

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

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

December 10, 2019

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

We have audited the financial statements of Cottle County, Texas (the County) for the fiscal year ended September 30, 2019, and have issued our report thereon dated December 10, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 1, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending September 30, 2019. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

Management's estimate for the useful lives of capital assets is based on industry practice. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements related to the County's retirement pension plan in Note G.

The disclosure of tax abatements in the notes to the financial statements, given that the County is foregoing a material amount of tax revenue in making those agreements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 10, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

We reported certain issues to management of the County in a separate letter dated December 10, 2019.

Other Matters

We applied certain limited procedures to the MD&A, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, the Budgetary Comparison Schedule – General Fund, and the Budgetary Comparison Schedule – Road and Bridge Fund, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Client: **14967 - Cottle County, Texas**
Engagement: **2019 Cottle County, Texas**
Period Ending: **9/30/2019**
Trial Balance: **017 W - Trial Balance**
Workpaper: **017 W - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To adjust delinquent taxes.				
10-100-151	ALLOWANCE FOR UNCOLLECTIBLE		51,021.24	
10-200-250	DEFERRED REVENUE - TAXES		4,518.96	
11-100-151	ALLOWANCE FOR UNCOLLECTIBLE		2,583.63	
11-200-250	DEFERRED REVENUE - TAXES		222.16	
12-100-151	ALLOANCE FOR UNCOLLECTIBLE		2,583.63	
12-200-250	DEFERRED REVENUE - TAXES		222.16	
13-100-151	ALLOWANCE FOR UNCOLLECTIBLE		2,583.63	
13-200-250	DEFERRED REVENUE		222.16	
14-100-151	ALLOWANCE FOR UNCOLLECTIBLE		2,583.63	
14-200-250	DEFERRED REVENUE - TAXES		222.16	
10-100-150	TAXES RECEIVABLE			55,540.20
11-100-150	TAXES RECEIVABLE			2,805.79
12-100-150	TAXES RECEIVALBE			2,805.79
13-100-150	TAXES RECEIVALBE			2,805.79
14-100-150	TAXES RECEIVABLE			2,805.79
Total			66,763.36	66,763.36

Adjusting Journal Entries JE # 2

To adjust EMS receivable.

10-342-370	AMBULANCE SERVICE		17,389.15	
10-100-154	EMS RECEIVABLE			17,389.15
Total			17,389.15	17,389.15

Adjusting Journal Entries JE # 3

To adjust system liability and receivable accounts for 2019.

10-200-960	SYSTEM ADDED LIABILITY LINE-ITEM		49,572.41	
10-200-970	SYSTEM ADDED LIABILITY LINE-ITEM		682.73	
11-200-960	SYSTEM ADDED LIABILITY LINE-ITEM		1,382.15	
12-200-960	SYSTEM ADDED LIABILITY LINE-ITEM		1,178.86	
12-200-970	SYSTEM ADDED LIABILITY LINE-ITEM		7.50	
13-200-960	SYSTEM ADDED LIABILITY LINE-ITEM		1,456.03	
14-200-960	SYSTEM ADDED LIABILITY LINE-ITEM		18.32	
50-200-960	SYSTEM ADDED LIABILITY LINE-ITEM		69.15	
10-200-960	SYSTEM ADDED LIABILITY LINE-ITEM			682.73
10-200-970	SYSTEM ADDED LIABILITY LINE-ITEM			49,572.41
11-200-970	SYSTEM ADDED LIABILITY LINE-ITEM			1,382.15
12-200-960	SYSTEM ADDED LIABILITY LINE-ITEM			7.50
12-200-970	SYSTEM ADDED LIABILITY LINE-ITEM			1,178.86
13-200-970	SYSTEM ADDED LIABILITY LINE-ITEM			1,456.03
14-200-970	SYSTEM ADDED LIABILITY LINE-ITEM			18.32
50-200-970	SYSTEM ADDED LIABILITY LINE-ITEM			69.15
Total			54,367.15	54,367.15

Client: **14967 - Cottle County, Texas**
 Engagement: **2019 Cottle County, Texas**
 Period Ending: **9/30/2019**
 Trial Balance: **017 W - Trial Balance**
 Workpaper: **017 W - Adjusting Journal Entries Report**

Account	Description	W / P Ref	Debit	Credit
Adjusting Journal Entries JE # 4				
To adjust prepaids for 2019 amounts.				
10-401-482	RISK MANAGEMENT INSURANCE		9,985.00	
10-100-156	PREPAID INSURANCE			9,732.00
10-401-204	WORKERS COMP INSURANCE			253.00
Total			9,985.00	9,985.00

Adjusting Journal Entries JE # 5

To adjust fund balance for prior year transfers not closing.

10-200-999	FUND BALANCE ACCOUNT		73.12	
11-200-900	TRANSFERS IN		18.28	
12-200-900	TRANSFERS IN		18.28	
13-200-900	TRANSFERS IN		18.28	
13-200-999	FUND BALANCE ACCOUNT		116.12	
14-200-900	TRANSFERS IN		152.68	
10-200-910	TRANSFERS OUT			73.12
11-200-999	FUND BALANCE ACCOUNT			18.28
12-200-999	FUND BALANCE ACCOUNT			18.28
13-200-910	TRANSFERS OUT			134.40
14-200-999	FUND BALANCE ACCOUNT			152.68
Total			396.76	396.76

Client: **14967 - Cottle County, Texas**
 Engagement: **2019 Cottle County, Texas**
 Period Ending: **9/30/2019**
 Trial Balance: **017 W - Trial Balance**
 Workpaper: **017 W - Adjusting Journal Entries Report**

<u>Account</u>	<u>Description</u>	<u>W /P Ref</u>	<u>Debit</u>	<u>Credit</u>
Adjusting Journal Entries JE # 6				
To adjust interest receivable accounts.				
10-342-344	INTEREST -CERTIFICATES OF		578.21	
11-302-344	CD INTEREST		783.64	
12-302-344	CD INTEREST		924.15	
13-302-344	CD INTEREST		324.36	
14-302-344	CD INTEREST		542.52	
50-300-370	RICHARDS MEMORIAL CD INTEREST		2.09	
10-100-157	INTEREST RECEIVABLE			578.21
11-100-157	INTEREST RECEIVABLE			783.64
12-100-157	INTEREST RECEIVABLE			924.15
13-100-157	INTEREST RECEIVABLE			324.36
14-100-157	INTEREST RECEIVABLE			542.52
50-100-157	INTEREST RECEIVABLE			2.09
Total			<u>3,154.97</u>	<u>3,154.97</u>
Adjusting Journal Entries JE # 7				
To record Electric Systems Software Invoice in Accounts Payable				
10-407-336	ELECTION EXPENSE		1,760.00	
10-200-961	AUDITOR ACCOUNTS PAYABLE			1,760.00
Total			<u>1,760.00</u>	<u>1,760.00</u>

Client: **14967 - Cottle County, Texas**
 Engagement: **2019 Cottle County, Texas**
 Period Ending: **9/30/2019**
 Trial Balance: **017 W - Trial Balance**
 Workpaper: **017 W - Adjusting Journal Entries Report**

<u>Account</u>	<u>Description</u>	<u>W / P Ref</u>	<u>Debit</u>	<u>Credit</u>
Adjusting Journal Entries JE # 100				
To book trade-in value on motorgrader.				
10-401-930	CAPITAL OUTLAY - EQUIPMENT		100,000.00	
10-342-360	MISCELLANEOUS RECEIPTS			100,000.00
Total			<u>100,000.00</u>	<u>100,000.00</u>

Adjusting Journal Entries JE # 1000

PBC entry - To transfer cash receipt from precinct 2 to precinct 3.

12-200-910	TRANSFERS OUT		2,500.00	
13-100-102	CASH - PRCT 3 (FNB)		2,500.00	
12-100-102	CASH - PRCT 2 (FNB)			2,500.00
13-200-900	TRANSFERS IN			2,500.00
Total			<u>5,000.00</u>	<u>5,000.00</u>