2015 ANNUAL REPORT

Central Texas Farm Credit, ACA

DECEMBER 31, 2015

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Part of the Farm Credit System

FARM CREDIT 100 ESTABLISHED 1916

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REPORT OF MANAGEMENT

The consolidated financial statements of Central Texas Farm Credit, ACA (Association) are prepared by management, who is responsible for the statements' integrity and objectivity, including amounts that must necessarily be based on judgments and estimates. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America appropriate in the circumstances. Other financial information included in the annual report is consistent with that in the consolidated financial statements.

To meet its responsibility for reliable financial information, management depends on the Farm Credit Bank of Texas' and the Association's accounting and internal control systems, which have been designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions are properly authorized and recorded. The systems have been designed to recognize that the cost of controls must be related to the benefits derived. The consolidated financial statements are audited by PricewaterhouseCoopers LLP, independent accountants, who conduct a review of internal controls solely for the purpose of establishing a basis for reliance thereon in determining the nature, extent and timing of audit tests applied in the audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America. The Association is also examined by the Farm Credit Administration.

The board of directors has overall responsibility for the Association's systems of internal control and financial reporting. The board consults regularly with management and reviews the results of the audits and examinations referred to previously.

The undersigned certify that we have reviewed this annual report, that it has been prepared in accordance with all applicable statutory or regulatory requirements, and that the information contained herein is true, accurate and complete to the best of our knowledge or belief.

Boyd J. Chambers

Boyd J. Chambers, Chief Executive Officer and President

March 11, 2016

Robby A. Halfmann, Chairman, Board of Directors

March 11, 2016

Keith Prater

Keith Prater, Controller

March 11, 2016

REPORT OF AUDIT COMMITTEE

The audit committee (committee) is composed of the entire board of directors of Central Texas Farm Credit, ACA. In 2015, 10 committee meetings were held. The committee oversees the scope of Central Texas Farm Credit, ACA's system of internal controls and procedures, and the adequacy of management's action with respect to recommendations arising from those auditing activities. The committee's approved responsibilities are described more fully in the Audit Committee Charter, which is available on request or on Central Texas Farm Credit, ACA's website. The committee approved the appointment of PricewaterhouseCoopers LLP (PwC) for 2015.

Management is responsible for Central Texas Farm Credit, ACA's internal controls and the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are prepared under the oversight of the committee. PwC is responsible for performing an independent audit of Central Texas Farm Credit, ACA's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and for issuing a report thereon. The committee's responsibilities include monitoring and overseeing the processes.

In this context, the committee reviewed and discussed Central Texas Farm Credit, ACA's audited consolidated financial statements for the year ended December 31, 2015 (audited consolidated financial statements) with management and PwC. The committee also reviews with PwC the matters required to be discussed by authoritative guidance "The Auditor's Communication With Those Charged With Governance," and both PwC's and Central Texas Farm Credit, ACA's internal auditors directly provide reports on significant matters to the committee.

The committee discussed with PwC its independence from Central Texas Farm Credit, ACA. The committee also reviewed the nonaudit services provided by PwC and concluded that these services were not incompatible with maintaining the independent accountant's independence. The committee has discussed with management and PwC such other matters and received such assurances from them as the committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the committee recommended that the board of directors include the audited consolidated financial statements in Central Texas Farm Credit, ACA's Annual Report to Stockholders for the year ended December 31, 2015.

Audit Committee Members

Burl D. Lowery, Chairman
Robby A. Halfmann, Vice Chairman
Kenneth D. Harvick
Mike Finlay
Philip W. Hinds
Steven Lehrmann

March 11, 2016

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2015	2014	2013	2012	2011
Balance Sheet Data					
Assets					
Cash	**$ 920**	$ 982	$ 534	$ 1,611	$ 1,150
Loans	**478,376**	423,927	403,912	386,053	378,541
Less: allowance for loan losses	**964**	573	656	1,748	879
Net loans	**477,412**	423,354	403,256	384,305	377,662
Investment in and receivable from the Farm Credit Bank of Texas	**6,875**	6,464	6,029	6,047	6,273
Other property owned, net	**129**	129	652	523	553
Other assets	**6,145**	4,688	4,250	4,266	4,515
Total assets	**$ 491,481**	$ 435,617	$ 414,721	$ 396,752	$ 390,153
Liabilities					
Obligations with maturities of one year or less	**$ 9,993**	$ 9,324	$ 7,859	$ 7,537	$ 6,848
Obligations with maturities greater than one year	**380,738**	329,315	314,550	302,199	301,018
Total liabilities	**390,731**	338,639	322,409	309,736	307,866
Members' Equity					
Capital stock and participation certificates	**2,232**	2,149	2,152	2,120	2,206
Unallocated retained earnings	**98,716**	95,251	90,102	85,182	80,222
Accumulated other comprehensive (loss) income	**(198)**	(422)	58	(286)	(141)
Total members' equity	**100,750**	96,978	92,312	87,016	82,287
Total liabilities and members' equity	**$ 491,481**	$ 435,617	$ 414,721	$ 396,752	$ 390,153
Statement of Income Data					
Net interest income	**$ 13,585**	$ 12,957	$ 12,393	$ 12,131	$ 12,074
(Provision for loan losses) or loan loss reversal	**(461)**	104	21	(863)	259
Income from the Farm Credit Bank of Texas	**1,619**	1,540	1,440	1,426	1,468
Other noninterest income	**86**	989	237	827	599
Noninterest expense	**(5,764)**	(5,242)	(4,371)	(3,961)	(4,323)
Benefit from income taxes	**-**	-	-	-	(20)
Net income	**$ 9,065**	$ 10,348	$ 9,720	$ 9,560	$ 10,057
Key Financial Ratios for the Year					
Return on average assets	**2.0%**	2.4%	2.4%	2.4%	2.5%
Return on average members' equity	**8.9%**	10.4%	10.4%	11.0%	12.4%
Net interest income as a percentage of average earning assets	**3.1%**	3.1%	3.2%	3.2%	3.1%
Net charge-offs (recoveries) as a percentage of average loans	**0.0%**	0.0%	0.3%	0.0%	0.1%

CENTRAL TEXAS FARM CREDIT, ACA

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA
(unaudited)
(dollars in thousands)

	2015	2014	2013	2012	2011
Key Financial Ratios at Year End					
Members' equity as a percentage of total assets	**20.5%**	22.3%	22.3%	21.9%	21.1%
Debt as a percentage of members' equity	**387.8%**	349.2%	349.3%	356.0%	374.1%
Allowance for loan losses as a percentage of loans	**0.2%**	0.1%	0.2%	0.5%	0.2%
Permanent capital ratio	**19.7%**	21.3%	20.8%	20.5%	19.7%
Core surplus ratio	**19.2%**	20.8%	20.3%	19.9%	19.2%
Total surplus ratio	**19.2%**	20.8%	20.3%	19.9%	19.2%
Net Income Distribution					
Patronage dividends:					
Cash	**$ 5,200**	$ 4,800	$ 4,600	$ 4,500	$ 3,200

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following commentary explains management's assessment of the principal aspects of the consolidated financial condition and results of operations of Central Texas Farm Credit, ACA, including its wholly-owned subsidiaries, Central Texas, PCA and Central Texas Land Bank FLCA (Association), for the years ended December 31, 2015, 2014 and 2013, and should be read in conjunction with the accompanying consolidated financial statements. The accompanying financial statements were prepared under the oversight of the Association's audit committee.

Forward-Looking Information:

This annual information statement contains forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Words such as "anticipates," "believes," "could," "estimates," "may," "should," "will" or other variations of these terms are intended to identify the forward-looking statements. These statements are based on assumptions and analyses made in light of experience and other historical trends, current conditions and expected future developments. However, actual results and developments may differ materially from our expectations and predictions due to a number of risks and uncertainties, many of which are beyond our control. These risks and uncertainties include, but are not limited to:

- political, legal, regulatory and economic conditions and developments in the United States and abroad;
- economic fluctuations in the agricultural, rural utility, international and farm-related business sectors;
- weather-related, disease-related and other adverse climatic or biological conditions that periodically occur that impact agricultural productivity and income;
- changes in United States government support of the agricultural industry; and
- actions taken by the Federal Reserve System in implementing monetary policy.

Significant Events:

<u>2015</u>

In December 2015, the Association received a direct loan patronage of $1,448,584 from the Farm Credit Bank of Texas (Bank), representing 42 basis points on the average daily balance of the Association's direct loan with the Bank. During 2015, the Association received $112,767 in patronage payments from the Bank, based on the Association's stock investment in the Bank.

In March 2015, a patronage refund of $5,200,000 was distributed to the Association's borrowers. The patronage refund was declared by the board of directors in December 2014, and the amount was based on the Association's 2014 operating results.

<u>2014</u>

In December 2014, the Association received a direct loan patronage of $1,382,295 from the Farm Credit Bank of Texas (Bank) representing 43 basis points on the average daily balance of the Association's direct loan with the Bank. In addition, the Association received $52,750 in patronage payments from the Bank representing 75 basis points on the average daily balance of Association loan volume in the Bank's participation pool program. The Association also received $104,954 in patronage payments throughout the course of the year based on the Association's stock investment in the Bank.

Effective October 15, 2014, Michael Antle resigned from his position as controller of Central Texas Farm Credit, ACA. Controller duties were handled by existing Association staff until Keith Prater was hired as the new controller on January 20, 2015.

The chairman of the board and audit committee, Jerry Don Klose, did not run for re-election in April 2014 because he reached the mandatory retirement age of 70. Mr. Klose officially stepped down after the May 2014 board meeting once the election results were known, and his seat had been filled by Steven Lehrmann. At the June 2014 meeting, the board elected Robby A. Halfmann to serve as the board chairman, Kenneth D. Harvick to serve as vice chairman, and Burl D. Lowery to serve as the audit committee chairman.

2013

In December 2013, the Association received a direct loan patronage of $1,330,745 from the Bank, representing 44 basis points on the average daily balance of the Association's direct loan with the Bank. During 2013, the Association received $109,486 in patronage payments from the Bank, based on the Association's stock investment in the Bank.

Effective March 31, 2013, Alan Benedict retired as controller and treasurer of Central Texas Farm Credit, ACA. Mike Antle was promoted to controller effective January 1, 2014.

The board adopted a resolution at its March meeting which amended the ACA bylaws to reduce the size of the board from eight directors (seven stockholder-elected and one director-elected) to six (five stockholder-elected and one director-elected) to be effective upon the close of the Association's Annual Stockholders Meeting on April 23, 2013. In April 2013, upon the expiration of their terms, directors A. Wayland Shurley and Mickey D. Dillard did not run for re-election because they reached the mandatory retirement age of 70. These positions were eliminated to facilitate the board size reduction plan.

Problem Loans

2015

During the first quarter of 2015, a nonaccrual loan in the amount of $85,486 was foreclosed on, and the collateral was then acquired by the Association. The property was sold during the second quarter of 2015 and a gain of $4,109 was recognized.

2014

During the first quarter of 2014, a recovery of $8,210 was made on a loan that had been charged off in 2009.

During the second quarter of 2014, a participation loan formally restructured in 2009, and previously reported as a TDR, was paid in full.

During the third quarter of 2014, a recovery of $25,052 was made on an operating loan that was charged off in 2013.

In 2010, the Association, through a purchased participation as a part of a lending group, acquired a small percentage ownership interest in an ethanol plant. In August 2014, the Association sold its equity interest in the ethanol plant. The total sales price of the Association's equity interest was $1,400,400 and resulted in a gain on sale of $877,350.

2013

During the second quarter of 2013 a participation loan that was deemed non-viable in 2012 was further evaluated resulting in the need for an additional $180,000 to be added to the specific allowance. This resulted in a total specific allowance of $1,157,000 at the end of the second quarter. In addition, this evaluation resulted in a charge-off of $670,000. The resulting nonaccrual balance on this loan was $2,441,721 at the end of the second quarter.

During the fourth quarter the previously mentioned participation loan was revalued as a result of the impending sale of the company's assets. Initially this caused a reduction in the specific allowance in the amount of $195,425, bringing the overall specific allowance down to $961,575. After the sale was completed the entire specific allowance of $961,575 was charged off and a related nonaccrual premium, in the amount of $3,655, was taken into income. The assets were then moved into acquired property in the amount of $2,146,491. Soon after the acquired property was set up, the Association received two disbursements of proceeds from the sale in the amounts of $1,941,809 and $75,607. These reduced the acquired property balance relating to this loan. The ending overall acquired property balance for 2013 was $652,125.

During the fourth quarter two operating loans were moved into nonaccrual status and $179,624 was charged off, resulting in a remaining book balance of $25,892 as of year-end.

Territory Conditions

For the first time in recent years, rainfall in the Association's territory was enough to bring the area out of drought conditions in 2015. While this was badly needed around the state, it did cause some problems for the wheat harvest in the territory. Many farmers were delayed getting into the fields at harvest time causing yields to suffer on what was set to be a good year. Overall, wheat yields in the territory were mixed and prices were down but still better than historical averages. Cotton prices were much lower in 2015 while production was above average in some areas and poor in others.

After nearly three quarters of 2015 saw strong cattle prices, markets started to turn down in the late third quarter and continued through the fourth quarter. A weaker market had been expected, though not as abrupt or as early as it happened. Many had expected a gradual decline through 2016. However, an unwavering strong dollar coupled with declining oil prices and a weakening Chinese economy bore too much resistance against high beef prices. As economic factors started to weigh on domestic demand and hamper exports, the supply of beef began to outpace demand. Hay has been plentiful due to the 2015 rains and corn prices have stayed low. Lower feed and fuel costs have allowed most ranchers to weather the downturn. Dairy prices were lower in 2015 compared to 2014 with Class III milk prices averaging around $15.75 per CWT, and the average futures price for Class III milk in 2016 is even lower at $14.75 per CWT. Lower feed prices should lessen the impact of the decrease in milk prices. An insurance product is available for dairy farmers which will allow them to guarantee a minimum milk-to-feed margin. Prices for this insurance vary depending upon the level of insurance purchased with a $4 margin being available at no cost to the producer. Commodities are extremely volatile right now and all lending decisions on loans dependent on commodities for repayment will continue to take this into account.

The local economies in our chartered territory are relatively strong. Real estate prices are stable and the number of land sales has continued to increase despite sagging oil and natural gas prices causing some lost personal income connected to those industries. The majority of the Association's new loans made during the past number of years have been to absentee landowners looking for a place for a small agricultural operation or for recreational use. As such, the Association has a diversified borrower base that is not concentrated in only one industry. Even those borrowers who are primarily agricultural producers typically have outside income from a spouse's employment, part-time jobs, investments, etc. The above is reflected in the Association's sound credit quality and small number of delinquencies.

Loan Portfolio:

The Association makes and services loans to farmers, ranchers, rural homeowners and certain farm-related businesses. The Association's loan volume consists of long-term farm mortgage loans, production and intermediate-term loans, and farm-related business loans. These loan products are available to eligible borrowers with competitive variable, fixed, adjustable, LIBOR-based and prime-based interest rates. Loan maturities range from one to 40 years, with annual operating loans comprising the majority of the commercial loans and 20- to 30-year maturities comprising the majority of the mortgage loans. Loans serviced by the Association offer several installment payment cycles, the timing of which usually coincides with the seasonal cash-flow capabilities of the borrower.

The Association's chartered territory loan volume experienced positive growth of $30,061,065, $16,699,742 and $20,606,913 during 2015, 2014 and 2013, respectively. Loan volume in the outlying Texas counties experienced positive growth of $12,853,378 in 2015 in comparison to declines of $548,999 and $621,017 in 2014 and 2013, respectively. The out-of-state portion of the Association's portfolio also grew in 2015, increasing by $12,575,293.

The composition of the Association's loan portfolio, including principal less funds held of $478,375,612, $423,926,621 and $403,911,853 as of December 31, 2015, 2014 and 2013, respectively, is described more fully in detailed tables in Note 3 to the consolidated financial statements, "Loans and Allowance for Loan Losses," included in this annual report.

Purchase and Sales of Loans:

During 2015, 2014 and 2013, the Association was participating in loans with other lenders. As of December 31, 2015, 2014 and 2013, these participations totaled $91,785,020, $75,676,272 and $74,969,440, or 19.2 percent, 17.9 percent and 18.6 percent of loans, respectively. The Association has never purchased any participation interest in any loans from any entities outside of the Texas Farm Credit District. The Association has also sold participations of $17,629,688, $14,730,692 and $9,527,086 as of December 31, 2015, 2014 and 2013, respectively.

Risk Exposure:

High-risk assets include nonaccrual loans, loans that are past due 90 days or more and still accruing interest, formally restructured loans and other property owned, net.

The following table illustrates the Association's components and trends of high-risk assets serviced for the prior three years as of December 31:

	2015		2014		2013	
	Amount	**%**	Amount	%	Amount	%
Nonaccrual	**$ 523,110**	**80.2%**	$ 184,904	58.9%	$ 155,885	10.7%
Formally restructured	**-**	**0.0%**	-	0.0%	646,649	44.5%
Other property owned, net	**129,075**	**19.8%**	129,075	41.1%	652,125	44.8%
Total	**$ 652,185**	**100.0%**	$ 313,979	100.0%	$ 1,454,659	100.0%

At December 31, 2015, 2014 and 2013, loans that were considered impaired were $523,110, $184,904 and $802,534, representing 0.1 percent, 0.04 percent and 0.2 percent of loan volume, respectively. Impaired loans consist of all high-risk assets except other property owned, net.

The Association is not affected to any material extent by seasonal characteristics. This is due in part to the fact that true production loans comprise a small part of the Association's total loan portfolio and in part to the diversification in the portfolio, both in geographic distribution and in sources of repayment. In addition, the Association is not dependent upon any single customer or single commodity or industry because of loan size or commodity concentration, due to lack of very large loans in the portfolio and the diversity present in the loan portfolio. No loans in the portfolio have any inherent special features that would have a material impact on the expected collectability of said loans.

Allowance for Loan Losses:

The following table provides relevant information regarding the allowance for loan losses as of, or for the year ended, December 31:

	2015	2014	2013
Allowance for loan losses	**$ 964,227**	$ 572,782	$ 655,898
Allowance for loan losses to total loans	**0.2%**	0.1%	0.2%
Allowance for loan losses to nonaccrual loans	**184.3%**	309.8%	420.8%
Allowance for loan losses to impaired loans	**184.3%**	309.8%	81.7%
Net charge-offs to average loans	**0.0%**	0.0%	0.3%

The allowance for loan losses is evaluated quarterly and maintained based upon individual analysis of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions, and prior loan loss experience. Based upon ongoing risk assessment and the allowance for loan losses procedures outlined above, the allowance for loan losses of $964,227, $572,782 and $655,898 at December 31, 2015, 2014 and 2013, respectively, is considered adequate by management to compensate for inherent losses in the loan portfolio at such dates. Management continues to evaluate and refine its risk weighting methodology for determining the levels of allowance for loan losses needed.

Results of Operations:

The Association's net income for the year ended December 31, 2015, was $9,064,666 as compared to $10,348,415 for the year ended December 31, 2014, reflecting a decrease of $1,283,749, or 12.4 percent. The Association's net income for the year ended December 31, 2013, was $9,719,930. Net income decreased $628,485, or 6.5 percent, in 2014 versus 2013.

Net interest income for 2015, 2014 and 2013 was $13,585,496, $12,957,499 and $12,393,400, respectively, reflecting increases of $627,997, or 4.8 percent, for 2015 versus 2014 and $564,099, or 4.6 percent, for 2014 versus 2013. Net interest income is the principal source of earnings for the Association and is impacted by volume, yields on assets and cost of debt. The effects of changes in average volume and interest rates on net interest income over the past three years are presented in the following tables:

	2015		2014		2013	
	Average Balance	**Interest**	Average Balance	Interest	Average Balance	Interest
Loans	**$ 439,736,330**	**$ 19,739,621**	$411,749,755	$ 18,634,118	$ 388,443,489	$ 17,928,656
Interest-bearing liabilities	**345,308,641**	**6,154,125**	321,682,091	5,676,619	302,754,675	5,535,256
Impact of capital	**$ 94,427,689**		$ 90,067,664		$ 85,688,814	
Net interest income		**$ 13,585,496**		$ 12,957,499		$ 12,393,400

	2015 Average Yield	2014 Average Yield	2013 Average Yield
Yield on loans	**4.49%**	4.53%	4.62%
Cost of interest-bearing liabilities	**1.78%**	1.76%	1.83%
Interest rate spread	**2.71%**	2.77%	2.79%

	2015 vs. 2014			2014 vs. 2013		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest income	**$ 1,266,560**	**$ (161,057)**	**$ 1,105,503**	$ 1,075,701	$ (370,239)	$ 705,462
Interest expense	**416,938**	**60,568**	**477,506**	346,050	(204,687)	141,363
Net interest income	**$ 849,622**	**$ (221,625)**	**$ 627,997**	$ 729,651	$ (165,552)	$ 564,099

Interest income for 2015 increased by $1,105,503, or 5.9 percent, compared to 2014, primarily due to an increase in average loan volume slightly offset by a decrease in interest rates. Interest expense for 2015 increased by $477,506, or 8.4 percent, compared to 2014 due to an increase in interest-bearing liabilities and an increase in cost of debt. The interest rate spread decreased by 6 basis points to 2.71 percent in 2015 from 2.77 percent in 2014, primarily because the average yield on loans decreased between 2014 and 2015 while the average cost of debt increased. The interest rate spread decreased by 2 basis points to 2.77 percent in 2014 from 2.79 percent in 2013, primarily because of decreases in interest rates. The Association offers a number of different interest rate programs including fixed rate products lasting for a set period up to the term of a loan, products indexed to prime or LIBOR, and a variety of adjustable interest rate products. The Association's control over interest rate margins resides in its ability to add a spread over cost of funds, the goal of which is to achieve an acceptable level of revenue to fund operations and generate a return for shareholders.

Noninterest income for 2015 decreased by $824,644, or 32.6 percent, compared to 2014, due primarily to a decrease in gain on sale of other property owned of $872,623. Noninterest income for 2014 increased by $852,085, or 50.8 percent, compared to 2013, due primarily to an increase in gain on sale of other property owned of $877,350.

Provisions for loan losses increased by $565,093, or 542.8 percent, compared to 2014, due primarily to a change in methodology of calculating the allowance for loan loss during 2015.

Operating expenses consist primarily of salaries, employee benefits, insurance fund premiums and purchased services. Expenses for purchased services may include administrative services, marketing, information systems, accounting and loan processing, among others. In 2015, operating expenses increased by $522,009 or 10.0 percent. The increase in operating expenses included an increase in salaries and employee benefits of $245,364, an increase in occupancy and equipment of $62,391, an increase in directors' expense of $53,824 and an increase of $61,358 in premiums to the Insurance Fund, resulting from an increase in the premium rates from 12 basis points in 2014 to 13 basis points in 2015.

For the year ended December 31, 2015, the Association's return on average assets was 2.0 percent, as compared to 2.4 percent and 2.4 percent for the years ended December 31, 2014 and 2013, respectively. For the year ended December 31, 2015, the Association's return on average members' equity was 8.9 percent, as compared to 10.4 percent and 10.4 percent for the years ended December 31, 2014 and 2013, respectively.

Because the Association depends on the Bank for funding, any significant positive or negative factors affecting the operations of the Bank may have an effect on the operations of the Association.

Liquidity and Funding Sources:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process.

The primary source of liquidity and funding for the Association is a direct loan from the Bank. The outstanding balance of $380,156,061, $328,825,631 and $314,071,861 as of December 31, 2015, 2014 and 2013, respectively, is recorded as a liability on the Association's consolidated balance sheet. The note carried a weighted average interest rate of 1.9 percent, 1.7 percent and 1.8 percent at December 31, 2015, 2014 and 2013, respectively. The indebtedness is collateralized by a pledge of substantially all of the Association's assets to the Bank and is governed by a general financing agreement. The increase in note payable to the Bank and related accrued interest payable since December 31, 2014, is due to an increase in demand for financing. The Association's own funds, which represent the amount of the Association's loan portfolio funded by the Association's equity, were $97,173,813, $94,382,781 and $89,473,413 at December 31, 2015, 2014 and 2013, respectively. The maximum amount the Association may borrow from the Bank as of December 31, 2015, was $482,034,221 as defined by the general financing agreement. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2018, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The liquidity policy of the Association is to manage cash balances, to maximize debt reduction and to increase accrual loan volume. This policy will continue to be pursued during 2016. As borrower payments are received, they are applied to the Association's note payable to the Bank.

The Association will continue to fund its operations through direct borrowings from the Bank, capital surplus from prior years and borrower stock. It is management's opinion that funds available to the Association are sufficient to fund its operations for the coming year.

Capital Resources:

The Association's capital position remains strong, with total members' equity of $100,749,857, $96,978,092 and $92,311,870 at December 31, 2015, 2014 and 2013, respectively. Under regulations governing minimum permanent capital adequacy and other capitalization issues, the Association is required to maintain a minimum adjusted permanent capital of 7.0 percent of risk-adjusted assets as defined by the FCA. The permanent capital ratio measures available at-risk capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the institution's financial capacity to absorb potential losses beyond that provided in the allowance for loss accounts. The Association's permanent capital ratio at December 31, 2015, 2014 and 2013 was 19.7 percent, 21.3 percent and 20.8 percent, respectively. The core surplus ratio measures available core surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the quality of capital that exists to maintain stable earnings and financial strength. The Association's core surplus ratio at December 31, 2015, 2014 and 2013 was 19.2 percent, 20.8 percent and 20.3 percent, respectively, which is in compliance with the FCA's minimum ratio requirement of 3.5 percent. The total surplus ratio measures available surplus capital relative to risk-adjusted assets and off-balance-sheet contingencies. The ratio is an indicator of the reserves existing to protect borrowers' investments in the Association. The Association's total surplus ratio at December 31, 2015, 2014 and 2013 was 19.2 percent, 20.8 percent and 20.3 percent, respectively, which is in compliance with the FCA's minimum ratio requirement of 7.0 percent.

On September 4, 2014, the Farm Credit Administration published a proposed rule to modify the regulatory capital requirements for System banks and associations. The stated objectives of the proposed rule are as follows:

- To modernize capital requirements while ensuring that the institutions continue to hold sufficient regulatory capital to fulfill their mission as a government-sponsored enterprise,
- To ensure that the System's capital requirements are comparable to the Basel III framework and the standardized approach that the federal banking regulatory agencies have adopted, but also to ensure that the rules recognize the cooperative structure and the organization of the System,
- To make System regulatory capital requirements more transparent, and
- To meet the requirements of section 939A of the Dodd-Frank Act.

The initial public comment period ended on February 16, 2015 and was reopened from June 26 to July 10, 2015. A final rule is expected in the first quarter of 2016, which is expected to become effective for 2017.

The Association's members' equity includes accumulated other comprehensive loss (AOCL) related to certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities. The AOCL includes net actuarial losses and prior service costs/credits that have been included in liabilities, but have not yet been amortized into earnings. In October 2014, the Society of Actuaries issued revised mortality tables (RP 2014) and a mortality improvement scale (MP 2014) for use by actuaries, insurance companies, governments, benefit plan sponsors and others in setting assumptions regarding life expectancy in the United States for purposes of estimating pension and other postemployment benefit obligations, costs and required contribution amounts. The new mortality tables indicate substantial life expectancy improvements since the last study published in 2000 (RP 2000). The adoption of these new tables resulted in an increase of $225,204 to our retiree welfare plan's projected benefit obligation.

In 2015, 2014 and 2013, the Association paid patronage distributions of $5,200,000, $4,800,000 and $4,600,000, respectively. In December 2015, the board of directors approved a $5,600,000 patronage distribution to be paid in March 2016. See Note 9 to the consolidated financial statements, "Members' Equity," included in this annual report, for further information.

Relationship With the Bank:

The Association's statutory obligation to borrow only from the Bank is discussed in Note 8 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank's ability to access capital of the Association is discussed in Note 2 to the consolidated financial statements, "Summary of Significant Accounting Policies," included in this annual report, within the section "Capital Stock Investment in the Farm Credit Bank of Texas."

The Bank's role in mitigating the Association's exposure to interest rate risk is described in the section "Liquidity and Funding Sources" of Management's Discussion and Analysis and in Note 8 to the consolidated financial statements, "Note Payable to the Bank," included in this annual report.

The Bank provides computer systems to support the critical operations of all District associations. In addition, each association has operating systems and facility-based systems that are not supported by the Bank. As disclosed in Note 12 to the consolidated financial statements, "Related Party Transactions," included in this annual report, the Bank provides many services that the Association can utilize, such as administrative, marketing, information systems and accounting services. Additionally, the Bank bills District expenses to the associations, such as the Farm Credit System Insurance Corporation insurance premiums.

Summary:

Over the past 98 years, regardless of the state of the agricultural economy, your Association's board of directors and management, as well as the board of directors and management of the Bank, have been committed to offering their borrowers a ready source of financing at a competitive price. Your continued support will be critical to the success of this Association.

pwc

Independent Auditor's Report

To the Board of Directors of Central Texas Farm Credit, ACA:

We have audited the accompanying consolidated financial statements of Central Texas Farm Credit, ACA and its subsidiaries (the Association), which comprise the consolidated balance sheets as of December 31, 2015, 2014 and 2013, and the related consolidated statements of comprehensive income, of changes in members' equity and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Association's preparation and fair presentation of the consolidated 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 Association'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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central Texas Farm Credit, ACA and its subsidiaries as of December 31, 2015, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 11, 2016

PricewaterhouseCoopers LLP, 300 West 6th Street, Suite 1800, Austin, Texas 78701
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CENTRAL TEXAS FARM CREDIT, ACA

BALANCE SHEET

	December 31,		
	2015	2014	2013
Assets			
Cash	**$ 919,895**	$ 981,544	$ 533,981
Loans	**478,375,612**	423,926,621	403,911,853
Less: allowance for loan losses	**964,227**	572,782	655,898
Net loans	**477,411,385**	423,353,839	403,255,955
Accrued interest receivable	**4,037,448**	3,543,382	3,406,655
Investment in and receivable from the Farm Credit Bank of Texas:			
Capital stock	**6,817,385**	6,411,675	6,029,085
Other	**57,591**	52,750	-
Other property owned, net	**129,075**	129,075	652,125
Premises and equipment	**1,917,375**	935,682	676,885
Other assets	**190,643**	209,207	166,221
Total assets	**$ 491,480,797**	$ 435,617,154	$ 414,720,907
Liabilities			
Note payable to the Farm Credit Bank of Texas	**$ 380,156,061**	$ 328,825,631	$ 314,071,861
Accrued interest payable	**581,682**	488,969	477,809
Drafts outstanding	**900,264**	838,910	887,996
Dividends payable	**5,600,000**	5,200,000	4,800,000
Other liabilities	**3,492,933**	3,285,552	2,171,371
Total liabilities	**390,730,940**	338,639,062	322,409,037
Members' Equity			
Capital stock and participation certificates	**2,232,325**	2,149,055	2,152,100
Unallocated retained earnings	**98,715,418**	95,250,739	90,102,324
Accumulated other comprehensive (loss) income	**(197,886)**	(421,702)	57,446
Total members' equity	**100,749,857**	96,978,092	92,311,870
Total liabilities and members' equity	**$ 491,480,797**	$ 435,617,154	$ 414,720,907

The accompanying notes are an integral part of these consolidated financial statements.

CENTRAL TEXAS FARM CREDIT, ACA

STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2015	2014	2013
Interest Income			
Loans	**$ 19,739,621**	$ 18,634,118	$ 17,928,656
Interest Expense			
Note payable to the Farm Credit Bank of Texas	**6,154,125**	5,676,619	5,535,256
Net interest income	**13,585,496**	12,957,499	12,393,400
Provision for Loan Losses (Loan Loss Reversal)	**460,993**	(104,100)	(20,679)
Net interest income after provision for losses (loan loss reversal)	**13,124,503**	13,061,599	12,414,079
Noninterest Income			
Income from the Farm Credit Bank of Texas:			
Patronage income	**1,618,942**	1,539,999	1,440,231
Loan fees	**52,306**	82,181	199,889
Financially related services income	**7,479**	8,005	8,414
Gain on other property owned, net	**4,109**	876,732	-
Other noninterest income	**21,481**	22,044	28,342
Total noninterest income	**1,704,317**	2,528,961	1,676,876
Noninterest Expenses			
Salaries and employee benefits	**3,530,720**	3,285,356	2,812,997
Directors' expense	**148,499**	94,675	107,082
Purchased services	**266,630**	275,369	203,547
Travel	**183,530**	163,910	113,745
Occupancy and equipment	**262,621**	200,230	196,199
Communications	**125,103**	110,984	67,156
Advertising	**248,126**	244,749	151,235
Public and member relations	**199,223**	167,423	135,943
Supervisory and exam expense	**150,059**	147,355	143,215
Insurance Fund premiums	**451,613**	390,255	319,343
Loss on other property owned, net	**-**	-	1,582
Other noninterest expense	**198,030**	161,839	118,981
Total noninterest expenses	**5,764,154**	5,242,145	4,371,025
NET INCOME	**9,064,666**	10,348,415	9,719,930
Other comprehensive income (loss):			
Change in postretirement benefit plans	**223,816**	(479,148)	344,197
COMPREHENSIVE INCOME	**$ 9,288,482**	$ 9,869,267	$ 10,064,127

The accompanying notes are an integral part of these consolidated financial statements.

CENTRAL TEXAS FARM CREDIT, ACA

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

	Capital Stock/ Participation Certificates	Unallocated Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total Members' Equity
Balance at December 31, 2012	$ 2,120,295	$ 85,182,394	$ (286,751)	$ 87,015,938
Comprehensive income	-	9,719,930	344,197	10,064,127
Capital stock/participation certificates issued	294,740	-	-	294,740
Capital stock/participation certificates and allocated retained earnings retired	(262,935)	-	-	(262,935)
Patronage dividends:				
Cash	-	(4,800,000)	-	(4,800,000)
Balance at December 31, 2013	2,152,100	90,102,324	57,446	92,311,870
Comprehensive income	-	10,348,415	(479,148)	9,869,267
Capital stock/participation certificates issued	289,925	-	-	289,925
Capital stock/participation certificates and allocated retained earnings retired	(292,970)	-	-	(292,970)
Patronage dividends:				
Cash	-	(5,200,000)	-	(5,200,000)
Balance at December 31, 2014	2,149,055	95,250,739	(421,702)	96,978,092
Comprehensive income	-	9,064,666	223,816	9,288,482
Capital stock/participation certificates issued	349,595	-	-	349,595
Capital stock/participation certificates and allocated retained earnings retired	(266,325)	-	-	(266,325)
Patronage dividends:				
Cash	-	(5,599,987)	-	(5,599,987)
Balance at December 31, 2015	**$ 2,232,325**	**$ 98,715,418**	**$ (197,886)**	**$ 100,749,857**

The accompanying notes are an integral part of these consolidated financial statements.

CENTRAL TEXAS FARM CREDIT, ACA

STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net income	**$ 9,064,666**	$ 10,348,415	$ 9,719,930
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses (loan loss reversal)	**460,993**	(104,100)	(20,679)
Gain on sale of other property owned, net	**(4,109)**	(877,350)	-
Depreciation	**148,182**	129,867	133,840
Loss on sale of premises and equipment, net	**-**	577	-
(Increase) decrease in accrued interest receivable	**(494,066)**	(136,727)	32,047
(Increase) in other receivables from the Farm Credit Bank of Texas	**(4,841)**	(52,750)	-
Decrease (increase) in other assets	**18,564**	(42,986)	31,189
Increase (decrease) in accrued interest payable	**92,713**	11,160	(19,079)
Increase in other liabilities	**361,649**	622,755	306,912
Net cash provided by operating activities	**$ 9,643,751**	$ 9,898,861	$ 10,184,160
Cash flows from investing activities:			
Increase in loans, net	**(54,534,477)**	(20,014,768)	(21,190,973)
Cash recoveries of loans previously charged off	**-**	33,262	-
Proceeds from (purchase) redemption of investment in the Farm Credit Bank of Texas	**(405,710)**	(382,590)	18,270
Purchases of premises and equipment	**(1,131,028)**	(389,241)	(138,227)
Proceeds from sales of premises and equipment	**1,153**	-	1,234
Proceeds from sales of other property owned	**89,595**	1,400,400	2,017,415
Net cash used in investing activities	**$ (55,980,467)**	$ (19,352,937)	$ (19,292,281)

The accompanying notes are an integral part of these consolidated financial statements.

CENTRAL TEXAS FARM CREDIT, ACA

STATEMENT OF CASH FLOWS

	Year Ended December 31,		
	2015	2014	2013
Cash flows from financing activities:			
Net draws on note payable to the Farm Credit Bank of Texas	**51,330,430**	14,753,770	12,369,861
Increase (decrease) in drafts outstanding	**61,354**	(49,086)	229,286
Issuance of capital stock and participation certificates	**349,595**	289,925	294,740
Retirement of capital stock and participation certificates	**(266,325)**	(292,970)	(262,935)
Patronage distributions paid	**(5,199,987)**	(4,800,000)	(4,600,000)
Net cash provided by financing activities	**46,275,067**	9,901,639	8,030,952
Net (decrease) increase in cash	**(61,649)**	447,563	(1,077,169)
Cash at the beginning of the year	**981,544**	533,981	1,611,150
Cash at the end of the year	**$ 919,895**	$ 981,544	$ 533,981

Supplemental schedule of noncash investing and financing activities:			
Loans transferred to other property owned	**$ 85,486**	$ -	$ 2,146,491
Loans charged off	**-**	-	1,141,199
Patronage distributions declared	**5,600,000**	5,200,000	4,800,000
Transfer of allowance for loan losses from (into) reserve for unfunded commitments	**(69,548)**	(12,278)	69,746
Supplemental cash information:			
Cash paid during the year for:			
Interest	**$ 6,061,412**	$ 5,665,459	$ 5,554,335

The accompanying notes are an integral part of these consolidated financial statements.

CENTRAL TEXAS FARM CREDIT, ACA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND OPERATIONS:

A. Organization: Central Texas Farm Credit, ACA, including its wholly-owned subsidiaries, Central Texas PCA and Central Texas Federal Land Bank FLCA (collectively called the "Association"), is a member-owned cooperative which provides credit and credit-related services to, or for the benefit of, eligible borrowers/stockholders for qualified agricultural purposes in the counties of Baylor, Brown, Callahan, Coke, Coleman, Comanche, Concho, Haskell, Irion, Jones, Knox, McCulloch, Menard, Mills, Reagan, Runnels, San Saba, Sterling and Tom Green in the state of Texas.

The Association is a lending institution of the Farm Credit System (System), a nationwide system of cooperatively owned banks and associations that was established by Acts of Congress to meet the credit needs of American agriculture and is subject to the provisions of the Farm Credit Act of 1971, as amended (Act). At December 31, 2015, the System consisted of three Farm Credit Banks (FCBs) and their affiliated associations, one Agricultural Credit Bank (ACB) and its affiliated associations, the Federal Farm Credit Banks Funding Corporation (Funding Corporation) and various service and other organizations.

The Farm Credit Bank of Texas (Bank) and its related associations are collectively referred to as the "District." The Bank provides funding to all associations within the District and is responsible for supervising certain activities of the District associations. At December 31, 2015, the District consisted of the Bank, one FLCA and 13 ACA parent companies, which have two wholly-owned subsidiaries, an FLCA and a PCA, operating in or servicing the states of Alabama, Louisiana, Mississippi, New Mexico and Texas. ACA parent companies provide financing and related services through their FLCA and PCA subsidiaries. The FLCA makes secured long-term agricultural real estate and rural home mortgage loans. The PCA makes short- and intermediate-term loans for agricultural production or operating purposes.

The Farm Credit Administration (FCA) is delegated authority by Congress to regulate the System banks and associations. The FCA examines the activities of System associations to ensure their compliance with the Farm Credit Act, FCA regulations, and safe and sound banking practices.

The Act established the Farm Credit System Insurance Corporation (FCSIC) to administer the Farm Credit Insurance Fund (Insurance Fund). The Insurance Fund is required to be used (1) to ensure the timely payment of principal and interest on Systemwide debt obligations, (2) to ensure the retirement of protected borrower capital at par or stated value and (3) for other specified purposes. The Insurance Fund is also available for the discretionary uses by the FCSIC of providing assistance to certain troubled System institutions and to cover the operating expenses of the FCSIC. Each System bank has been required to pay premiums, which may be passed on to the Association, into the Insurance Fund, based on its annual average adjusted outstanding insured debt until the monies in the Insurance Fund reach the "secure base amount," which is defined in the Farm Credit Act as 2.0 percent of the aggregate insured obligations (adjusted to reflect the reduced risk on loans or investments guaranteed by federal or state governments) or other such percentage of the aggregate obligations as the Insurance Corporation in its sole discretion determines to be actuarially sound. When the amount in the Insurance Fund exceeds the secure base amount, the FCSIC is required to reduce premiums as necessary to maintain the Insurance Fund at the 2 percent level. As required by the Farm Credit Act, as amended, the FCSIC may return excess funds above the secure base amount to System institutions.

FCA regulations require borrower information to be held in strict confidence by Farm Credit institutions, their directors, officers and employees. Directors and employees of the Farm Credit institutions are prohibited, except under specified circumstances, from disclosing nonpublic personal information about members.

B. Operations: The Act sets forth the types of authorized lending activity, persons eligible to borrow and financial services that can be offered by the Association. The Association is authorized to provide, either directly or in participation with other lenders, credit, credit commitments and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers or harvesters of aquatic products, rural residents and farm-related businesses. The Association makes and services short- and intermediate-term loans for agricultural production or operating purposes, and secured long-term real estate mortgage loans, with funding from the Bank.

The Association also serves as an intermediary in offering credit life insurance.

The Association's financial condition may be affected by factors that affect the Bank. The financial condition and results of operations of the Bank may materially affect stockholders' investments in the Association. Upon request, stockholders of the

Association will be provided with the Farm Credit Bank of Texas and District associations' annual report to stockholders, which includes the combined financial statements of the Bank and all of the District associations. The District's annual report discusses the material aspects of the financial condition, changes in financial condition, and results of operations for the Bank and the District. In addition, the District's annual report identifies favorable and unfavorable trends, significant events, uncertainties and the impact of activities of the Insurance Fund.

The lending and financial services offered by the Bank are described in Note 1, "Organization and Operations," of the District's annual report to stockholders.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting and reporting policies of the Association conform to accounting principles generally accepted in the United States of America (GAAP) and prevailing practices within the banking industry. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates are discussed in these footnotes, as applicable. Actual results could differ from those estimates. Certain amounts in prior years' consolidated financial statements have been reclassified to conform to current financial statement presentation. The consolidated financial statements include the accounts of Central Texas PCA and Central Texas Federal Land Bank FLCA. All significant intercompany transactions have been eliminated in consolidation.

A. Recently Issued or Adopted Accounting Pronouncements:

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance entitled "Leases." The guidance requires the recognition by lessees of lease assets and lease liabilities on the balance sheet for the rights and obligations created by those leases. Leases with lease terms of more than 12 months are impacted by this guidance. This guidance becomes effective for interim and annual periods beginning after December 15, 2018, with early application permitted. The Association will evaluate the impact of adoption on the Association's financial condition and its results of operations.

In January 2016, the FASB issued guidance entitled "Recognition and Measurement of Financial Assets and Liabilities." This guidance becomes effective for interim and annual periods beginning after December 15, 2017. The adoption of this guidance is not expected to impact the Association's financial condition or its results of operations.

In August 2014, the FASB issued guidance entitled "Presentation of Financial Statements — Going Concern." The guidance governs management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This guidance requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year after the date the financial statements are issued or within one year after the financial statements are available to be issued, when applicable. Substantial doubt exists if it is probable that the entity will be unable to meet its obligations for the assessed period. This guidance becomes effective for interim and annual periods ending after December 15, 2016, and early application is permitted. Management will be required to make its initial assessment as of December 31, 2016.

In May 2014, the FASB issued guidance entitled, "Revenue from Contracts with Customers." The guidance governs revenue recognition from contracts with customers and requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Financial instruments and other contractual rights within the scope of other guidance issued by the FASB are excluded from the scope of this new revenue recognition guidance. In this regard, a majority of our contracts would be excluded from the scope of this new guidance. In August 2015, the FASB issued an update that defers this guidance by one year, which results in the new revenue standard becoming effective for interim and annual reporting periods beginning after December 15, 2017. The Association is in the process of reviewing contracts to determine the effect, if any, on their financial condition or results of operations.

B. Cash: Cash, as included in the statement of cash flows, represents cash on hand and on deposit at local banks.

C. Loans and Allowance for Loan Losses: Long-term real estate mortgage loans generally have original maturities ranging from five to 40 years. Substantially all short- and intermediate-term loans for agricultural production or operating purposes have maturities of 10 years or less. Loans are carried at their principal amount outstanding adjusted for charge-offs and deferred loan fees or costs. Interest on loans is accrued and credited to interest income based upon the daily principal amount outstanding. Authoritative accounting guidance requires loan origination fees and direct loan origination costs, if material, to be capitalized and the net fee or cost to be amortized over the life of the related loan as an adjustment to yield.

Impaired loans are loans for which it is probable that not all principal and interest will be collected according to the contractual terms of the loan and are generally considered substandard or doubtful, which is in accordance with the loan rating model, as described below. Impaired loans include nonaccrual loans, restructured loans, and loans past due 90 days or more and still accruing interest. A loan is considered contractually past due when any principal repayment or interest payment required by the loan instrument is not received on or before the due date. A loan shall remain contractually past due until it is formally restructured or until the entire amount past due, including principal, accrued interest and penalty interest incurred as a result of past-due status, is collected or otherwise discharged in full.

Impaired loans are generally placed in nonaccrual status when principal or interest is delinquent for 90 days (unless adequately secured and in the process of collection) or circumstances indicate that collection of principal and/or interest is in doubt. Additionally, all loans over 180 days past due are placed in nonaccrual status. When a loan is placed in nonaccrual status, accrued interest deemed uncollectible is either reversed (if accrued in the current year) or charged against the allowance for loan losses (if accrued in prior years). Loans are charged off at the time they are determined to be uncollectible.

A restructured loan constitutes a troubled debt restructuring (TDR) if for economic or legal reasons related to the debtor's financial difficulties the Association grants a concession to the debtor that it would not otherwise consider. A concession is generally granted in order to minimize the Association's economic loss and avoid foreclosure. Concessions vary by program and are borrower-specific and may include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. A loan restructured in a troubled debt restructuring is an impaired loan.

Payments received on nonaccrual loans are generally applied to the recorded investment in the loan asset. If collection of the recorded investment in the loan is fully expected and the loan does not have a remaining unrecovered prior charge-off associated with it, the interest portion of payments is recognized as current interest income. Nonaccrual loans may be returned to accrual status when principal and interest are current, the borrower has demonstrated payment performance, there are no unrecovered prior charge-offs and collection of future payments is no longer in doubt. If previously unrecognized interest income exists at the time the loan is transferred to accrual status, cash received at the time of or subsequent to the transfer is first recorded as interest income until such time as the recorded balance equals the contractual indebtedness of the borrower.

The Bank and related associations use a two-dimensional loan rating model based on an internally generated combined system risk-rating guidance that incorporates a 14-point risk-rating scale to identify and track the probability of borrower default and a separate scale addressing loss given default over a period of time. Probability of default is the probability that a borrower will experience a default within 12 months from the date of the determination of the risk rating. A default is considered to have occurred if the lender believes the borrower will not be able to pay its obligation in full or the borrower is past due more than 90 days. The loss given default is management's estimate as to the anticipated economic loss on a specific loan, assuming default has occurred or is expected to occur within the next 12 months.

Each of the probability of default categories carries a distinct percentage of default probability. The 14-point risk-rating scale provides for granularity of the probability of default, especially in the acceptable ratings. There are nine acceptable categories that range from a borrower of the highest quality to a borrower of minimally acceptable quality. The probability of default between 1 and 9 is very narrow and would reflect almost no default to a minimal default percentage. The probability of default grows more rapidly as a loan moves from a "9" to other assets especially mentioned (OAEM) and grows significantly as a loan moves to a substandard (viable) level. A substandard (nonviable) rating indicates that the probability of default is almost certain.

The credit risk-rating methodology is a key component of the Association's allowance for loan losses evaluation, and is generally incorporated into its loan underwriting standards and internal lending limit. The allowance for loan losses is maintained at a level considered adequate by management to provide for probable losses inherent in the loan portfolio. The allowance is based on a periodic evaluation of the loan portfolio by management in which numerous factors are considered, including economic conditions, loan portfolio composition, collateral value, portfolio quality, current production conditions and economic conditions, and prior loan loss experience. Management considers the following factors in determining and supporting the level of allowance for loan losses: the concentration of lending in agriculture, combined with uncertainties associated with farmland values, commodity prices, exports, government assistance programs, regional economic effects and weather-related influences. The allowance for loan losses encompasses various judgments, evaluations and appraisals with respect to the loans and their underlying security that, by their nature, contain elements of uncertainty and imprecision. Changes in the agricultural economy and their impact on borrower repayment capacity will cause these various judgments, evaluations and appraisals to change over time. Accordingly, actual circumstances could vary significantly from the institutions' expectations and predictions of those circumstances.

The allowance for loan losses includes components for loans individually evaluated for impairment and loans collectively evaluated for impairment. Generally, for loans individually evaluated the allowance for loan losses represents the difference between the recorded investment in the loan and the present value of the cash flows expected to be collected discounted at the loan's effective interest rate, or at the fair value of the collateral, less estimated costs to sell, if the loan is collateral-dependent. For those loans collectively evaluated for impairment, the allowance for loan losses is determined using the risk-rating model.

D. Capital Stock Investment in the Farm Credit Bank of Texas: The Association's investment in the Bank is in the form of Class A voting capital stock and allocated retained earnings. This investment is adjusted periodically based on the Association's proportional utilization of the Bank compared to other District associations. The Bank requires a minimum stock investment of 2 percent of the Association's average borrowing from the Bank. This investment is carried at cost plus allocated equities in the accompanying consolidated balance sheet.

   If needed to meet regulatory capital adequacy requirements, the board of directors of the Bank may increase the percentage of stock held by an Association from 2 percent of the average outstanding balance of borrowings from the Bank to a maximum of 5 percent of the average outstanding balance of borrowings from the Bank.

E. Other Property Owned, Net: Other property owned, net, consists of real and personal property acquired through foreclosure or deed in lieu of foreclosure, is recorded at fair value less estimated selling costs upon acquisition. Any initial reduction in the carrying amount of a loan to the fair value of the collateral received is charged to the allowance for loan losses. On at least an annual basis, revised estimates to the fair value less cost to sell are reported as adjustments to the carrying amount of the asset, provided that such adjusted value is not in excess of the carrying amount at acquisition. Income and expenses from operations and carrying value adjustments are included in net gains (losses) on other property owned in the consolidated statements of comprehensive income.

F. Premises and Equipment: Premises and equipment are carried at cost less accumulated depreciation. Land is carried at cost. Depreciation is provided on the straight-line method using estimated useful lives of the assets. Gains and losses on dispositions are reflected in current operations. Maintenance and repairs are charged to operating expense, and improvements are capitalized.

G. Advance Conditional Payments: The Association is authorized under the Act to accept advance payments from borrowers. To the extent that the borrower's access to such funds is restricted, the advance conditional payments are netted against the borrower's related loan balance. Amounts in excess of the related loan balance and amounts to which the borrower has unrestricted access are presented as liabilities in the accompanying consolidated balance sheet. Advance conditional payments are not insured. Interest is generally paid by the Association on such accounts at rates established by the board of directors.

H. Employee Benefit Plans: Employees of the Association participate in either the District defined benefit retirement plan (DB Plan) or the defined contribution plan (DC Plan). All eligible employees may participate in the Farm Credit Benefits Alliance 401(k) Plan. The DB Plan is closed to new participants. Participants generally include employees hired prior to January 1, 1996. The DB Plan is noncontributory and provides benefits based on salary and years of service. The "projected unit credit" actuarial method is used for financial reporting and funding purposes for the DB Plan.

   Participants in the DC Plan generally include employees who elected to transfer from the DB Plan prior to January 1, 1996, and employees hired on or after January 1, 1996. Participants in the DC Plan direct the placement of their employers' contributions, 5.0 percent of eligible pay for the year ended December 31, 2015, made on their behalf into various investment alternatives.

   The structure of the District's DB Plan is characterized as multi-employer, since neither the assets, liabilities nor costs of the plan are segregated or separately accounted for by the associations. No portion of any surplus assets is available to the associations, nor are the associations required to pay for plan liabilities upon withdrawal from the plans. As a result, the associations recognize as pension cost the required contribution to the plans for the year. Contributions due and unpaid are recognized as a liability. The Association recognized pension costs for the DC Plan of $111,489, $94,833 and $67,770 for the years ended December 31, 2015, 2014 and 2013, respectively. For the DB Plan, the Association recognized pension costs of $437,870, $506,701 and $579,901 for the years ended December 31, 2015, 2014 and 2013, respectively.

   The Association also participates in the Farm Credit Benefits Alliance 401(k) Plan, which requires the Association to match 100 percent of employee contributions up to 3.0 percent of eligible earnings and to match 50 percent of employee contributions for the next 2.0 percent of employee contributions, up to a maximum employer contribution of 4.0 percent of eligible earnings.

Association 401(k) Plan costs are expensed as incurred. The Association's contributions to the 401(k) Plan were $116,611, $105,638 and $77,510 for the years ended December 31, 2015, 2014 and 2013, respectively.

In addition to pension benefits, the Association provides certain health care and life insurance benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities.

I. Income Taxes: The ACA holding company conducts its business activities through two wholly-owned subsidiaries. Long-term mortgage lending activities are operated through the wholly-owned FLCA subsidiary, which is exempt from federal and state income tax. Short- and intermediate-term lending activities are operated through the wholly-owned PCA subsidiary. Operating expenses are allocated to each subsidiary based on estimated relative service. All significant transactions between the subsidiaries and the parent company have been eliminated in consolidation. The ACA, along with the PCA subsidiary, is subject to income tax. The Association is eligible to operate as a cooperative that qualifies for tax treatment under Subchapter T of the Internal Revenue Code. Accordingly, under specified conditions, the Association can exclude from taxable income amounts distributed as qualified patronage refunds in the form of cash, stock or allocated retained earnings. Provisions for income taxes are made only on those earnings that will not be distributed as qualified patronage refunds. The Association distributes patronage on the basis of book income. Deferred taxes are recorded on the tax effect of all temporary differences based on the assumption that such temporary differences are retained by the institution and will therefore impact future tax payments.

A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage program, which reduces taxable earnings. The Association's net operating loss carryforward at December 31, 2015, approximates $2,900,000 and may be carried forward approximately 20 years. Generally, the annual taxable earnings of the Association are offset predominantly by the declaration of the patronage refunds. Association management anticipates the continuation of the patronage program into the future. A valuation allowance has been established to completely offset any computed deferred tax benefits as of December 31, 2015, 2014 and 2013.

J. Patronage Refunds From the Farm Credit Bank of Texas: The Association records patronage refunds from the Bank on an accrual basis.

K. Fair Value Measurement: The FASB guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets. Also included in Level 1 are assets held in trust funds, which relate to deferred compensation and our supplemental retirement plan. The trust funds include investments that are actively traded and have quoted net asset values that are observable in the marketplace. Pension plan assets that are invested in equity securities, including mutual funds and fixed-income securities that are actively traded, are also included in Level 1.

Level 2 — Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates; and (d) inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. government and agency mortgage-backed debt securities, corporate debt securities, and derivative contracts. Pension plan assets that are derived from observable inputs, including corporate bonds and mortgage-backed securities, are reported in Level 2.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities are considered Level 3. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interests in securitizations, asset-backed securities, highly structured or long-term derivative contracts, certain loans and other property owned. Pension plan assets such as certain mortgage-backed securities that are supported by little or no market data in determining the fair value are included in Level 3.

The fair value disclosures are presented in Note 13, "Fair Value Measurements."

L. Off-balance-sheet credit exposures: Commitments to extend credit are agreements to lend to customers, generally having fixed expiration dates or other termination clauses that may require payment of a fee. Commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. These letters of credit are issued to facilitate commerce and typically result in the commitment being funded when the underlying transaction is consummated between the customer and third party. The credit risk associated with commitments to extend credit and commercial letters of credit is essentially the same as that involved with extending loans to customers and is subject to normal credit policies. Collateral may be obtained based on management's assessment of the customer's creditworthiness.

NOTE 3 — LOANS AND ALLOWANCE FOR LOAN LOSSES:

A summary of loans as of December 31 follows:

	2015		2014		2013	
Loan Type	**Amount**	**%**	Amount	%	Amount	%
Real estate mortgage	**$ 331,347,509**	**69.3%**	$ 303,024,892	71.5%	$ 298,023,812	73.8%
Production and intermediate term	**55,905,333**	**11.7%**	49,091,029	11.6%	39,933,199	9.9%
Agribusiness:						
Processing and marketing	**46,294,150**	**9.7%**	31,643,304	7.5%	33,429,752	8.3%
Farm-related business	**13,159,218**	**2.7%**	12,311,306	2.9%	6,285,991	1.6%
Loans to cooperatives	**769,374**	**0.2%**	-	0.0%	-	0.0%
Energy	**15,072,698**	**3.1%**	14,545,081	3.4%	14,353,951	3.5%
Communication	**12,649,114**	**2.6%**	10,050,458	2.4%	9,052,980	2.2%
Rural residential real estate	**1,881,798**	**0.4%**	1,799,245	0.4%	2,117,940	0.5%
Water and waste water	**1,296,418**	**0.3%**	1,461,306	0.3%	714,228	0.2%
Total	**$ 478,375,612**	**100.0%**	$ 423,926,621	100.0%	$ 403,911,853	100.0%

The Association may purchase or sell participation interests with other parties in order to diversify risk, manage loan volume and comply with Farm Credit Administration regulations. The following table presents information regarding participations purchased and sold as of December 31, 2015:

	Other Farm Credit Institutions		Non-Farm Credit Institutions		Total	
	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold	Participations Purchased	Participations Sold
Agribusiness	$ 46,130,264	$ -	$ -	$ -	$ 46,130,264	$ -
Energy	15,072,698	-	-	-	15,072,698	-
Communication	12,616,935	-	-	-	12,616,935	-
Real estate mortgage	10,226,129	15,640,253	-	-	10,226,129	15,640,253
Production and intermediate term	6,442,576	1,989,435	-	-	6,442,576	1,989,435
Water and waste water	1,296,418	-	-	-	1,296,418	-
Total	$ 91,785,020	$ 17,629,688	$ -	$ -	$ 91,785,020	$ 17,629,688

Geographic Distribution:

County	**2015**	2014	2013
Comanche	**10.4%**	10.0%	8.7%
Brown	**8.8%**	9.5%	9.7%
Coleman	**7.0%**	6.8%	7.0%
Runnels	**5.7%**	5.8%	5.5%
Jones	**4.6%**	4.5%	3.8%
McCulloch	**4.3%**	4.1%	3.8%
Tom Green	**4.0%**	4.5%	4.7%
Callahan	**3.8%**	3.8%	4.1%
Mills	**3.4%**	3.6%	3.7%
Concho	**3.2%**	4.1%	4.2%
San Saba	**2.9%**	3.0%	3.2%
Coke	**2.2%**	1.2%	1.5%
Haskell	**2.1%**	2.5%	3.0%
Knox	**1.4%**	1.7%	1.9%
Baylor	**0.9%**	0.9%	1.1%
Menard	**0.6%**	0.8%	1.0%
Other States	**17.9%**	17.3%	17.7%
Other Counties	**16.8%**	15.9%	15.4%
Totals	**100.0%**	100.0%	100.0%

The Association's concentration of credit risk in various agricultural commodities is shown in the following table. While the amounts represent the Association's maximum potential credit risk as it relates to recorded loan principal, a substantial portion of the Association's lending activities is collateralized, and the Association's exposure to credit loss associated with lending activities is reduced accordingly. An estimate of the Association's credit risk exposure is considered in the determination of the allowance for loan losses.

	2015		2014		2013	
Operation/Commodity	**Amount**	**%**	Amount	%	Amount	%
Cattle and calves	**$ 147,289,459**	**30.8%**	$ 128,223,868	30.3%	$ 126,033,599	31.2%
General livestock and fowl	**95,124,164**	**19.9%**	76,911,975	18.1%	72,476,384	17.9%
Hunting and recreation	**44,588,103**	**9.3%**	45,006,928	10.6%	41,752,630	10.3%
Cotton	**30,767,065**	**6.5%**	30,283,619	7.2%	30,537,975	7.6%
Field crops	**28,401,948**	**5.9%**	20,265,912	4.8%	20,996,700	5.2%
Wheat	**19,266,686**	**4.0%**	17,239,341	4.1%	15,957,422	4.0%
Timber	**9,710,560**	**2.0%**	9,433,714	2.2%	10,591,800	2.6%
Fruit, nuts and vegetables	**5,651,284**	**1.2%**	9,029,916	2.1%	8,532,324	2.1%
Sheep and goats	**5,659,683**	**1.2%**	7,066,055	1.7%	6,934,935	1.7%
Feed products and milling	**4,242,217**	**0.9%**	4,871,837	1.2%	5,483,306	1.4%
Sorghum, corn and other grains	**3,745,055**	**0.8%**	4,082,370	1.0%	2,653,107	0.7%
Rural home loans	**2,047,042**	**0.4%**	1,799,245	0.4%	2,117,940	0.5%
Other	**81,882,346**	**17.1%**	68,806,128	16.3%	59,843,731	14.8%
Total	**$ 478,375,612**	**100.0%**	$ 423,020,908	100.0%	$ 403,911,853	100.0%

The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies but typically includes farmland and income-producing property, such as crops and livestock, as well as receivables. Long-term real estate loans are secured by the first liens on the underlying real property. Federal regulations state that long-term real estate loans are not to exceed 85 percent (or 97 percent if guaranteed by a government agency) of the property's appraised value. However, a decline in a property's market value subsequent to loan origination or advances, or other actions necessary to protect the financial interest of the Association in the collateral, may result in the loan-to-value ratios in excess of the regulatory maximum.

To mitigate the risk of loan losses, the Association has obtained loan guarantees from Farmer Mac in the form of standby commitments to purchase qualifying loans through an arrangement with the Bank. The agreements, which will remain in place until the loans are paid in full, give the Association the right to sell the loans identified in the agreements to Farmer Mac in the event of defaults (typically four months past due), subject to certain conditions. At December 31, 2015, loans totaling $10,276,351 were guaranteed by these commitments. There were no loans guaranteed by these commitments as of December 31, 2014 or 2013. Fees paid for these guarantees totaled $12,804 in 2015 and are included in “other noninterest expense.” No fees were paid in 2014 or 2013.

Nonperforming assets (including related accrued interest) and related credit quality statistics are as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
Nonaccrual loans:			
Real estate mortgage	**$ 523,110**	$ 169,714	$ 98,419
Production and intermediate term	**-**	15,190	57,466
Total nonaccrual loans	**523,110**	184,904	155,885
Accruing restructured loans:			
Real estate mortgage	**-**	-	646,649
Total accruing restructured loans	**-**	-	646,649
Total nonperforming loans	**523,110**	184,904	802,534
Other property owned	**129,075**	129,075	652,125
Total nonperforming assets	**$ 652,185**	$ 313,979	$ 1,454,659

One credit quality indicator utilized by the Bank and the Association is the Farm Credit Administration’s Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality,
- Other assets especially mentioned (OAEM) – assets are currently collectible but exhibit some potential weakness,
- Substandard – assets exhibit some serious weakness in repayment capacity, equity and/or collateral pledged on the loan,
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable, and
- Loss – assets are considered uncollectible.

The following table shows loans and related accrued interest classified under the Farm Credit Administration's Uniform Loan Classification System as a percentage of total loans and related accrued interest receivable by loan type as of December 31:

	2015	2014	2013
Real estate mortgage			
Acceptable	**99.1 %**	98.8 %	98.4 %
OAEM	**0.8**	1.1	1.3
Substandard/doubtful	**0.1**	0.1	0.3
	100.0	100.0	100.0
Production and intermediate term			
Acceptable	**98.8**	98.7	99.9
OAEM	**1.2**	1.3	-
Substandard/doubtful	**-**	0.0	0.1
	100.0	100.0	100.0
Loans to cooperatives			
Acceptable	**100.0**	-	-
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	-	-
Processing and marketing			
Acceptable	**96.2**	100.0	100.0
OAEM	**3.8**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Farm-related business			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Communication			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Energy			
Acceptable	**100.0**	100.0	89.6
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	10.4
	100.0	100.0	100.0
Water and waste water			
Acceptable	**100.0**	100.0	100.0
OAEM	**-**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Rural residential real estate			
Acceptable	**96.7**	100.0	100.0
OAEM	**3.3**	-	-
Substandard/doubtful	**-**	-	-
	100.0	100.0	100.0
Total Loans			
Acceptable	**98.8**	98.9	98.5
OAEM	**1.1**	1.0	0.9
Substandard/doubtful	**0.1**	0.1	0.6
	100.0 %	100.0 %	100.0 %

The following tables provide an age analysis of past due loans (including accrued interest) as of December 31, 2015, 2014 and 2013:

December 31, 2015:	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Not Past Due or Less than 30 Days Past Due**	**Total Loans**	**Recorded Investment >90 Days and Accruing**
Real estate mortgage	**$ 1,756,554**	**$ 270,519**	**$ 2,027,073**	**$ 332,636,778**	**$ 334,663,851**	**$ -**
Production and intermediate term	**33,539**	**-**	**33,539**	**56,451,131**	**56,484,670**	**-**
Processing and marketing	**-**	**-**	**-**	**46,384,762**	**46,384,762**	**-**
Energy	**-**	**-**	**-**	**15,087,088**	**15,087,088**	**-**
Farm-related business	**-**	**-**	**-**	**13,164,739**	**13,164,739**	**-**
Communication	**-**	**-**	**-**	**12,656,856**	**12,656,856**	**-**
Rural residential real estate	**-**	**-**	**-**	**1,904,786**	**1,904,786**	**-**
Water and waste water	**-**	**-**	**-**	**1,296,597**	**1,296,597**	**-**
Loans to cooperatives	**-**	**-**	**-**	**769,711**	**769,711**	**-**
Total	**$ 1,790,093**	**$ 270,519**	**$ 2,060,612**	**$ 480,352,448**	**$ 482,413,060**	**$ -**

December 31, 2014:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 537,477	$ 119,156	$ 656,633	$ 305,449,313	$ 306,105,946	$ -
Production and intermediate term	-	-	-	49,461,627	49,461,627	-
Processing and marketing	-	-	-	31,686,842	31,686,842	-
Energy	-	-	-	14,560,030	14,560,030	-
Farm-related business	-	-	-	12,317,985	12,317,985	-
Communication	-	-	-	10,063,276	10,063,276	-
Rural residential real estate	-	-	-	1,812,853	1,812,853	-
Water and waste water	-	-	-	1,461,444	1,461,444	-
Loans to cooperatives	-	-	-	-	-	-
Total	$ 537,477	$ 119,156	$ 656,633	$ 426,813,370	$ 427,470,003	$ -

December 31, 2013:	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real estate mortgage	$ 29,397	$ 98,419	$ 127,816	$ 300,832,491	$ 300,960,307	$ -
Production and intermediate term	-	26,948	26,948	40,294,008	40,320,956	-
Processing and marketing	-	-	-	33,475,174	33,475,174	-
Energy	-	-	-	14,355,396	14,355,396	-
Farm-related business	-	-	-	6,291,738	6,291,738	-
Communication	-	-	-	9,067,361	9,067,361	-
Rural residential real estate	-	-	-	2,132,991	2,132,991	-
Water and waste water	-	-	-	714,585	714,585	-
Loans to cooperatives	-	-	-	-	-	-
Total	$ 29,397	$ 125,367	$ 154,764	$ 407,163,744	$ 407,318,508	$ -

Note: The recorded investment in the receivable is the face amount increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges or acquisition costs, and may also reflect a previous direct write-down of the investment.

A restructuring of a debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Troubled debt restructurings are undertaken in order to improve the likelihood of recovery on the loan and may include, but are not limited to, forgiveness of principal or interest, interest rate reductions that are lower than the current market rate for new debt with similar risk, or significant term or payment extensions.

As of December 31, 2015, the Association had no troubled debt restructured loans. In restructuring where principal is forgiven, the amount of forgiveness is immediately charged off. In restructurings where accrued interest is forgiven, the interest is reversed (if current year interest) or charged off (if prior year interest).

The predominant form of concession granted for troubled debt restructuring includes extension of the term. Other types of modifications include principal or accrued interest reductions, interest rate decreases and delayed payments, among others. At times these terms might be offset with incremental payments, collateral or new borrower guarantees, in which case the Association assesses all of the modified terms to determine if the overall modification qualifies as a troubled debt restructuring.

The following table provides information on outstanding loans restructured in troubled debt restructurings at period end. These loans are included as impaired loans in the impaired loan table:

	Loans Modified as TDRs		
	December 31, 2015	December 31, 2014	December 31, 2013
Troubled debt restructurings:			
Real estate mortgage	$ -	$ -	$ 646,649
Total	$ -	$ -	$ 646,649

Additional impaired loan information is as follows:

	Recorded Investment at 12/31/2015	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ -	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 523,110	$ 523,143	$ -	$ 236,623	$ 5,216
Total	$ 523,110	$ 523,143	$ -	$ 236,623	$ 5,216
Total impaired loans:					
Real estate mortgage	$ 523,110	$ 523,143	$ -	$ 236,623	$ 5,216
Total	$ 523,110	$ 523,143	$ -	$ 236,623	$ 5,216

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	Recorded Investment at 12/31/2014	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ -	$ -	$ -	$ -	$ -
Production and intermediate term	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 169,714	$ 169,714	$ -	$ 93,922	$ 4,348
Production and intermediate term	15,190	15,190	-	19,746	646
Total	$ 184,904	$ 184,904	$ -	$ 113,668	$ 4,994
Total impaired loans:					
Real estate mortgage	$ 169,714	$ 169,714	$ -	$ 93,922	$ 4,348
Production and intermediate term	15,190	15,190	-	19,746	646
Total	$ 184,904	$ 184,904	$ -	$ 113,668	$ 4,994

[a] Unpaid principal balance represents the recorded principal balance of the loan.

	Recorded Investment at 12/31/2013	Unpaid Principal Balance[a]	Related Allowance	Average Impaired Loans	Interest Income Recognized
Impaired loans with a related allowance for credit losses:					
Real estate mortgage	$ -	$ -	$ -	$ -	$ -
Production and intermediate term	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -
Impaired loans with no related allowance for credit losses:					
Real estate mortgage	$ 745,068	$ 741,531	$ -	$ 701,359	$ 36,174
Production and intermediate term	57,466	237,090	-	1,090	6,120
Total	$ 802,534	$ 978,621	$ -	$ 702,449	$ 42,294
Total impaired loans:					
Real estate mortgage	$ 745,068	$ 741,531	$ -	$ 701,359	$ 36,174
Production and intermediate term	57,466	237,090	-	1,090	6,120
Total	$ 802,534	$ 978,621	$ -	$ 702,449	$ 42,294

[a] Unpaid principal balance represents the recorded principal balance of the loan.

There were no material commitments to lend additional funds to debtors whose loans were classified as impaired at December 31, 2015, 2014 and 2013.

Interest income on nonaccrual and accruing restructured loans that would have been recognized under the original terms of the loans at December 31:

	2015	2014	2013
Interest income which would have been recognized under the original terms	**$ 143,462**	$ 93,248	$ 325,980
Less: interest income recognized	**(30,975)**	(3,000)	(140,385)
Foregone interest income	**$ 112,487**	$ 90,248	$ 185,595

The foregone interest income includes $83,436, $83,452 and $84,226 for the periods 2014, 2013 and 2012 from a loan that has been charged off, but for which the Association still has legal recourse.

A summary of the changes in the allowance for credit losses and the ending balance of loans outstanding (including accrued interest) is as follows:

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:								
Balance at December 31, 2014	$ 197,179	$ 220,963	$ 96,213	$ 21,612	$ 33,922	$ 1,575	$ 1,318	$ 572,782
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	16,214	1,321	201,226	90,772	136,315	14,862	283	460,993
Other	1,669	(3,787)	(45,436)	(7,771)	(8,393)	(5,830)	-	(69,548)
Balance at December 31, 2015	$ 215,062	$ 218,497	$ 252,003	$ 104,613	$ 161,844	$ 10,607	$ 1,601	$ 964,227
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance: collectively evaluated for impairment	$ 215,062	$ 218,497	$ 252,003	$ 104,613	$ 161,844	$ 10,607	$ 1,601	$ 964,227
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2015	$ 334,663,851	$ 56,484,670	$ 60,319,212	$ 12,656,856	$ 15,087,088	$ 1,296,597	$ 1,904,786	$ 482,413,060
Ending balance for loans individually evaluated for impairment	$ 523,110	$ -	$ -	$ -	$ -	$ -	$ -	$ 523,110
Ending balance for loans collectively evaluated for impairment	$ 334,140,741	$ 56,484,670	$ 60,319,212	$ 12,656,856	$ 15,087,088	$ 1,296,597	$ 1,904,786	$ 481,889,950

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:								
Balance at December 31, 2013	$ 222,030	$ 199,044	$ 62,622	$ 19,080	$ 150,940	$ 771	$ 1,411	$ 655,898
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	8,210	25,052	-	-	-	-	-	33,262
Provision for loan losses	(33,263)	13,040	34,097	1,956	(120,772)	974	(132)	(104,100)
Other	202	(16,173)	(506)	576	3,754	(170)	39	(12,278)
Balance at December 31, 2014	$ 197,179	$ 220,963	$ 96,213	$ 21,612	$ 33,922	$ 1,575	$ 1,318	$ 572,782
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance: collectively evaluated for impairment	$ 197,179	$ 220,963	$ 96,213	$ 21,612	$ 33,922	$ 1,575	$ 1,318	$ 572,782
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2014	$ 306,105,946	$ 49,461,627	$ 44,004,827	$ 10,063,276	$ 14,560,030	$ 1,461,444	$ 1,812,853	$ 427,470,003
Ending balance for loans individually evaluated for impairment	$ 169,714	$ 15,190	$ -	$ -	$ -	$ -	$ -	$ 184,904
Ending balance for loans collectively evaluated for impairment	$ 305,936,232	$ 49,446,437	$ 44,004,827	$ 10,063,276	$ 14,560,030	$ 1,461,444	$ 1,812,853	$ 427,285,099

	Real Estate Mortgage	Production and Intermediate Term	Agribusiness	Communication	Energy	Water and Waste Water	Rural Residential Real Estate	Total
Allowance for Credit Losses:								
Balance at December 31, 2012	$ 207,832	$ 298,485	$ 1,051,482	$ 22,265	$ 166,741	$ -	$ 1,225	$ 1,748,030
Charge-offs	-	(179,624)	(961,575)	-	-	-	-	(1,141,199)
Recoveries	-	-	-	-	-	-	-	-
Provision for loan losses	14,643	70,969	(81,431)	(1,901)	(23,956)	771	226	(20,679)
Other	(445)	9,214	54,146	(1,284)	8,155	-	(40)	69,746
Balance at December 31, 2013	$ 222,030	$ 199,044	$ 62,622	$ 19,080	$ 150,940	$ 771	$ 1,411	$ 655,898
Ending Balance: individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Ending Balance: collectively evaluated for impairment	$ 222,030	$ 199,044	$ 62,622	$ 19,080	$ 150,940	$ 771	$ 1,411	$ 655,898
Recorded Investment in Loans Outstanding:								
Ending Balance at December 31, 2013	$ 300,960,307	$ 40,320,956	$ 39,766,912	$ 9,067,361	$ 14,355,396	$ 714,585	$ 2,132,991	$ 407,318,508
Ending balance for loans individually evaluated for impairment	$ 98,419	$ 57,466	$ -	$ -	$ -	$ -	$ -	$ 155,885
Ending balance for loans collectively evaluated for impairment	$ 300,861,888	$ 40,263,490	$ 39,766,912	$ 9,067,361	$ 14,355,396	$ 714,585	$ 2,132,991	$ 407,162,623

NOTE 4 — INVESTMENT IN THE FARM CREDIT BANK OF TEXAS:

The investment in the Farm Credit Bank of Texas is a requirement of borrowing from the Bank and is carried at cost plus allocated equities, not fair value, in the accompanying consolidated balance sheet. Estimating the fair value of the Association's investment in the Farm Credit Bank of Texas is not practicable because the stock is not traded. The Association owns 2.7 percent of the issued stock of the Bank as of December 31, 2015. As of that date, the Bank's assets totaled $20.0 billion and members' equity totaled $1.554 billion. The Bank's earnings were $192.2 million during 2015.

NOTE 5 — PREMISES AND EQUIPMENT:

Premises and equipment consisted of the following at December 31:

	2015	2014	2013
Land and improvements	**$ 427,318**	$ 379,884	$ 143,995
Building and improvements	**1,114,739**	894,688	870,136
Furniture and equipment	**285,511**	250,754	257,598
Computer equipment and software	**117,532**	109,524	104,227
Automobiles	**242,812**	233,916	163,217
Construction in progress	**757,208**	-	-
	2,945,120	1,868,766	1,539,173
Accumulated depreciation	**(1,027,745)**	(933,084)	(862,288)
Total	**$ 1,917,375**	$ 935,682	$ 676,885

The Association leases office space in Baird and Comanche, Texas. Lease expense was $23,546, $21,690 and $13,516 for 2015, 2014 and 2013, respectively. Minimum annual lease payments for the next five years are as follows:

	Operating
2016	$ 26,400
2017	26,400
2018	26,400
2019	26,400
2020	26,400
Thereafter	26,400
Total	$ 158,400

NOTE 6 — OTHER PROPERTY OWNED, NET:

Gain (loss) on other property owned, net, consists of the following for the years ended December 31:

	2015	2014	2013
Gain on sale, net	**$ 4,109**	$ 877,350	$ -
Operating expense, net	**-**	(618)	(1,582)
Net gain (loss) on other property owned	**$ 4,109**	$ 876,732	$ (1,582)

NOTE 7 — OTHER ASSETS AND OTHER LIABILITIES:

Other assets comprised the following at December 31:

	2015	2014	2013
Accounts receivable	**$ 184,034**	$ 199,910	$ 166,156
Prepaid expenses	**6,336**	8,924	-
Other assets	**273**	373	65
Total	**$ 190,643**	$ 209,207	$ 166,221

Other liabilities comprised the following at December 31:

	2015	2014	2013
Postretirement benefits liability	**$ 1,884,215**	$ 1,974,965	$ 1,431,017
Accounts payable	**843,736**	638,500	102,141
FCS insurance premium payable	**414,691**	357,726	284,317
Accrued annual leave	**190,220**	223,838	275,651
Allowance on unfunded loans	**160,071**	90,523	78,245
Total	**$ 3,492,933**	$ 3,285,552	$ 2,171,371

NOTE 8 — NOTE PAYABLE TO THE BANK:

The interest rate risk inherent in the Association's loan portfolio is substantially mitigated through the funding relationship with the Bank. The Bank manages interest rate risk through its direct loan pricing and asset/liability management process. The Association's indebtedness to the Bank represents borrowings by the Association to fund the majority of its loan portfolio. The indebtedness is collateralized by a pledge of substantially all of the Association's assets, and is governed by a general financing agreement. The interest rate on the direct loan is based upon the Bank's cost of funding the loans the Association has outstanding to its borrowers. The indebtedness continues in effect until the expiration date of the general financing agreement, which is September 30, 2018, unless sooner terminated by the Bank upon the occurrence of an event of default, or by the Association, in the event of a breach of this agreement by the Bank, upon giving the Bank 30 calendar days' prior written notice, or in all other circumstances, upon giving the Bank 120 days' prior written notice.

The total amount and the weighted average interest rate of the Association's direct loan from the Bank at December 31, 2015, 2014 and 2013, was $380,156,061 at 1.9 percent, $328,825,631 at 1.7 percent and $314,071,861 at 1.8 percent, respectively.

Under the Act, the Association is obligated to borrow only from the Bank unless the Bank approves borrowing from other funding sources. The Bank and FCA regulations have established limitations on the Association's ability to borrow funds based on specified factors or formulas relating primarily to credit quality and financial condition. At December 31, 2015, 2014 and 2013, the Association's note payable was within the specified limitations. The maximum amount the Association may borrow from the Bank as of December 31, 2015 was $482,034,221, as defined by the general financing agreement.

In addition to borrowing limits, the financing agreement establishes certain covenants including limits on leases, investments, other debt, and dividend and patronage distributions; minimum standards for return on assets and for liquidity; and provisions for conducting business, maintaining records, reporting financial information, and establishing policies and procedures. Remedies specified in the general financing agreement associated with the covenants include additional reporting requirements, development of action plans, increases in interest rates on indebtedness, reduction of lending limits or repayment of indebtedness. As of and for the years ended December 31, 2015, 2014 and 2013, the Association was not subject to remedies associated with the covenants in the general financing agreement.

NOTE 9 — MEMBERS' EQUITY:

A description of the Association's capitalization requirements, protection mechanisms, regulatory capitalization requirements and restrictions, and equities are provided below.

Protection of certain borrower equity is provided under the Act that requires the Association, when retiring protected borrower equity, to retire such equity at par or stated value regardless of its book value. Protected borrower equity includes capital stock, participation certificates and allocated equities that were outstanding as of January 6, 1988, or were issued or allocated prior to October 6, 1988. If an Association is unable to retire protected borrower equity at par value or stated value, amounts required to retire this equity would be obtained from the Insurance Fund.

In accordance with the Act and the Association's capitalization bylaws, each borrower is required to invest in the Association as a condition of borrowing. The investment in Class A capital stock or participation certificates is equal to 2 percent of the loan amount, up to a maximum amount of $1,000 per loan. The borrower acquires ownership of the capital stock or participation certificates at the time the loan is made, usually by adding the aggregate par value of the capital stock or participation certificates to the principal amount of the related loan obligation. The capital stock or participation certificates are subject to a first lien by the Association. Retirement of such equities will generally be at the lower of par or book value, and repayment of a loan does not automatically result in retirement of the corresponding capital stock or participation certificates.

If needed to meet regulatory capital adequacy requirements, the board of directors of the Association may increase the percentage of stock requirement for each borrower up to a maximum of 10 percent of the loan amount.

Each owner of Class A capital stock is entitled to a single vote, while participation certificates provide no voting rights to their owners.

Within two years following repayment of a loan, the Association capital bylaws require the conversion of any borrower's outstanding Class A to Class C stock. Class C stock has no voting rights except in a case where a new issuance of preferred stock has been submitted to stockholders affected by the preference. Redemption of Class C shares is made solely at the discretion of the Association's board of directors. At December 31, 2015, 2014 and 2013, the Association had no Class C stock.

All borrower stock is at-risk. As such, losses that result in impairment of capital stock or participation certificates shall be borne on a pro rata basis by all holders of capital stock and participation certificates. In the event of liquidation of the Association, capital stock and participation certificates would be utilized as necessary to satisfy any remaining obligations in excess of the amounts realized on the sale or liquidation of assets. Any excess of the amounts realized on the sale or liquidation of assets over the Association's obligations to external parties and to the Bank would be distributed to the Association's stockholders.

Dividends and patronage distributions may be paid on the capital stock and participation certificates of the Association, as the board of directors may determine by resolution, subject to capitalization requirements as defined by the FCA. Amounts not distributed are retained as unallocated retained earnings. In 2015, 2014 and 2013, the Association declared annual patronage distributions of $5,600,000, $5,200,000 and $4,800,000, respectively.

The FCA's capital adequacy regulations require the Association to achieve permanent capital and total surplus of at least 7.0 percent and core surplus of at least 3.5 percent of risk-adjusted assets and off-balance-sheet commitments. Failure to meet the ratio requirements can initiate certain mandatory and possibly additional discretionary actions by the FCA that, if undertaken, could have a direct material effect on the Association's financial statements. The Association is prohibited from reducing permanent capital by retiring stock or making certain other distributions to stockholders unless prescribed capital standards are met. As of December 31, 2015, the Association is not prohibited from retiring stock or distributing earnings. The Association's permanent capital ratio, core surplus ratio and total surplus ratio at December 31, 2015, were 19.7 percent, 19.2 percent and 19.2 percent, respectively.

The Association's capital adequacy plan meets all of the Bank's and FCA's regulations. The Association does not have protected stock. All of the Association's stock is at risk and is retired upon repayment of the loan, subject to the approval of the board of directors. The Association does not share any Bank equities and has not had any capital calls from the Bank. The above items have been considered in the Association's business plan. The Association does not have any intra-District loss sharing agreements.

An FCA regulation empowers the FCA to direct a transfer of funds or equities by one or more System institutions to another System institution under specified circumstances. The Association has not been called upon to initiate any transfers and is not aware of any proposed action under this regulation.

At December 31, the Association had the following shares of Class A capital stock and participation certificates outstanding at a par value of $5 per share:

	2015	2014	2013
Class A stock	**442,058**	425,412	426,250
Participation certificates	**4,407**	4,399	4,170
Total	**446,465**	429,811	430,420

An additional component of equity is accumulated other comprehensive (loss) income, which is reported net of taxes as follows:

	Before Tax	Deferred Tax	Net of Tax
December 31, 2015	**Before Tax**	**Deferred Tax**	**Net of Tax**
Nonpension postretirement benefits	**$ (197,886)**	**$ -**	**$ (197,886)**
December 31, 2014	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ (421,702)	$ -	$ (421,702)
December 31, 2013	Before Tax	Deferred Tax	Net of Tax
Nonpension postretirement benefits	$ 57,446	$ -	$ 57,446

The Association's accumulated other comprehensive (loss) income relates entirely to its non-pension other postretirement benefits. The following table summarizes the changes in accumulated other comprehensive (loss) income and the location on the income statement for the year ended December 31:

	2015	2014	2013
Accumulated other comprehensive (loss) income at January 1	**$ (421,702)**	$ 57,446	$ (286,751)
Actuarial gains (losses)	**205,350**	(460,179)	337,045
Amortization of prior service credits included in salaries and employee benefits	**(18,037)**	(18,969)	(18,969)
Amortization of actuarial loss included in salaries and employee benefits	**36,503**	-	26,121
Other comprehensive income (loss), net of tax	**223,816**	(479,148)	344,197
Accumulated other comprehensive (loss) income at December 31	**$ (197,886)**	$ (421,702)	$ 57,446

NOTE 10 — INCOME TAXES:

There was no provision for income taxes for the years ended December 31, 2015, 2014 or 2013.

The provision for income tax differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pretax income as follows for the years ended December 31:

	2015	2014	2013
Federal tax at statutory rate	**$ 3,172,635**	$ 3,621,945	$ 3,401,976
Effect of nontaxable FLCA subsidiary	**(2,764,936)**	(3,285,994)	(3,100,324)
Patronage distributions	**(409,058)**	(441,651)	(426,500)
Change in valuation allowance	**1,359**	130,193	149,502
Other	**-**	(24,493)	(24,654)
Provision for income taxes	**$ -**	$ -	$ -

Deferred tax assets and liabilities in accordance with accounting guidance, "Accounting for Income Taxes," are comprised of the following at December 31:

	2015	2014	2013
Deferred Tax Assets			
Allowance for loan losses	**$ 100,898**	$ 99,538	$ 73,614
Loss carryforwards	**1,018,404**	1,018,404	914,135
Gross deferred tax assets	**1,119,302**	1,117,942	987,749
Deferred tax asset valuation allowance	**(1,119,302)**	(1,117,942)	(987,749)
Net deferred tax asset (liability)	**$ -**	$ -	$ -

The Association recorded valuation allowances of $1,119,302, $1,117,942 and $987,749 during 2015, 2014 and 2013, respectively. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not (over 50 percent probability), based on management's estimate, that they will not be realized. The consideration of valuation allowances involves various estimates and assumptions as to future taxable earnings, including the effects of the Association's expected patronage programs, which reduces taxable earnings. The Association will continue to evaluate the realizability of the deferred tax assets and adjust the valuation allowance accordingly. The Association adopted FASB guidance on accounting for uncertainty in income taxes (originally effective January 1, 2007) when the Association became an ACA in 2006. Upon adoption, the Association did not need to recognize a tax liability for any uncertain tax positions and at December 31, 2015, 2014 and 2013, the Association did not recognize a tax liability for any uncertain tax position.

The Association's net operating loss carryforward at December 31, 2015 approximates $2,900,000 and may be carried forward approximately 20 years.

NOTE 11 — EMPLOYEE BENEFIT PLANS:

Employee Retirement Plans: Employees of the Association participate in either the defined benefit retirement plan (DB Plan) or the defined contributions plan (DC Plan) and are eligible to participate in the Farm Credit Benefits Alliance 401(k) Plan. These plans are described more fully in section H of Note 2, "Summary of Significant Accounting Policies." The structure of the District's DB Plan is characterized as multi-employer, since neither the assets, liabilities nor cost of any plan is segregated or separately accounted for by participating employers (Bank and associations). No portion of any surplus assets is available to any participating employer. As a result, participating employers of the plan only recognize as cost the required contributions for the period and a liability for any unpaid contributions required for the period of their financial statements. Plan obligations, assets and the components of annual benefit expenses are recorded and reported upon District combination only. The Association records current contributions to the DB Plan as an expense in the current year.

The CEO and certain executive or highly-compensated employees in the Association are eligible to participate in a separate nonqualified supplemental 401(k) Plan, named the Farm Credit Benefits Alliance Nonqualified Supplemental 401(k) Plan (supplemental 401(k) Plan). This plan allows District employers to elect to participate in any or all of the following benefits:

- Restored Employer Contributions – to allow "make-up" contributions for eligible employees whose benefits to the qualified 401(k) Plan were limited by the Internal Revenue Code during the year
- Elective Deferrals – to allow eligible employees to make pre-tax deferrals of compensation above and beyond any deferrals into the qualified 401(k) Plan

- Discretionary Contributions – to allow participating employers to make a discretionary contribution to an eligible employee's account in the plan, and to designate a vesting schedule

There were no payments made from the supplemental 401(k) Plan to active employees during 2015. A contribution of $190 was made to the Supplemental 401(k) Plan in 2014. There were no payments made from the supplemental 401(k) Plan to active employees during 2013.

The DB Plan is noncontributory and benefits are based on salary and years of service. The legal name of the DB Plan is Farm Credit Bank of Texas Pension Plan; its employer identification number is 74-1110170. The DB Plan is not subject to any contractual expiration dates. The DB Plan's funding policy is to fund current year benefits expected to be earned by covered employees plus an amount to improve the accumulated benefit obligation funded status by a percentage approved by the plan sponsor. The plan sponsor is the board of the Farm Credit Bank of Texas. The "projected unit credit" actuarial method is used for both financial reporting and funding purposes. District employers have the option of providing enhanced retirement benefits, under certain conditions, within the DB Plan, to facilitate reorganization and/or restructuring. Actuarial information regarding the DB pension plan accumulated benefit obligation and plan asset is calculated for the District as a whole and is presented in the District's annual report to stockholders. The actuarial present value of vested and non-vested accumulated benefit obligation exceeded the net assets of the DB Plan as of December 31, 2015.

The risks of participating in these multi-employer plans are different from single-employer plans in the following aspects:

a. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
c. If the Association chooses to stop participating in some of its multi-employer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table includes additional information regarding the funded status of the plan, the Association's contributions, and the percentage of Association contribution to total plan contributions for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
Funded status of plan	**66.8** %	67.5 %	77.3 %
Association's contribution	**$ 437,870**	$ 506,701	$579,901
Percentage of Association's contribution to total contributions	**4.1** %	4.1 %	3.5 %

The funded status presented above is based on the percentage of plan assets to projected benefit obligations. DB Plan funding is based on the percentage of plan assets to the accumulated benefit obligation, which was 72.5 percent, 74.5 percent and 86.1 percent at December 31, 2015, 2014 and 2013, respectively.

Other Postretirement Benefits: In addition to pension benefits, the Association provides certain health care benefits to qualifying retired employees (other postretirement benefits). These benefits are not characterized as multi-employer and, consequently, the liability for these benefits is included in other liabilities.

In October 2014, the Society of Actuaries issued revised mortality tables (RP 2014) and a mortality improvement scale (MP 2014) for use by actuaries, insurance companies, governments, benefit plan sponsors and others in setting assumptions regarding life expectancy in the United States for purposes of estimating pension and other postemployment benefit obligations, costs and required contribution amounts. The new mortality tables indicate substantial life expectancy improvements since the last study published in 2000 (RP 2000). The adoption of these new tables resulted in an increase of $225,204 to our retiree welfare plan's projected benefit obligation.

The following table reflects the benefit obligation, cost and actuarial assumptions for the Association's other postretirement benefits:

Disclosure Information Related to Retirement Benefits	**2015**	2014	2013
Change in Accumulated Postretirement Benefit Obligation			
Accumulated postretirement benefit obligation, beginning of year	**$ 1,974,965**	$ 1,431,017	$ 1,674,104
Service cost	**60,070**	44,349	53,714
Interest cost	**89,009**	73,691	72,854
Plan participants' contributions	**20,110**	19,978	22,035
Actuarial (gain) loss	**(205,350)**	460,179	(337,045)
Benefits paid	**(55,499)**	(54,249)	(54,645)
Accumulated postretirement benefit obligation, end of year	**$ 1,883,305**	$ 1,974,965	$ 1,431,017
Change in Plan Assets			
Employer contributions	**$ 35,389**	$ 34,271	$ 32,610
Plan participants' contributions	**20,110**	19,978	22,035
Benefits paid	**(55,499)**	(54,249)	(54,645)
Plan assets at fair value, end of year	**$ -**	$ -	$ -
Funded status of the plan	**$ (1,883,305)**	$ (1,974,965)	$ (1,431,017)
Amounts Recognized in Statement of Financial Position			
Other liabilities	**$ (1,883,305)**	$ (1,974,965)	$ (1,431,017)
Amounts Recognized in Accumulated Other Comprehensive Income			
Net actuarial loss (gain)	**$ 247,353**	$ 489,206	$ (86,473)
Prior service (credit) cost	**(49,467)**	(67,504)	29,027
Total	**$ 197,886**	$ 421,702	$ (57,446)
Weighted-Average Assumptions Used to Determine Obligations at Year End			
Measurement date	**12/31/2015**	12/31/2014	12/31/2013
Discount rate	**4.70%**	4.55%	5.20%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**7.00%/6.50%**	7.25%/6.75%	7.50%/6.50%
Health care cost trend rate assumed for next year - Rx	**6.50%**	6.75%	6.50%
Ultimate health care cost trend rate	**4.50%**	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	**2025**	2024	2024

Total Cost	2015	2014	2013
Service cost	**$ 60,070**	$ 44,349	$ 53,714
Interest cost	**89,009**	73,691	72,854
Amortization of:			
Unrecognized prior service credit	**(18,037)**	(18,969)	(18,969)
Unrecognized net loss	**36,503**	-	26,121
Net postretirement benefit cost	**$ 167,545**	$ 99,071	$ 133,720
Other Changes in Plan Assets and Projected Benefit Obligation Recognized in Other Comprehensive Income			
Net actuarial (gain) loss	**$ (205,350)**	$ 460,179	$ (337,045)
Amortization of net actuarial gain	**(36,503)**	-	(26,121)
Amortization of prior service cost	**18,037**	18,969	18,969
Total recognized in other comprehensive income	**$ (223,816)**	$ 479,148	$ (344,197)
AOCI Amounts Expected to be Amortized Into Expense in 2015			
Unrecognized net transition obligation (asset)	**$ -**		
Unrecognized prior service credit	**(17,987)**		
Unrecognized net loss	**8,011**		
Total	**$ (9,976)**		
Weighted-Average Assumptions Used to Determine Benefit Cost			
Measurement date	**12/31/2014**	12/31/2013	12/31/2012
Discount rate	**4.55%**	5.20%	4.40%
Health care cost trend rate assumed for next year (pre-/post-65) - medical	**7.25%/6.75%**	7.50%/6.50%	7.25%/6.50%
Health care cost trend rate assumed for next year - Rx	**6.75%**	6.50%	7.75%
Ultimate health care cost trend rate	**5.00%**	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	**2024**	2024	2023

Expected Future Cash Flows

Expected Benefit Payments (net of employee contributions)	
Fiscal 2016	**$ 31,095**
Fiscal 2017	**42,365**
Fiscal 2018	**57,213**
Fiscal 2019	**74,993**
Fiscal 2020–2024	**95,259**
Fiscal 2021–2025	**572,465**
Expected Contributions	
Fiscal 2016	**$ 31,095**

NOTE 12 — RELATED PARTY TRANSACTIONS:

Directors of the Association, except for any director-elected directors, are required to be borrowers/stockholders of the Association. Also, in the ordinary course of business, the Association may enter into loan origination or servicing transactions with its employees, relatives of employees and directors, or with organizations with which such persons are associated. Such loans are subject to special approval requirements contained in FCA regulations and are made on the same terms, including interest rates, amortization schedule and collateral, as those prevailing at the time for comparable transactions with unrelated borrowers.

Total loans to such persons for the Association amounted to $6,684,547, $4,022,769 and $2,499,723 at December 31, 2015, 2014 and 2013, respectively. During 2015, $3,640,055 of new loans were made, and repayments totaled $1,630,531. The remaining change in the related party balance from December 31, 2014, to December 31, 2015, related to loans that were no longer considered to be loans to related parties or to loans to individuals who were considered related parties as of December 31, 2015. In the opinion of management, no such loans outstanding at December 31, 2015, 2014 and 2013 involved more than a normal risk of collectability.

Expenses included in purchased services may include purchased services such as administrative services, marketing, information systems and accounting services and allocations of expenses incurred by the Bank and passed through to the associations, such as FCSIC expenses. The Bank charges the individual associations directly for these services based on each association's proportionate usage. These expenses totaled $266,630, $275,369 and $203,457 in 2015, 2014 and 2013, respectively.

The Association received patronage payments from the Bank totaling $1,618,942, $1,539,999 and $1,440,231 during 2015, 2014 and 2013, respectively.

NOTE 13 — FAIR VALUE MEASUREMENTS:

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability. See Note 2, "Summary of Significant Accounting Policies," for additional information.

Assets and liabilities measured at fair value on a nonrecurring basis for each of the fair value hierarchy values are summarized below:

December 31, 2015	**Fair Value Measurement Using**			**Total Fair**
	Level 1	**Level 2**	**Level 3**	**Value**
Assets:				
Loans	**$ -**	**$ -**	**$ -**	**$ -**
Other property owned	**-**	**-**	**129,075**	**129,075**

December 31, 2014	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ -	$ -
Other property owned	-	-	129,075	129,075

December 31, 2013	Fair Value Measurement Using			Total Fair
	Level 1	Level 2	Level 3	Value
Assets:				
Loans	$ -	$ -	$ -	$ -
Other property owned	-	-	652,125	652,125

Financial assets and financial liabilities measured at carrying amounts and not measured at fair value on the balance sheet for each of the fair value hierarchy values are summarized as follows:

	December 31, 2015 Fair Value Measurement Using				
	Total Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:					
Cash	**$ 919,895**	**$ 919,895**	**$ -**	**$ -**	**$ 919,895**
Net loans	**477,411,385**	**-**	**-**	**478,623,850**	**478,623,850**
Total Assets	**$ 478,331,280**	**$ 919,895**	**$ -**	**$ 478,623,850**	**$ 479,543,745**
Liabilities:					
Note payable to the Farm Credit Bank of Texas	**$ 380,156,061**	**$ -**	**$ -**	**$ 378,420,876**	**$ 378,420,876**
Total Liabilities	**$ 380,156,061**	**$ -**	**$ -**	**$ 378,420,876**	**$ 378,420,876**

	December 31, 2014 Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 981,544	$ 981,544	$ -	$ -	$ 981,544
Net loans	423,353,839	-	-	426,637,788	426,637,788
Total Assets	$ 424,335,383	$ 981,544	$ -	$ 426,637,788	$ 427,619,332
Liabilities:					
Note payable to the Farm Credit Bank of Texas	$ 328,825,631	$ -	$ -	$ 328,302,683	$ 328,302,683
Total Liabilities	$ 328,825,631	$ -	$ -	$ 328,302,683	$ 328,302,683

	December 31, 2013 Fair Value Measurement Using				
	Total Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Assets:					
Cash	$ 533,981	$ 533,981	$ -	$ -	$ 533,981
Net loans	403,255,955	-	-	398,591,622	398,591,622
Total Assets	$ 403,789,936	$ 533,981	$ -	$ 398,591,622	$ 399,125,603
Liabilities:					
Note payable to the Farm Credit Bank of Texas	$ 314,071,861	$ -	$ -	$ 310,444,991	$ 310,444,991
Total Liabilities	$ 314,071,861	$ -	$ -	$ 310,444,991	$ 310,444,991

Quantitative Information about Recurring and Nonrecurring Level 3 Fair Value Measurements

With regard to impaired loans and other property owned, it is not practicable to provide specific information on inputs as each collateral property is unique. System institutions utilize appraisals to value these loans and other property owned and take into account unobservable inputs such as income and expense, comparable sales, replacement cost and comparability adjustments.

Information about Other Financial Instrument Fair Value Measurements:

	Valuation Technique(s)	Input
Cash	Carrying value	Par/principal and appropriate interest yield
Loans	Discounted cash flow	Prepayment forecasts Probability of default Loss severity
Note payable to Bank	Discounted cash flow	Benchmark yield curve Derived yield spread Own credit risk

Valuation Techniques

As more fully discussed in Note 2, "Summary of Significant Accounting Policies," accounting guidance establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair values of financial instruments represent the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability in active markets among willing participants at the reporting date. Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain of the estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction. The following represent a brief summary of the valuation techniques used by the Association for assets and liabilities:

Loans

For certain loans evaluated for impairment under impairment guidance, the fair value is based upon the underlying collateral since the loans are collateral-dependent loans for which real estate is the collateral. The fair value measurement process uses independent appraisals and other market-based information, but in many cases it also requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters. As a result, these fair value measurements fall within Level 3 of the hierarchy. When the value of the real estate, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established.

Other Property Owned

Other property owned is generally classified as Level 3. The process for measuring the fair value of other property owned involves the use of appraisals or other market-based information. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. As a result, these fair value measurements fall within Level 3 of the hierarchy.

Note Payable to the Farm Credit Bank of Texas

The note payable to the Bank is not regularly traded; thus, quoted market prices are not available. Fair value of this instrument is discounted based on the Association's and Bank's loan rates as well as on management estimates. For the purposes of this estimate it is assumed that the cash flow on the note is equal to the principal payments on the Association's loan receivables plus accrued interest on the note payable. This assumption implies that earnings on the Association's interest margin are used to fund operating expenses and capital expenditures. Management has no basis to determine whether the fair values would be indicative of the value negotiated in an actual sale.

NOTE 14 — COMMITMENTS AND CONTINGENCIES:

In addition to those commitments and contingencies discussed in Note 2, "Summary of Significant Accounting Policies," the Association is involved in various legal proceedings in the ordinary course of business. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the Association.

The Association may participate in financial instruments with off-balance-sheet risk to satisfy the financing needs of its borrowers in the form of commitments to extend credit and commercial letters of credit. These financial instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the financial statements. Commitments to extend credit are agreements to lend to a borrower as long as there is not a violation of any condition established in the contract. Commercial letters of credit are agreements to pay a beneficiary under conditions specified in the letter of credit. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. At December 31, 2015, $77,377,609 of commitments and $1,174,167 of commercial letters of credit were outstanding.

Since many of these commitments are expected to expire without being drawn upon, the total commitments do not necessarily represent future cash requirements. However, these credit-related financial instruments have off-balance-sheet credit risk because their amounts are not reflected on the balance sheet until funded or drawn upon. The credit risk associated with issuing commitments and letters of credit is substantially the same as that involved in extending loans to borrowers, and management applies the same credit policies to these commitments. Upon fully funding a commitment, the credit risk amounts are equal to the contract amounts, assuming that borrowers fail completely to meet their obligations and the collateral or other security is of no value. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the borrower.

NOTE 15 — QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

Quarterly results of operations for the years ended December 31 (in thousands) follow:

	2015				
	First	**Second**	**Third**	**Fourth**	**Total**
Net interest income	**$ 3,285**	**$ 3,310**	**$ 3,450**	**$ 3,540**	**$ 13,585**
(Provision for) reversal of loan losses	**83**	**(38)**	**(43)**	**(463)**	**(461)**
Noninterest income (expense), net	**(1,095)**	**(1,023)**	**(807)**	**(1,134)**	**(4,059)**
Net income	**$ 2,273**	**$ 2,249**	**$ 2,600**	**$ 1,943**	**$ 9,065**

	2014				
	First	Second	Third	Fourth	Total
Net interest income	$ 3,193	$ 3,239	$ 3,232	$ 3,293	$ 12,957
(Provision for) reversal of loan losses	16	40	29	19	104
Noninterest income (expense), net	(883)	(838)	89	(1,081)	(2,713)
Net income	$ 2,326	$ 2,441	$ 3,350	$ 2,231	$ 10,348

	2013				
	First	Second	Third	Fourth	Total
Net interest income	$ 3,064	$ 3,061	$ 3,055	$ 3,213	$ 12,393
(Provision for) reversal of loan losses	49	(114)	1	85	21
Noninterest income (expense), net	(716)	(643)	(605)	(730)	(2,694)
Net income	$ 2,397	$ 2,304	$ 2,451	$ 2,568	$ 9,720

NOTE 16 — SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through March 11, 2016, which is the date the financial statements were issued or available to be issued.

There are no [other] subsequent events requiring disclosure as of March 11, 2016.

DISCLOSURE INFORMATION AND INDEX

Disclosures Required by Farm Credit Administration Regulations

DESCRIPTION OF BUSINESS

The description of the territory served, the persons eligible to borrow, the types of lending activities engaged in and the financial services offered, and related Farm Credit organizations required to be disclosed in this section is incorporated herein by reference from Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report.

The descriptions of significant developments that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends and acquisitions or dispositions of material assets, changes in the reporting entity, changes in patronage policies or practices and financial assistance provided by or to the Association through loss sharing or capital preservation agreements or from any other source, if any, required to be disclosed in this section are incorporated herein by reference from "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

DESCRIPTION OF PROPERTY

The Central Texas Farm Credit, ACA (Association) serves its 19-county territory through its main administrative and lending office at 215 West Elm Street, Coleman, Texas. Additionally, there are seven branch lending offices located throughout the territory. The Association owns the office buildings in Brady, Brownwood, Coleman, Haskell, San Angelo and San Saba, Texas, free of debt. The Association leases the office buildings in Baird and Comanche, Texas.

LEGAL PROCEEDINGS

In the ordinary course of business, the Association is involved in various legal proceedings. In the opinion of legal counsel and management, there are no legal proceedings at this time that are likely to materially affect the consolidated financial statements of the Association.

DESCRIPTION OF CAPITAL STRUCTURE

The information required to be disclosed in this section is incorporated herein by reference from Note 9 to the consolidated financial statements, "Members' Equity," included in this annual report.

DESCRIPTION OF LIABILITIES

The description of liabilities required to be disclosed in this section is incorporated herein by reference from Note 8, "Note Payable to the Bank," Note 11, "Employee Benefit Plans" and in "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this annual report.

The description of contingent liabilities required to be disclosed in this section is incorporated herein by reference from Notes 2 and 14 to the consolidated financial statements, "Summary of Significant Accounting Policies" and "Commitments and Contingencies," respectively, included in this annual report.

RELATIONSHIP WITH THE FARM CREDIT BANK OF TEXAS

The Association's financial condition may be impacted by factors that affect the Farm Credit Bank of Texas (Bank), as discussed in Note 1 to the consolidated financial statements, "Organization and Operations," included in this annual report. The financial condition and results of operations of the Bank may materially affect the stockholders' investment in the Association.

The annual and quarterly stockholder reports of the Farm Credit Bank of Texas (Bank) and of the Texas Farm Credit District (District) are available free of charge, upon request. These reports can be obtained by writing to Farm Credit Bank of Texas, The Ag Agency, P.O. Box 202590, Austin, Texas 78720-2590 or calling (512) 483-9204. Copies of the Bank and District annual and quarterly stockholder reports can also be requested by e-mailing *fcb@farmcreditbank.com*. The annual and quarterly stockholder reports are also available on its website at *www.farmcreditbank.com*.

The Association's quarterly stockholder reports are also available free of charge, upon request. These reports will be available approximately 40 days after quarter end and can be obtained by writing to Central Texas Farm Credit, ACA, P.O. Box 511, Coleman, Texas 76834 or calling (325) 625-2165. Copies of the Association's quarterly stockholder reports can also be requested by e-mailing *zach.may@farmcreditbank.com*. The Association's annual stockholder report is available on its website at *www.centraltexasaca.com* 75 days after the fiscal year end. Copies of the Association's annual stockholder report can also be requested 90 days after the fiscal year end.

SELECTED FINANCIAL DATA

The selected financial data for the five years ended December 31, 2015, required to be disclosed, is incorporated herein by reference to the "Five-Year Summary of Selected Consolidated Financial Data" included in this annual report to stockholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

"Management's Discussion and Analysis," which precedes the consolidated financial statements in this annual report, is incorporated herein by reference.

DIRECTORS AND SENIOR OFFICERS

The Association's member-elected and director-elected board of directors and senior officers are as follows:

NAME	POSITION	DATE ELECTED/ EMPLOYED	TERM EXPIRES
Robby A. Halfmann	Chairman	2008	2017
Kenneth D. Harvick	Vice Chairman	2012	2016
Mike Finlay	Director	2008	2018
Philip W. Hinds	Director	2009	2018
Burl D. Lowery	Director-Elected Director	2013	2018
Steven Lehrmann	Director	2014	2017
Boyd J. Chambers	Chief Executive Officer	2006	-
Travis B. McKinney	Chief Credit Officer	2000	-
Zach May	Chief Operating Officer	2008	-
Keith Prater	Controller	2014	-
Frankie Gregg	Operations Manager I	1993	-

A brief statement of the business and employment background of each director and senior officer is provided for informational purposes.

Robby A. Halfmann - age 35 - Mr. Halfmann is a farmer and rancher in Runnels, Coleman and Concho counties. His principal business is managing his stocker cattle and cow-calf operation and farming small grains. He is also an order buyer for Frey Cattle Company and serves as foreman for that company. In addition, he owns one-half of S&H Land and Livestock LLC, whose primary business is managing a stocker cattle operation and farming small grains. Mr. Halfmann is chairman of the Association's board and currently serves on the audit, compensation and executive committees. He is also the Association's representative on the District Bank's stockholder advisory and nominating committees. Mr. Halfmann was first appointed to the board in 2008 and is currently serving a three-year term expiring in 2017.

Kenneth D. Harvick - age 64 - Mr. Harvick is a rancher in Comanche County. His principal business is managing his cow-calf operation. He was the former president of Gore's Inc. in Comanche, Texas, which is a dairy, beef cattle and feed business that operated in Texas and New Mexico. Mr. Harvick is the vice chairman of the Association's board and serves on the audit and compensation committees. He was first elected to the board in 2012 and is currently serving a three-year term which expires in 2016.

Mike Finlay - age 67 - Mr. Finlay is a farmer and rancher in McCulloch and Coleman counties. His principal business consists of farming cotton, wheat, grain sorghum and hay crops and managing his cattle and sheep operation. He is the president of the Fife Cemetery Association and he is also a member of the McCulloch County conservation board. Mr. Finlay currently serves on the Association's audit and compensation committees. He was first elected to the board in 2008 and is currently serving a three-year term which expires in 2018.

Philip W. Hinds - age 58 - Mr. Hinds is a stock farmer in Coleman County. His principal business is that of owner/operator of Bargain House Furniture, a furniture business in Coleman, TX. He has been a member of the Coleman County Farm Bureau and the Coleman County Rodeo Association. Mr. Hinds serves on the Association's audit and compensation committees. Mr. Hinds was first appointed to the board in 2009 and is currently serving a three-year term which expires in 2018.

Burl D. Lowery - age 65 - Mr. Lowery, a certified public accountant, owns and operates Burl D. Lowery CPA, an accounting practice in Brownwood, Texas. His primary business is managing the accounting practice. In addition, he has a small cow-calf operation in Comanche County. He is a member of the American Institute of Certified Public Accountants, the Texas Society of Certified Public Accountants, and the First Baptist Church of Brownwood. Mr. Lowery was appointed by the board in January 2013 to serve as the "outside director." He is also the designated "financial expert" as defined in and required by FCA regulation. He currently serves as the chairman of the audit committee and also serves on the compensation committee. Mr. Lowery was first appointed to the board in 2013 and is currently serving a three-year term which expires in 2018.

Steven Lehrmann - age 61 - Mr. Lehrmann is a farmer and rancher in Haskell and Stonewall counties. His primary business is farming wheat, cotton and sesame crops, and managing a cow-calf operation. He is also the co-owner and operating manager of K & L Spraying LLC, which is an insect and weed control crop spraying business. He is currently the chairman of the Haskell County Appraisal Review Board. Mr. Lehrmann currently serves on the audit and compensation committees. He was first elected to the board in 2014 and is currently serving a three-year term which expires in 2017.

Boyd J. Chambers - age 55 - Mr. Chambers is the chief executive officer of the Association, and that is his principal occupation. He has served in this position since 2011 and previously served as the Association's executive vice president and chief credit officer. Prior to joining the Association in February 2006, Mr. Chambers served as vice president of lending with Southwest Texas, ACA. He has been employed in the Farm Credit System since 1987. Mr. Chambers also operates a small part-time farm in Coleman County.

Travis B. McKinney - age 39 - Mr. McKinney is the chief credit officer of the Association, and that is his principal occupation. He has served in this position since 2013. He previously served as senior vice president of lending, branch president of the Brownwood branch office and a loan officer for the Association. He has been employed in the Farm Credit System since 2000.

Zach May - age 37 - Mr. May is the chief operating officer of the Association, and that is his principal occupation. He has served in this position since 2011. He previously served as the Association's operations manager. Prior to joining the Association, he was a senior credit analyst at Capital Farm Credit, ACA and was also a commissioned examiner with the Farm Credit Administration. He has been employed in the Farm Credit System since 2008.

Keith Prater - age 41 - Mr. Prater is the controller of the Association, and that is his principal occupation. He has served in this position since January 2015. Before joining the Association, Mr. Prater was the controller for a pecan shelling operation. Mr. Prater also has a small part-time cow-calf operation.

Frankie Gregg - age 65 - Mrs. Gregg is the operations manager of the Association, and that is her principal occupation. She has served in this position since 2003. Mrs. Gregg previously served as the office manager for the Association. She has been employed in the Farm Credit System since 1993.

COMPENSATION OF DIRECTORS

Directors were compensated for their service to the Association in the form of an honorarium at the rate of $800 per month. The Chairman and the Director-elected Director received an honorarium of $1,000 per month. All directors were also compensated at the rate of $400 per day for in-person unscheduled meetings and training sessions, $150 for each committee meeting held on the same day as a Board meeting (excluding audit committee meetings), and they were reimbursed for certain expenses incurred while representing the Association in an official capacity. Mileage for attending official meetings during 2015 was paid at the IRS-approved rate of 57.5 cents per mile. A copy of the travel policy is available to stockholders of the Association upon request.

	Number of Days Served Associated With		
Director	**Board Meetings**	**Other Official Activities**	**Total Compensation in 2015**
Robby A. Halfmann	12	8	$ 17,900
Kenneth D. Harvick	10	5	13,650
Mike Finlay	12	6	12,300
Philip W. Hinds	10	6	13,800
Burl D. Lowery	12	6	16,800
Steven Lehrmann	11	7	14,300
			$ 88,750

The aggregate compensation paid to directors in 2015, 2014 and 2013 was $88,750, $70,950 and $82,250, respectively. Additional detail regarding director compensation paid for committee service (which is included in the table above) is as follows:

Director	Compensation
Robby A. Halfmann	$ 300
Kenneth D. Harvick	300
Mike Finlay	300
Philip W. Hinds	300
Burl D. Lowery	300
Steven Lehrmann	300
	$ 1,800

The aggregate amount of reimbursement for travel, subsistence and other related expenses paid to directors and on their behalf was $53,412, $29,825 and $35,132 in 2015, 2014 and 2013, respectively. All compensation paid to directors in 2015 was cash compensation.

COMPENSATION OF SENIOR OFFICERS

Compensation Discussion and Analysis – Senior Officers

Overview

All employee salaries are administered in accordance with the Salary Administration Program which is approved annually by the compensation committee (comprised of the entire board of directors). All decisions regarding the CEO's salary are made by the compensation committee, and all salary decisions for employees other than the CEO are determined by the CEO with input from employee supervisors. The aggregate amount of annual employee salary increases is proposed by the CEO and approved by the compensation committee at the December meeting.

All employee bonuses are determined using the calculation methodology outlined in the Annual Bonus Plan which is approved annually by the board of directors. The plan has three performance components (Association, branch and individual) which are weighted according to employee position groups. Each employee has a target bonus payout which is a percentage of their base salary. The target payouts vary according to the employee's level of responsibility. The compensation committee approves the CEO's bonus and the aggregate bonus payout for all other employees at the January compensation committee meeting immediately following the end of the plan year. Bonuses are generally paid in the first payroll period following the January compensation committee meeting. The compensation committee is not bound by the results of the bonus calculation. Final bonus payments are at the sole discretion of the committee. The Association does not defer any compensation.

Chief Executive Officer (CEO) Compensation Policy

The CEO's total compensation for the last three years is detailed in the table below. "Change in Pension Value" was reported for the first time in 2011. This amount represents the change in actuarial value of the CEO's defined benefit pension plan. Changes in this value are based on additional years of service, compensation increases or decreases, plan amendments, and increases or decreases in value due to interest rate.

Summary Compensation Table

The following table summarizes the compensation paid to the CEO and all senior officers of the Association during 2015, 2014 and 2013. This may include other non-senior officers if their total compensation is within the top five highest paid employees. Amounts reflected in the table are presented in the year the compensation was earned.

Name of Individual or number in group (a)	Year	Salary (b)	Bonus (c)	Change in Pension Value (d)	Deferred/ Perquisite (e)	Other (f)	Total
Boyd J. Chambers							
CEO	**2015**	**$ 225,008**	**$ 80,844**	**$ 309,522**	**$ 18,224**	**$ 1,250**	**$ 634,848**
	2014	220,008	66,000	388,022	14,785	25,385	714,200
	2013	204,758	55,000	73,244	15,626	-	348,628
Aggregate number of senior officers (and other highly compensated employees, if applicable)							
(5)	**2015**	**$ 623,368**	**$ 209,615**	**$ 102,912**	**$ 84,810**	**$ 3,005**	**$ 1,023,710**
(5)	2014	588,144	154,935	950,295	61,703	46,632	1,801,709
(5)	2013	565,721	117,618	142,611	71,009	-	896,959

(a) Aggregate number of senior officers/highly compensated individuals, excluding CEO.
(b) Gross salary, including retention plan compensation for certain senior officers.
(c) Bonuses paid within the first 30 days of the subsequent calendar year.
(d) Change in pension value represents the change in the actuarial present value of the accumulated benefit under the defined benefit pension plan, the Farm Credit Bank of Texas Pension Plan, from the prior fiscal year to the current fiscal year.
(e) Deferred/Perquisites include contributions to 401(k) and defined contribution plans, supplemental 401(k) discretionary contributions, automobile benefits and premiums paid for life insurance.
(f) Amounts in the "Other" column include payouts for accrued annual leave and service awards when applicable.

Disclosure of information on the total compensation paid and the arrangements of the compensation plans during the last fiscal year to any senior officer or to any other officer included in the aggregate are available and will be disclosed to shareholders of the institution upon request.

Pension Benefits Table

The following table presents the total annual benefit provided from the defined benefit pension plan applicable to the CEO for the year ended December 31, 2015:

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During 2015
Boyd J. Chambers, CEO	Farm Credit Bank of Texas Pension Plan	26	$ 1,431,944	$ -
Aggregate number of senior officers (and other highly compensated employees, if applicable) (3)	Farm Credit Bank of Texas Pension Plan	32	$ 3,047,224	$ -

Pension Benefits Table Narrative Disclosure

The CEO and three other senior officers of the Association participate in the Farm Credit Bank of Texas Pension Plan (the "Pension Plan"), which is a qualified defined benefit retirement plan. Compensation, as defined in the Pension Plan, includes wages, incentive compensation, and deferrals to the 401(k) and flexible spending account plans, but excludes annual leave or sick leave that may be paid in cash at the time of termination, retirement, or transfer of employment, severance payments, retention bonuses, taxable fringe benefits, and any other payments. Pension Plan benefits are based on the average of monthly eligible compensation over the 60 consecutive months that produce the highest average after 1996 ("FAC60"). The Pension Plan's benefit formula for a Normal Retirement Pension is the sum of (a) 1.65 percent of FAC60 times "Years of Benefit Service" and (b) 0.50 percent of (i) FAC60 in excess of Social Security covered compensation items and (ii) "Years of Benefit Service" (not to exceed 35). The present value of the senior officers' accumulated Pension Plan is calculated assuming retirement had occurred at the measurement date used for financial reporting purposes with the retirement at age 65. The Pension Plan's benefit formula for the Normal Retirement Pension assumes that the senior officer is married on the date the annuity begins, that the spouse is exactly two years younger than the senior officer and that the benefit is payable in the form of a 50 percent joint and survivor annuity. If any of those assumptions are incorrect, the benefit is recalculated to be the actuarial equivalent benefit.

Other Supplemental Retirement Plans Funded by the Association on Behalf of Senior Officers and Employees

Employees assigned Association automobiles reimburse the Association for personal miles at a board-established rate. Employees who use their personal automobiles for business purposes were reimbursed during 2015 at the IRS-approved rate of 57.5 cents per mile.

Neither the CEO nor any other senior officer received noncash compensation exceeding $5,000 in 2015, 2014 or 2013.

Senior officers, including the CEO, are reimbursed for reasonable travel, subsistence and other related expenses while conducting Association business. A copy of the Association's travel policy is available to shareholders upon request.

TRANSACTIONS WITH DIRECTORS AND SENIOR OFFICERS

The Association's policies on loans to and transactions with its officers and directors, required to be disclosed in this section, are incorporated herein by reference from Note 12 to the consolidated financial statements, "Related Party Transactions," included in this annual report.

DIRECTORS' AND SENIOR OFFICERS' INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

No directors or senior officers of the Association have had any involvement in any events or legal proceedings as required to be disclosed per FCA Regulation 620.5(k) during the past five years.

RELATIONSHIP WITH INDEPENDENT AUDITOR

No change in auditors has taken place since the last annual report to stockholders and no disagreements with the auditor have occurred that the Association is required to report to the Farm Credit Administration under part 621 of the FCA regulations governing this disclosure. The total fees for professional services rendered by PricewaterhouseCoopers LLP for the Association during 2015 were $44,500. There were no other non-audit services provided by PricewaterhouseCoopers LLP.

RELATIONSHIP WITH UNINCORPORATED BUSINESS ENTITIES

The Association has business relationships with Central Texas Holdings LLC and FCBT Biostar B LLC, which are limited liability companies, formed for the purpose of acquiring and managing unusual and complex collateral (acquired property).

FINANCIAL STATEMENTS

The financial statements, together with the report thereon of PricewaterhouseCoopers LLP dated March 11, 2016, and the report of management in this annual report to stockholders, are incorporated herein by reference.

MEMBER/SHAREHOLDER PRIVACY

Members' nonpublic personal financial information is protected by Farm Credit Administration regulation. Our directors and employees are restricted from disclosing information not normally contained in published reports or press releases about the Association or its members.

CODE OF ETHICS

The Association and its directors, officers and employees have committed to conduct business in accordance with the highest ethical standards as set forth in the Association's Standards of Conduct Policy relating to ethical conduct, conflicts of interest, and compliance with the law.

This Code of Ethics applies to the board chairman, board members, officers and all other Association employees. The Association is responsible for the preparation and distribution of its financial statements and related disclosures and for providing relevant information that is true, accurate and complete to the Federal Farm Credit Banks Funding Corporation for use in preparing the Farm Credit System financial statements and related disclosures.

The Association expects all of its directors, officers, and other employees to act in accordance with the highest standards of personal and professional integrity in all aspects of their activities, to comply with all applicable laws, rules and regulations, to deter wrongdoing and abide by its Standards of Conduct Policy and other policies and procedures approved by the board of directors and employed by the Association that governs their conduct. This Code of Ethics is intended to supplement the Association's Standards of Conduct Policy.

Each director, officer and employee agrees to:

- Engage in and promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

- Avoid conflicts of interest and disclose to the Association's Standards of Conduct Official any material transaction or relationship that reasonably could be expected to give rise to a conflict of interest, or gives the appearance of a conflict of interest.

- Take all reasonable measures to protect the confidentiality of nonpublic information about the Association and its customers obtained or created in connection with its activities and to prevent the unauthorized disclosure of this information unless required by applicable law or regulation or legal or regulatory process.

- Produce full, fair, accurate, timely and understandable disclosure in Association financial statements and related financial reports or communications as well as Association reports and documents filed with, or submitted to, the Funding Corporation and the Farm Credit Administration.

- Comply with applicable governmental laws, rules and regulations, as well as the rules and regulations of self-regulatory agreements to which the Association is a party.

- Promptly report any possible violation of this Code of Ethics to the Association's Standards of Conduct Official.

Directors, officers and employees are prohibited from directly or indirectly taking any action to fraudulently influence, coerce, manipulate or mislead the Association's independent public accountant, other director, officer or employee for the purpose of rendering the financial statements of the Association misleading or for any other purpose that is in violation of standards of conduct.

Directors, officers and employees understand that they will be held accountable for adherence to the Code of Ethics. Failure to observe the terms of this Code of Ethics may result in disciplinary action, up to and including termination of employment or removal from the board of directors. Violations of the Code of Ethics may also constitute violations of law and may result in civil and criminal penalties.

Any questions regarding the best course of action in a particular situation should be promptly addressed to the Association's Standards of Conduct Official. Any individual reporting any possible violation of this Code of Ethics may remain anonymous when reporting a possible violation of this Code of Ethics.

The Association has retained a qualified, independent third-party individual to serve as the Association's Standard of Conduct Official who shall be the primary contact for reporting of alleged violations of this Code of Ethics or Association Standards of Conduct.

CREDIT AND SERVICES TO YOUNG, BEGINNING AND SMALL FARMERS AND RANCHERS, AND PRODUCERS OR HARVESTERS OF AQUATIC PRODUCTS

MISSION STATEMENT

The mission of the Central Texas Farm Credit, ACA is to make a concerted and cooperative effort to finance young, beginning, or small farmers, ranchers and producers or harvesters of aquatic products through a program designed to meet the needs of such applicants to the fullest extent of their creditworthiness.

DEFINITIONS

1. Young Borrower: A farmer, rancher or producer or harvester of aquatic products is one who is age 35 or younger as of the loan transaction date.

2. Beginning Borrower: A farmer, rancher or producer or harvester of aquatic products who has 10 years or less farming, ranching or aquatic experience as of the loan transaction date.

3. Small Borrower: A farmer, rancher or producer or harvester of aquatic products who normally generated less than $250,000 in annual gross sales of agricultural or aquatic products at the date the loan was originally made.

STRATEGY

To accomplish this mission, the Association will provide:

1. Utilization of the flexibilities of existing loan programs to the advantage of these applicants.

   Loan approvals will fully utilize all flexibilities in length of term, repayment schedules, amortization requirements, initial deferments, schedule of advances, and other such loan approval conditions consistent with existing lending standards and policies.

   Loan servicing remedies such as re-amortizations, deferments, extensions, renewals and other techniques will be available to program borrowers to the fullest extent possible within policies. In addition, we have developed specialized lending standards for young farmers.

   A separate set of underwriting standards for Young Farmers were adopted in 2014 which are customized to enable and encourage young farmers to begin, grow, and/or remain in agricultural production.

2. A commitment of staff resources and expertise to effectively make and service loans and provide credit-related services to this group of farmers, ranchers, and producers or harvesters of aquatic products.

The Association's CEO will have primary responsibility for a) developing expertise in meeting the special financing and related service needs of program applicants; b) implementing the Association program; and c) developing and submitting reports on the program.

3. A commitment of financial resources and a risk management philosophy to ensure the objective of this policy is met.

   The Association board of directors will monitor this program to assure itself that adequate financial and human resources and an appropriate risk management philosophy exist on a continuing basis to meet program objectives without compromising the ability of the Association to serve non-program farmers, ranchers, and producers of aquatic products. The board will monitor this program through reports on the program's progress to the Board by the CEO at least quarterly.

4. The offering of guidance and financial assistance to this specialized group of farmers and the groups that support them.

   The Association will provide instruction and guidance to young, beginning, and small farmers, ranchers and producers in areas such as record keeping, financial analysis and management, leasing, capital investment decision-making, marketing strategies, and other such management areas. In addition, our financial support will be given to extension service and young farmer groups to sponsor seminars, field days, and special events.

5. The Association will also expand the criteria used to determine a full-time farmer to include those part-time Young, Beginning and Small Farmers and Ranchers who demonstrate intent to progress toward farming and/or ranching as their primary business and vocation. Such demonstration of intent shall be documented in the loan file and will include, but is not limited to, the following criteria:

   a. The degree of day-to-day involvement the borrower must have in the agricultural production operation, through either labor or management, or both, to evidence a clear commitment to agricultural production.

   b. The intent of the borrower to actively engage in agricultural production, as evidenced by his education, training, experience, business plan or some other means.

   c. A level or projected level of gross agricultural income or production that evidences a clear commitment to agricultural production.

   d. The terms and structure of the loan, as well as planned use of loan proceeds, evidence a commitment to be truly engaged in agricultural production.

The Association has in place internal controls and an annual YBS review to ensure that its YBS policies and program are implemented for the benefit of all YBS farmers and ranchers, thus ensuring them the opportunity to begin, grow, or remain in agricultural production.

<u>TARGETS</u>

Based on USDA's 2012 Census of Agriculture, the makeup of Young, Small and Beginning Farmers in our territory is as follows:

	Total	With Debt
Young	1,041	374
Beginning	3,971	1,233
Small	13,018	4,103

As of the end of 2015, the number of YBS loans in the Association's portfolio was as follows:

<u>Young Farmers:</u>

There were 466 loans to this group of borrowers. This equates to 18% percent of the total portfolio and 45 percent of the total number of Young Farmers in our territory cited in the 2012 census.

Beginning Farmers:

There were 1,084 loans to this group of borrowers. This equates to 40 percent of the total portfolio and 27 percent of the total number of Beginning Farmers in our territory cited in the 2012 census.

Small Farmers:

There were 1,901 loans to this group of borrowers. This equates to 72 percent of the total portfolio and 46 percent of the number of Small Farmers with debt in our territory cited in the 2012 census.

The Association will continue all efforts to target those remaining YBS farmers and ranchers in our territory through the use of outreach programs, including but not limited to, advertising, participating in educational programs, working with extension agents, participations in agricultural field days, livestock shows and agricultural seminars, etc. In addition, Association loan officers and senior management will offer credit counseling and work with other financial institutions to the extent possible to ensure the credit needs of these borrowers are met.

GOALS

The Association's goal for 2015 was to have at least 60 percent of all new loans go to borrowers who meet one or more of the YBS criteria. This goal was met as of December 31, 2015. The goal in the 2016-2018 Strategic Business Plan will again be that 60 percent of all new loans should be to borrowers who meet one or more of the YBS criteria.

REPORTING

The Association shall incorporate the goals of its YBS Program into the Strategic Business Plan, shall report the performance results to the board of directors at least quarterly and to the District Bank annually, and shall include in its Annual Report a description of its YBS Program and a status report on each component thereof. In addition, the Association shall continue to post its Annual Report, with the YBS Program information, on its website.