8,502	-	-	300	3,617
2018	58,275	1,735	43,252	445	8,926	-	-	153	3,764
	<u>\$ 207,317</u>	<u>\$ 8,517</u>	<u>\$ 126,442</u>	<u>\$ 2,587</u>	<u>\$ 25,527</u>	<u>\$ 1,636</u>	<u>\$ 30,857</u>	<u>\$ 895</u>	<u>\$ 10,856</u>

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable:					
Caterpillar Financial	\$ 166,113	\$ -	\$ (39,671)	\$ 126,442	\$ 40,940
Public Property Finance Contract #6336	33,241	-	(7,714)	25,527	8,099
Public Property Finance Contract #6460	60,159	-	(29,302)	30,857	30,857
John Deere Financial	-	14,772	(3,917)	10,855	3,475
Landfill closure costs	14,000	-	-	14,000	-
Compensated absences	7,730	14,463	(16,984)	5,209	520
Governmental activity long-term liabilities	<u>\$ 281,243</u>	<u>\$ 29,235</u>	<u>\$ (97,588)</u>	<u>\$ 212,890</u>	<u>\$ 83,891</u>

The County paid interest expense of \$10,163 during the year ended December 31, 2015.

ARMSTRONG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 11 – LANDFILL CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$14,000 reported as landfill closure and post-closure care liability at December 31, 2015, represents the cumulative amount reported to date based on the use of 70% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and post-closure care of \$6,000 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by the Texas Commission on Environmental Quality to satisfy certain requirements of financial assurance for closure and post-closure cost by meeting certain financial tests. In the opinion of County management, all financial assurance requirements have been met at December 31, 2015. The County has the option of securing a surety bond in an amount that approximates the current closure and post-closure care costs in lieu of the financial assurance tests. Armstrong County has secured such a surety bond, in the amount of \$20,000, in addition to meeting the financial assurance requirements required by the Texas Commission of Environmental Quality.

NOTE 12 – RISK MANAGEMENT

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

NOTE 13 – PRIOR PERIOD ADJUSTMENT

The beginning net position on the Statement of Revenues, Expenses and Changes in Net Position was changed due to the adoption of GASB Statements 67 and 68 and the resulting requirement to report the net pension liability and the deferred outflow of resources due to employer contributions. The following schedule summarizes the prior period adjustment:

Net pension asset as determined at the 12/31/13 measurement date	\$ 275,057
Deferred outflow of resources for employer contributions paid after the 12/31/13 measurement date and before the 12/31/14 year end date	<u>41,969</u>
Prior period adjustment	<u><u>\$ 317,026</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

ARMSTRONG COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	Year Ended December 31,			
	2014	2013	2012	2011
Total Pension Liability:				
Service cost	\$ 79,674	\$ N/A	\$ N/A	\$ N/A
Interest on total pension liability (1)	173,152	N/A	N/A	N/A
Effect of plan changes	-	N/A	N/A	N/A
Effect of assumption changes or inputs	-	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	6,339	N/A	N/A	N/A
Benefit payments/refunds of contributions	(99,347)	N/A	N/A	N/A
Net change in total pension liability	159,818	N/A	N/A	N/A
Total pension liability, beginning	2,147,318	N/A	N/A	N/A
Total pension liability, ending (a)	<u>\$ 2,307,136</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Fiduciary Net Position:				
Employer contributions	\$ 41,969	\$ N/A	\$ N/A	\$ N/A
Member contributions	47,904	N/A	N/A	N/A
Investment income net of investment expenses	163,728	N/A	N/A	N/A
Benefit payments/refunds of contributions	(99,347)	N/A	N/A	N/A
Administrative expenses	(1,929)	N/A	N/A	N/A
Other	8,080	N/A	N/A	N/A
Net change in fiduciary net position	160,405	N/A	N/A	N/A
Fiduciary net position, beginning	2,422,375	N/A	N/A	N/A
Fiduciary net position, ending (b)	<u>\$ 2,582,780</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (275,644)</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Fiduciary net position as a % of total pension liability	111.95%	N/A	N/A	N/A
Pensionable covered payroll	\$ 684,342	\$ N/A	\$ N/A	\$ N/A
Net pension liability as a % of covered payroll	-40.28%	N/A	N/A	N/A

This schedule is presented to show information for 10 years in accordance with the standards of GASB 68. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 68, they have not been shown. Therefore, we have shown only years for which the new standard has been implemented.

ARMSTRONG COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Fiscal Years

<u>Year Ending December 31:</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll (1)</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2005	Not Available	Not Available	Not Available	Not Available	Not Available
2006	\$ 20,486	\$ 20,486	\$ -	\$ 550,703	3.7%
2007	22,482	22,482	-	564,871	4.0%
2008	19,521	19,521	-	610,028	3.2%
2009	21,261	21,261	-	573,066	3.7%
2010	31,007	31,007	-	597,432	5.2%
2011	30,824	30,824	-	611,590	5.0%
2012	33,446	33,451	(5)	607,011	5.5%
2013	36,438	36,732	(294)	615,503	6.0%
2014	41,950	41,969	(19)	684,342	6.1%

(1) Payroll is calculated based on contributions as reported to TCDRS

Following are the key assumptions and methods used in this GASB analysis.

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3%
Salary increases	General wage inflation component of 3.5% and a merit, promotion and longevity component that on average approximates 1.4% per year for career employees.
Investment rate of return	8.1%
Cost-of-living adjustments	None
Retirement age	Expected retirement ages have been adjusted to more closely reflect actual experience using factors of age and gender.
Mortality	The RP-2000 Mortality Tables were utilized.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Records Management – The Records Management Fund accounts for fees collected by the County Clerk after the filing and recording of a document in the records office of the Clerk. The fees are dedicated by law to be used for specific records management and preservation purposes of the County.

District Records Management – The District Records Management Fund accounts for fees collected by the District Clerk after the filing of a suit. The fees are dedicated by law to be used for specific records management and preservation purposes.

Archive – The Archive Fund accounts for fees collected by the County Clerk for the recording or filing of public documents. The fees are dedicated by law to be expended only for the preservation and restoration of the County Clerk's record archive.

Courthouse Security – The Courthouse Security Fund accounts for fees collected by the County and District Clerks from all defendants convicted of an offense. The fees are dedicated by law to be used to fund and support security systems and personnel within the District, County or Justice Courts.

Justice Court Technology – The Justice Court Technology Fund accounts for fees collected by the County Clerk from all defendants convicted of a misdemeanor offense in a Justice Court. The fees are dedicated by law to be expended only for the costs of continuing education for justice court judges and clerks regarding technological enhancements for justice courts and the costs of those enhancements.

Task Force Indigent Defense – The Task Force Indigent Defense Fund accounts for fees collected by the County Clerk on all cases heard by a Justice of the Peace. The fees are dedicated by law to aid the defense of an indigent person.

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

Sheriff Seizure – The Sheriff Seizure Fund accounts for the assets and proceeds from the disposition of assets used in the commission of criminal activity and subsequently seized by the office of the County Sheriff. The funds are dedicated by law to be used solely for law enforcement purposes.

CAPITAL PROJECTS FUNDS

The Capital Projects Funds account for financial resources designated for acquisition of fixed assets and construction projects.

Jail Restoration – The Jail Restoration Fund was created to account for the grants received, as well as expenditures for the purpose of restoring and renovating the County Jail.

TxDOT Road Grant – The TxDot Road Grant Fund is a capital projects fund used to account for the grants received, as well as expenditures for the purpose of replacing certain county roads.

Capital Outlay – The Capital Outlay Fund was created to account for funds committed for the purpose of future purchases of capital assets.

**ARMSTRONG COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

		<u>Special Revenue</u>		
		<u>Records Management</u>	<u>District Records Management</u>	<u>Archive</u>
ASSETS				
Cash and cash equivalents		\$ 15,956	\$ 2,847	\$ 16,535
Accounts receivable		130	25	50
		<u> </u>	<u> </u>	<u> </u>
Total assets		<u>\$ 16,086</u>	<u>\$ 2,872</u>	<u>\$ 16,585</u>
LIABILITIES				
Accounts payable		\$ 138	\$ -	\$ -
		<u> </u>	<u> </u>	<u> </u>
Total liabilities		<u>138</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted:				
By enabling legislation		15,948	2,872	16,585
Capital projects		-	-	-
		<u> </u>	<u> </u>	<u> </u>
Total fund balances		<u>15,948</u>	<u>2,872</u>	<u>16,585</u>
		<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances		<u>\$ 16,086</u>	<u>\$ 2,872</u>	<u>\$ 16,585</u>

Special Revenue

Courthouse Security	Justice Court Technology	Task Force Indigent Defense	Sheriff Commissary	Sheriff Seizure	Total
\$ 41,283	\$ 41,726	\$ 18,505	\$ 540	\$ 10,670	\$ 148,062
34	-	-	-	-	239
<u>\$ 41,317</u>	<u>\$ 41,726</u>	<u>\$ 18,505</u>	<u>\$ 540</u>	<u>\$ 10,670</u>	<u>\$ 148,301</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138
-	-	-	-	-	138
41,317	41,726	18,505	540	10,670	148,163
-	-	-	-	-	-
41,317	41,726	18,505	540	10,670	148,163
<u>\$ 41,317</u>	<u>\$ 41,726</u>	<u>\$ 18,505</u>	<u>\$ 540</u>	<u>\$ 10,670</u>	<u>\$ 148,301</u>
Continued					

**ARMSTRONG COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

Continuation

	Capital Projects		
	Jail Restoration	TxDOT Road Grant	Capital Outlay
ASSETS			
Cash and cash equivalents	\$ 805	\$ 18,522	\$ 6,430
Accounts receivable	-	-	-
Total assets	<u>\$ 805</u>	<u>\$ 18,522</u>	<u>\$ 6,430</u>
LIABILITIES			
Accounts payable	\$ 152	\$ -	\$ -
Total liabilities	<u>152</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted:			
By enabling legislation	-	-	-
Capital projects	<u>653</u>	<u>18,522</u>	<u>6,430</u>
Total fund balances	<u>653</u>	<u>18,522</u>	<u>6,430</u>
Total liabilities and fund balances	<u>\$ 805</u>	<u>\$ 18,522</u>	<u>\$ 6,430</u>

Capital Projects		Total Non- Major Governmental Funds
Total		
\$ 25,757	\$ 173,819	
-	239	
<u>\$ 25,757</u>	<u>\$ 174,058</u>	
\$ 152	\$ 290	
<u>152</u>	<u>290</u>	
-	148,163	
<u>25,605</u>	<u>25,605</u>	
<u>25,605</u>	<u>173,768</u>	
<u>\$ 25,757</u>	<u>\$ 174,058</u>	

ARMSTRONG COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Special Revenue</u>		
	<u>Records Management</u>	<u>District Records Management</u>	<u>Archive</u>
REVENUES			
Licenses and fees	\$ 7,393	\$ 560	\$ 5,872
Intergovernmental	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>7,393</u>	<u>560</u>	<u>5,872</u>
EXPENDITURES			
Current:			
Administrative	7,598	-	1,735
Judicial	-	277	-
Public safety	-	-	-
Capital outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>7,598</u>	<u>277</u>	<u>1,735</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(205)</u>	<u>283</u>	<u>4,137</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(205)	283	4,137
FUND BALANCES - BEGINNING	<u>16,153</u>	<u>2,589</u>	<u>12,448</u>
FUND BALANCES - ENDING	<u>\$ 15,948</u>	<u>\$ 2,872</u>	<u>\$ 16,585</u>

Special Revenue

Courthouse Security	Justice Court Technology	Task Force Indigent Defense	Sheriff Commissary	Sheriff Seizure	Total
\$ 10,592	\$ 9,666	\$ -	\$ 324	\$ -	\$ 34,407
-	-	6,183	-	-	6,183
-	-	-	1	4	5
-	-	-	-	6,806	6,806
10,592	9,666	6,183	325	6,810	47,401
-	-	-	-	-	9,333
506	13,550	-	-	-	14,333
-	-	-	469	2,649	3,118
9,763	-	-	-	-	9,763
10,269	13,550	-	469	2,649	36,547
323	(3,884)	6,183	(144)	4,161	10,854
-	-	-	-	-	-
-	-	-	-	-	-
323	(3,884)	6,183	(144)	4,161	10,854
40,994	45,610	12,322	684	6,509	137,309
\$ 41,317	\$ 41,726	\$ 18,505	\$ 540	\$ 10,670	\$ 148,163

Continued

ARMSTRONG COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Capital Projects</u>		
	<u>Jail Restoration</u>	<u>TxDOT Road Grant</u>	<u>Capital Outlay</u>
Continuation			
REVENUES			
Licenses and fees	\$ -	\$ -	\$ -
Intergovernmental	3,000	39,327	-
Investment earnings	-	-	-
Miscellaneous	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>3,000</u>	<u>39,327</u>	<u>-</u>
EXPENDITURES			
Current:			
Administrative	-	-	-
Judicial	-	-	-
Public safety	2,964	-	-
Capital outlay	-	49,159	-
	<u>-</u>	<u>49,159</u>	<u>-</u>
Total expenditures	<u>2,964</u>	<u>49,159</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>36</u>	<u>(9,832)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(74,000)	-
	<u>-</u>	<u>(74,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(74,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	36	(83,832)	-
FUND BALANCES - BEGINNING	<u>617</u>	<u>102,354</u>	<u>6,430</u>
FUND BALANCES - ENDING	<u>\$ 653</u>	<u>\$ 18,522</u>	<u>\$ 6,430</u>

Capital Projects	
Total	Total Non- Major Governmental Funds
\$ -	\$ 34,407
42,327	48,510
-	5
-	6,806
<u>42,327</u>	<u>89,728</u>
-	9,333
-	14,333
2,964	6,082
<u>49,159</u>	<u>58,922</u>
<u>52,123</u>	<u>88,670</u>
<u>(9,796)</u>	<u>1,058</u>
<u>(74,000)</u>	<u>(74,000)</u>
<u>(74,000)</u>	<u>(74,000)</u>
(83,796)	(72,942)
<u>109,401</u>	<u>246,710</u>
<u>\$ 25,605</u>	<u>\$ 173,768</u>

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

Inmate Trust – The Inmate Trust Fund accounts for monies being held for the benefit of the inmates in the County Jail.

ARMSTRONG COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2015

	<u>County and District Clerk</u>	<u>Tax Assessor Collector</u>	<u>Inmate Trust</u>	<u>Total Agency Funds</u>
ASSETS				
Cash and cash equivalents	<u>\$ 58,772</u>	<u>\$ 5,640</u>	<u>\$ 428</u>	<u>\$ 64,840</u>
Total assets	<u><u>\$ 58,772</u></u>	<u><u>\$ 5,640</u></u>	<u><u>\$ 428</u></u>	<u><u>\$ 64,840</u></u>
LIABILITIES				
Due to other governments	<u>\$ -</u>	<u>\$ 5,640</u>	<u>\$ -</u>	<u>\$ 5,640</u>
Deposits	<u>58,772</u>	<u>-</u>	<u>428</u>	<u>59,200</u>
Total liabilities	<u><u>\$ 58,772</u></u>	<u><u>\$ 5,640</u></u>	<u><u>\$ 428</u></u>	<u><u>\$ 64,840</u></u>

PART III
COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and its respective budgetary comparison schedule, and the aggregate remaining fund information of Armstrong County, Texas as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Armstrong County, Texas' basic financial statements and have issued our report thereon dated April 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Armstrong 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 Armstrong County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Armstrong 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

- **2015-1**

Compliance and Other Matters

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

Purpose of this Report

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

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

DOSHIER, PICKENS & FRANCIS, LLC

April 8, 2016

ARMSTRONG CONUNTY, TEXAS
SCHEDULE OF FINDINGS
DECEMBER 31, 2015

Finding 2015-1

DEFICIENCIES IN THE DESIGN OF CONTROLS:

Inadequate segregation of duties within a significant account or accounting process is considered to be a deficiency in your financial reporting controls. The offices of the County/District Clerk, Justice of the Peace, and Tax Assessor/Collector, because of the small size of the offices, have not been able to adequately segregate the processes of cash receipts and deposits, cash disbursements and checks, and reconciling the bank accounts. Because of this lack of segregation of duties within these processes of handling cash, there is a risk that a material misstatement could be present in the financial statements or that fraud could occur and would not be detected by management timely. Though these offices may not be able to adequately segregate these processes within the office, the officials should implement compensating controls over these processes such as having the bank reconciliations reviewed by another official of the County outside of their office.