

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

CERTIFIED PUBLIC ACCOUNTANTS

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LUBBOCK, TEXAS 79423-1954

January 20, 2021

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, 2020, and have issued our report thereon dated January 20, 2021. 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 April 30, 2020. 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, 2020. 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 F.

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 January 20, 2021.

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 January 20, 2021.

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: **2020 Cottle County, Texas**
Period Ending: **9/30/2020**
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 beginning balances.				
10-200-910	TRANSFERS OUT		73.12	
10-200-970	SYSTEM ADDED LIABILITY LINE-ITEM		48,958.53	
10-200-999	FUND BALANCE ACCOUNT		19,642.01	
11-200-970	SYSTEM ADDED LIABILITY LINE-ITEM		1,382.15	
11-200-999	FUND BALANCE ACCOUNT		1,815.30	
12-200-910	TRANSFERS OUT		2,500.00	
12-200-970	SYSTEM ADDED LIABILITY LINE-ITEM		1,171.36	
12-200-999	FUND BALANCE ACCOUNT		1,413.97	
13-100-102	CASH - PRCT 3 (WSB)		2,500.00	
13-200-910	TRANSFERS OUT		134.40	
13-200-999	FUND BALANCE ACCOUNT		882.93	
14-200-970	SYSTEM ADDED LIABILITY LINE-ITEM		18.32	
14-200-999	FUND BALANCE ACCOUNT		807.62	
50-200-970	SYSTEM ADDED LIABILITY LINE-ITEM		69.15	
50-200-999	FUND BALANCE ACCOUNT		336.03	
10-200-960	SYSTEM ADDED LIABILITY LINE-ITEM			68,673.66
11-200-900	TRANSFERS IN			18.28
11-200-960	SYSTEM ADDED LIABILITY LINE-ITEM			3,179.17
12-100-102	CASH - PRCT 2 (WSB)			2,500.00
12-200-900	TRANSFERS IN			18.28
12-200-960	SYSTEM ADDED LIABILITY LINE-ITEM			2,567.05
13-200-900	TRANSFERS IN			2,518.28
13-200-960	SYSTEM ADDED LIABILITY LINE-ITEM			999.05
14-200-900	TRANSFERS IN			152.68
14-200-960	SYSTEM ADDED LIABILITY LINE-ITEM			673.26
50-200-960	SYSTEM ADDED LIABILITY LINE-ITEM			405.18
Total			81,704.89	81,704.89
Adjusting Journal Entries JE # 2				
To adjust EMS receivable.				
10-100-154	EMS RECEIVABLE		47,811.54	
10-342-370	AMBULANCE SERVICE			47,811.54
Total			47,811.54	47,811.54

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Adjusting Journal Entries JE # 3				
To adjust delinquent taxes.				
10-100-150	TAXES RECEIVABLE		28,988.30	
11-100-150	TAXES RECEIVABLE		1,463.66	
12-100-150	TAXES RECEIVALBE		1,463.66	
13-100-150	TAXES RECEIVALBE		1,463.66	
14-100-150	TAXES RECEIVABLE		1,463.66	
10-100-151	ALLOWANCE FOR UNCOLLECTIBLE TAXES			3,643.10
10-200-250	DEFERRED REVENUE - TAXES			25,345.20
11-100-151	ALLOWANCE FOR UNCOLLECTIBLE TAXES			183.76
11-200-250	DEFERRED REVENUE - TAXES			1,279.90
12-100-151	ALLOANCE FOR UNCOLLECTIBLE TAXES			183.76
12-200-250	DEFERRED REVENUE - TAXES			1,279.90
13-100-151	ALLOWANCE FOR UNCOLLECTIBLE TAXES			183.76
13-200-250	DEFERRED REVENUE			1,279.90
14-100-151	ALLOWANCE FOR UNCOLLECTIBLE TAXES			183.76
14-200-250	DEFERRED REVENUE - TAXES			1,279.90
Total			34,842.94	34,842.94
Adjusting Journal Entries JE # 4				
Report intercompany loan between Pct. 4 and the GF as transfers in and out.				
10-342-360	MISCELLANEOUS RECEIPTS		10,000.00	
14-200-910	TRANSFERS OUT		10,000.00	
10-200-900	TRANSFERS IN			10,000.00
14-624-575	DEBT SERVICE - PRINCIPAL & INTERES			10,000.00
Total			20,000.00	20,000.00
Adjusting Journal Entries JE # 5				
System Added Liabilty Line-Item Transfers- adjust to system.				
10-200-960	SYSTEM ADDED LIABILITY LINE-ITEM		19,852.83	
10-407-336	ELECTION EXPENSE		1,760.00	
11-200-960	SYSTEM ADDED LIABILITY LINE-ITEM		1,797.02	
12-200-960	SYSTEM ADDED LIABILITY LINE-ITEM		1,395.69	
13-200-970	SYSTEM ADDED LIABILITY LINE-ITEM		456.98	
14-200-960	SYSTEM ADDED LIABILITY LINE-ITEM		654.94	
50-200-960	SYSTEM ADDED LIABILITY LINE-ITEM		336.03	
10-200-970	SYSTEM ADDED LIABILITY LINE-ITEM			21,380.10
10-342-360	MISCELLANEOUS RECEIPTS			232.73
11-200-970	SYSTEM ADDED LIABILITY LINE-ITEM			1,797.02
12-200-970	SYSTEM ADDED LIABILITY LINE-ITEM			1,388.19
12-622-351	OTHER SUPPLIES			7.50
13-200-960	SYSTEM ADDED LIABILITY LINE-ITEM			456.98
14-200-970	SYSTEM ADDED LIABILITY LINE-ITEM			654.94
50-200-970	SYSTEM ADDED LIABILITY LINE-ITEM			336.03
Total			26,253.49	26,253.49

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Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 6				
To adjust prepaids for 2019 amounts.				
10-401-482	RISK MANAGEMENT INSURANCE		3,886.75	
10-100-156	PREPAID INSURANCE			3,808.75
10-401-204	WORKERS COMP INSURANCE			78.00
Total			<u>3,886.75</u>	<u>3,886.75</u>
Adjusting Journal Entries JE # 7				
To adjust interest receivable accounts.				
10-100-157	INTEREST RECEIVABLE		4,381.32	
11-100-157	INTEREST RECEIVABLE		1,186.34	
12-100-157	INTEREST RECEIVABLE		2,050.77	
13-100-157	INTEREST RECEIVABLE		792.96	
14-100-157	INTEREST RECEIVABLE		1,367.18	
10-342-344	INTEREST -CERTIFICATES OF			4,381.32
11-302-344	CD INTEREST			1,186.34
12-302-344	CD INTEREST			2,050.77
13-302-344	CD INTEREST			792.96
14-302-344	CD INTEREST			1,367.18
50-300-370	RICHARDS MEMORIAL CD INTEREST			
Total			<u>9,778.57</u>	<u>9,778.57</u>
Adjusting Journal Entries JE # 8				
To book trade-in value on motor graders.				
11-721-572	CAPITAL OUTLAY		120,000.00	
12-721-572	CAPITAL OUTLAY		149,000.00	
11-302-360	REFUNDS, MISC			120,000.00
12-302-360	REFUNDS, MISC			149,000.00
Total			<u>269,000.00</u>	<u>269,000.00</u>
Adjusting Journal Entries JE # 9				
To reclass deferred revenue on HAVA grant.				
10-310-315	HAVA GRANT - ELECTION SECURITY		6,011.67	
10-200-252	DEFERRED REVENUE - GRANTS			6,011.67
Total			<u>6,011.67</u>	<u>6,011.67</u>
Adjusting Journal Entries JE # 10				
To book grant receivable for cyber security grant,				
10-100-152	GRANT RECEIVABLE		175.20	
10-310-323	CARES ACT SUB-GRANT (ELECTIONS)			175.20
Total			<u>175.20</u>	<u>175.20</u>

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Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 11				
To clear RMH A/P Clearing Account.				
10-200-910	TRANSFERS OUT		351.47	
50-100-102	CASH - RMH A/P CLEARING ACCOUNT		351.47	
10-342-360	MISCELLANEOUS RECEIPTS			351.47
50-200-910	SYSTEM ADDED TRANSFER OUT			351.47
Total			<u>702.94</u>	<u>702.94</u>