

HARTLEY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED
SEPTEMBER 30, 2015

HARTLEY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2015

TABLE OF CONTENTS

	Page
PART I – INTRODUCTORY SECTION	
LIST OF PRINCIPAL COUNTY OFFICIALS.....	i
PART II – FINANCIAL SECTION	
INDEPENDENT AUDITORS’ REPORT.....	1
BASIC FINANCIAL STATEMENTS	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	3
Statement of Activities	4
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	5
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	9
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Road and Bridge Fund	11
Statement of Fiduciary Net Position – Agency Funds	12
<u>Notes to Basic Financial Statements</u>	13

HARTLEY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2015

TABLE OF CONTENTS

	Page
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Pension Liability and Related Ratios.....	35
Schedule of Employer Contributions.....	36
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Non-major Governmental Funds.....	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds.....	39
Combining Statement of Fiduciary Net Position – Agency Funds.....	41
PART III – COMPLIANCE	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	42
Schedule of Findings.....	44

PART I

INTRODUCTORY SECTION

HARTLEY COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
SEPTEMBER 30, 2015

Ronnie Gordon	County Judge
David Vincent	Commissioner, Precinct #1
David Ford	Commissioner, Precinct #2
Chad Hicks	Commissioner, Precinct #3
Butch Owens	Commissioner, Precinct #4
Ron Enns	Judge, 69 th Judicial District
David Green	District Attorney
Robert Elliott	County Attorney
Melissa Mead	District/County Clerk
Franky Scott	County Tax Assessor/Collector
Dinkie Parman	County Treasurer
Franky Scott	County Sheriff
Beth Moore	Justice of the Peace

PART II
FINANCIAL SECTION



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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and its respective budgetary comparison schedule, and the aggregate remaining fund information of Hartley County, Texas as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund with its respective budgetary comparison schedule, and the aggregate remaining fund information of Hartley County, Texas, as of September 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability and related ratios and the schedule of employer contributions on pages 35 – 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015, on our consideration of Hartley County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hartley County, Texas' internal control over financial reporting and compliance.

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

DOSHIER, PICKENS & FRANCIS, LLC
November 5, 2015

BASIC FINANCIAL STATEMENTS

**HARTLEY COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 299,376
Investments	200,000
Accounts receivable, net	172,369
Delinquent taxes receivable, net	11,416
Prepaid expenses	20,339
Capital assets, net of accumulated depreciation	<u>2,457,767</u>
Total assets	<u>3,161,267</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions	99,820
Pension economic/demographic losses	46,773
Pension deficient earnings	<u>51,123</u>
Total deferred outflows of resources	<u>197,716</u>
LIABILITIES	
Accounts payable	95,968
Due to other governmental entities	133,324
Accrued expenses	32,019
Accrued interest	9,104
Deposits held in trust	67,016
Net pension liability	112,954
Noncurrent liabilities:	
Due within one year	80,593
Due in more than one year	<u>211,257</u>
Total liabilities	<u>742,235</u>
NET POSITION	
Net investment in capital assets	2,181,141
Restricted by enabling legislation for:	
Special projects	101,662
Unrestricted	<u>333,945</u>
Total net position	<u>\$ 2,616,748</u>

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

**HARTLEY COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>
Primary government					
Governmental Activities:					
Administrative	\$ 732,785	\$ 183,727	\$ 17,124	\$ -	\$ (531,934)
Judicial	430,189	154,564	33,466	-	(242,159)
Public facilities	212,434	-	-	-	(212,434)
Public safety	1,147,167	63,088	912	-	(1,083,167)
Road and bridge	751,555	366,348	15,675	257,999	(111,533)
Public service	176,769	-	-	-	(176,769)
Interest on long-term debt	10,969	-	-	-	(10,969)
Total	<u>\$ 3,461,868</u>	<u>\$ 767,727</u>	<u>\$ 67,177</u>	<u>\$ 257,999</u>	<u>(2,368,965)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					2,177,755
Property taxes, levied for debt service					181,465
Mixed beverage taxes					2,611
Investment earnings					3,491
Miscellaneous					64,775
Gain from disposal of asset					2,835
Total general revenues					<u>2,432,932</u>
Change in net position					63,967
Net position - beginning					2,505,436
Prior period restatement					<u>47,345</u>
Net assets - beginning, as restated					<u>2,552,781</u>
Net position - ending					<u>\$ 2,616,748</u>

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

**HARTLEY COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 292,200	\$ -	\$ 7,176	\$ 299,376
Investments	200,000	-	-	200,000
Accounts receivable, net	172,369	-	-	172,369
Taxes receivable, net	11,416	-	-	11,416
Due from other funds	209,285	-	99,576	308,861
Prepaid expenses	20,339	-	-	20,339
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 905,609</u>	<u>\$ -</u>	<u>\$ 106,752</u>	<u>\$ 1,012,361</u>
LIABILITIES				
Liabilities:				
Accounts payable	\$ 95,968	\$ -	\$ -	\$ 95,968
Due to other funds	99,576	206,506	2,779	308,861
Due to other governmental entities	133,324	-	-	133,324
Accrued expenses	32,019	-	-	32,019
Deposits held in trust	67,016	-	-	67,016
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>427,903</u>	<u>206,506</u>	<u>2,779</u>	<u>637,188</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	10,622	-	-	10,622
Unavailable revenue - other receivables	116,047	-	-	116,047
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>126,669</u>	<u>-</u>	<u>-</u>	<u>126,669</u>
FUND BALANCES				
Unspendable:				
Prepaid expenses	20,239	-	-	20,239
Restricted:				
By enabling legislation for special projects	-	-	101,662	101,662
Committed for:				
Capital projects/debt service	-	-	5,090	5,090
Unassigned (deficit)	330,798	(206,506)	(2,779)	121,513
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>351,037</u>	<u>(206,506)</u>	<u>103,973</u>	<u>248,504</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 905,609</u>	<u>\$ -</u>	<u>\$ 106,752</u>	<u>\$ 1,012,361</u>

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

HARTLEY COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Total fund balances - governmental funds	\$	248,504
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.</p>		2,457,767
<p>Long-term assets are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenue in the fund financial statements.</p>		126,669
<p>Pension liabilities are not due and payable in the current period and therefore are shown as deferred outflows of resources in the government-wide financial statements:</p>		
Pension contributions		99,820
Pension economic/demographic losses		46,773
Pension deficient earnings		51,123
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements:</p>		
Accrued interest		(9,104)
Notes payable		(276,626)
Accrued compensated absences		(15,224)
Net pension liability		(112,954)
		(112,954)
Net position - governmental activities	\$	2,616,748

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

HARTLEY COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>General</u>	<u>Road and Bridge</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 2,172,378	\$ -	\$ 181,465	\$ 2,353,843
Other taxes	2,611	-	-	2,611
Licenses and fees	187,169	366,348	41,158	594,675
Fines and forfeitures	221,381	-	41,963	263,344
Intergovernmental	51,501	273,675	-	325,176
Investment earnings	2,334	299	858	3,491
Miscellaneous	63,846	150	779	64,775
	<u>2,701,220</u>	<u>640,472</u>	<u>266,223</u>	<u>3,607,915</u>
EXPENDITURES				
Current:				
Administrative	730,280	-	30,959	761,239
Judicial	416,179	-	13,887	430,066
Public facilities	194,489	-	-	194,489
Public safety	1,003,923	-	26,199	1,030,122
Road and bridge	-	620,706	-	620,706
Public service	176,769	-	-	176,769
Debt service:				
Principal	21,585	10,101	216,475	248,161
Interest	2,802	1,750	7,006	11,558
Capital outlay	27,410	363,312	-	390,722
	<u>2,573,437</u>	<u>995,869</u>	<u>294,526</u>	<u>3,863,832</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>127,783</u>	<u>(355,397)</u>	<u>(28,303)</u>	<u>(255,917)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	130,000	-	130,000
Transfers out	(130,000)	-	-	(130,000)
	<u>(130,000)</u>	<u>130,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(2,217)	(225,397)	(28,303)	(255,917)
FUND BALANCES - BEGINNING	<u>353,254</u>	<u>18,891</u>	<u>132,276</u>	<u>504,421</u>
FUND BALANCES - ENDING (DEFICIT)	<u>\$ 351,037</u>	<u>\$ (206,506)</u>	<u>\$ 103,973</u>	<u>\$ 248,504</u>

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

**HARTLEY COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Net change in fund balances - total governmental funds: \$ (255,917)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays, \$390,722, was exceeded by depreciation, \$278,858, in the current period. 111,864

In the Statement of Activities, only the gain on the sale of capital assets is reported. However, in the governmental fund, the proceeds from the sale increase financial resources. Thus, the change in net assets differed from the change in fund balance by the net book value of the capital assets sold. (12,165)

The Statement of Activities reports gains arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets. 15,000

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenue. (84,915)

In the Statement of Net Position, incurring debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayments of principal is an expenditures in the governmental funds, but reduces the liability in the Statement of Net Position.

Principal repayments:
Notes payable 248,161

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

Accrued interest on debt, net change	590
Compensated absences, net change	3,931
Pension contributions	(8,498)
Pension economic/demographic losses	46,773
Pension deficient earnings	51,123
Net pension liability	(51,980)

Change in net position - governmental activities \$ 63,967

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

HARTLEY COUNTY, TEXAS
GENERAL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 2,200,032	\$ 2,200,032	\$ 2,172,378	\$ (27,654)
Other taxes	1,000	2,600	2,611	11
Licenses and fees	189,500	216,000	187,169	(28,831)
Fines and forfeitures	276,500	316,500	221,381	(95,119)
Intergovernmental	46,733	51,357	51,501	144
Investment earnings	1,000	2,000	2,334	334
Miscellaneous	25,200	29,200	63,846	34,646
	<u>2,739,965</u>	<u>2,817,689</u>	<u>2,701,220</u>	<u>(116,469)</u>
EXPENDITURES				
Current:				
Administrative				
County Judge	113,650	115,774	105,189	10,585
County Treasurer	80,577	80,577	76,797	3,780
District and County Clerk	247,671	247,671	233,814	13,857
Administrative	116,600	116,600	100,981	15,619
Tax Collector	214,348	214,348	213,499	849
	<u>772,846</u>	<u>774,970</u>	<u>730,280</u>	<u>44,690</u>
Total administrative				
Judicial				
County Attorney	117,805	117,805	104,985	12,820
Justice of the Peace	158,327	158,327	147,777	10,550
District Judge	33,089	33,089	31,375	1,714
District Attorney	60,056	60,056	58,051	2,005
Judicial	84,892	84,892	73,991	10,901
	<u>454,169</u>	<u>454,169</u>	<u>416,179</u>	<u>37,990</u>
Total judicial				
Public facilities				
Building operations	66,930	86,930	83,770	3,160
Rita Blanca Lake	35,000	35,000	35,000	-
Landfill operations	6,000	100	30	70
Bi-County Library	72,000	77,000	75,689	1,311
	<u>179,930</u>	<u>199,030</u>	<u>194,489</u>	<u>4,541</u>
Total public facilities				

Continued

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

HARTLEY COUNTY, TEXAS
GENERAL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Continuation	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current:				
Public safety				
Sheriff's department	414,038	414,038	400,263	13,775
Fire protection	149,236	149,236	148,968	268
Ambulance service	30,500	35,500	35,393	107
Probation	35,987	35,987	35,279	708
Dallam/Hartley County Jail	358,000	394,000	384,020	9,980
Total public safety	<u>987,761</u>	<u>1,028,761</u>	<u>1,003,923</u>	<u>24,838</u>
Public service				
Public service	38,750	38,750	38,555	195
Extension service	110,000	128,000	128,049	(49)
Veteran's service	10,765	10,765	10,165	600
Total public service	<u>159,515</u>	<u>177,515</u>	<u>176,769</u>	<u>746</u>
Debt service:				
Principal	24,000	21,198	21,585	(387)
Interest	-	2,802	2,802	-
Total debt service	<u>24,000</u>	<u>24,000</u>	<u>24,387</u>	<u>(387)</u>
Capital outlay	<u>30,000</u>	<u>27,500</u>	<u>27,410</u>	<u>90</u>
Total expenditures	<u>2,608,221</u>	<u>2,685,945</u>	<u>2,573,437</u>	<u>112,508</u>
EXCESS / (DEFICIENCY) OF REVENUES				
OVER / (UNDER) EXPENDITURES	<u>131,744</u>	<u>131,744</u>	<u>127,783</u>	<u>(3,961)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(130,000)</u>	<u>(130,000)</u>	<u>(130,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(130,000)</u>	<u>(130,000)</u>	<u>(130,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	1,744	1,744	(2,217)	(3,961)
FUND BALANCE - BEGINNING	<u>353,254</u>	<u>353,254</u>	<u>353,254</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 354,998</u>	<u>\$ 354,998</u>	<u>\$ 351,037</u>	<u>\$ (3,961)</u>

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

HARTLEY COUNTY, TEXAS
ROAD AND BRIDGE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and fees	\$ 350,000	\$ 350,000	\$ 366,348	\$ 16,348
Intergovernmental	276,999	276,699	273,675	(3,024)
Investment earnings	1,000	1,000	299	(701)
Miscellaneous	6,000	6,000	150	(5,850)
	<u>633,999</u>	<u>633,699</u>	<u>640,472</u>	<u>6,773</u>
EXPENDITURES				
Current:				
Road and bridge				
Precinct 1	130,247	130,247	119,118	11,129
Precinct 2	115,018	115,018	111,648	3,370
Precinct 3	112,936	112,936	102,871	10,065
Precinct 4	172,123	172,123	148,108	24,015
County Wide	179,000	179,000	138,961	40,039
	<u>709,324</u>	<u>709,324</u>	<u>620,706</u>	<u>88,618</u>
Debt service:				
Principal	10,000	8,250	10,101	(1,851)
Interest	-	1,750	1,750	-
	<u>10,000</u>	<u>10,000</u>	<u>11,851</u>	<u>(1,851)</u>
Capital outlay	361,999	361,999	363,312	(1,313)
	<u>1,081,323</u>	<u>1,081,323</u>	<u>995,869</u>	<u>85,454</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(447,324)</u>	<u>(447,624)</u>	<u>(355,397)</u>	<u>92,227</u>
OTHER FINANCING SOURCES				
Proceeds from sale of assets	5,000	5,000	-	(5,000)
Transfers in	130,000	130,000	130,000	-
	<u>135,000</u>	<u>135,000</u>	<u>130,000</u>	<u>(5,000)</u>
NET CHANGE IN FUND BALANCE	<u>(312,324)</u>	<u>(312,624)</u>	<u>(225,397)</u>	<u>87,227</u>
FUND BALANCE - BEGINNING	<u>18,891</u>	<u>18,891</u>	<u>18,891</u>	<u>-</u>
FUND BALANCE - ENDING (DEFICIT)	<u>\$ (293,433)</u>	<u>\$ (293,733)</u>	<u>\$ (206,506)</u>	<u>\$ 87,227</u>

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

**HARTLEY COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2015**

ASSETS		
Cash and cash equivalents		<u>\$ 61,365</u>
Total assets		<u><u>\$ 61,365</u></u>
LIABILITIES		
Deposits		<u>\$ 61,365</u>
Total liabilities		<u><u>\$ 61,365</u></u>

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

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The County, incorporated in 1891, is a public corporation and political subdivision of the State of Texas. The County is governed by the Commissioners Court, composed of four County Commissioners and the County Judge, all of whom are elected officials.

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

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

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

Government-Wide Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The County has no business-like activities.

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

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

Government-Wide Statements – Continuation

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

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

Fund-Level Statements

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

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

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

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

Fund-Level Statements – Continuation

The County reports the following major governmental funds:

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

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

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

C. Use of Restricted Assets

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

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

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and deposits within public fund investment pools as well as investments in certificates of deposits with an original maturity of 90 days or less. Statutes authorize the County to keep funds in demand deposits, time deposits, or securities of the United States. The County's custodial banks are required to pledge for the purpose of securing County funds, securities of the following kind, in an amount equal to the amount of such County funds: bonds and notes of the United States, securities of indebtedness of the United States, bonds of the State of Texas, or of any county, city, or independent school district, and various other bonds as described in Texas Statutes. TexPool and Texas LOGIC are duly chartered and administered by the Texas Treasury Safekeeping Trust Company and the portfolio normally consists of U.S. T-Bills or T-Notes, collateralized certificates of deposit, and repurchase agreements. The carrying value (cost) and market value are equal for these deposits.

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

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

1. Deposits and Investments – Continuation

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

2. Receivables and Payables

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

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

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

Charges for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unavailable revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts of \$816,708.

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

3. Property Tax Calendar and Revenues

Property taxes are based on taxable value at January 1 and become due October 1 and past due after January 31 of the following year unless the half payment option is elected in which one-half the tax is due November 30, and the balance the following June 30. Tax collections after February 1 are treated as late payments and are subject to penalty and interest. Uncollected taxes from the current tax roll become delinquent on July 1 and are subject to additional penalties and interest. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levies are shown net of an allowance for uncollectible accounts of \$8,969.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

5. Capital Assets

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

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

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

Buildings and improvements	25-40 years
Infrastructure	40 years
Vehicles and equipment	3-10 years

6. Deferred Outflows/Inflows of Resources

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

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

7. Compensated Absences

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

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

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

7. Compensated Absences – Continued

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

Regular full-time employees are entitled to vacation of up to twelve days per year as earned. Vacation time earned, but not taken, is paid upon termination, but cannot be accumulated beyond one calendar year. Accrued vacation leave benefits are accrued in the government-wide financial statements.

8. Long-term Obligations

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

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

9. Pensions

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

10. Fund Balances

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

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

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

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

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

10. Fund Balances – Continuation

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

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

11. Net Position

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

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

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

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

12. Use of Estimates

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

13. Implementation of New Standards

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

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

B. Excess of Disbursements Over Appropriations

For the year ended September 30, 2015, disbursements exceeded appropriations in the Debt Service function of the General Fund by \$387 and the Debt Service and Capital Outlay functions of the Road and Bridge Fund by \$1,851 and \$1,313, respectively. The excess expenditures in all areas were funded by lower than budgeted expenditures in all other functional areas of the County.

**HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 3 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the County’s cash and deposit balances as of September 30, 2015:

Cash and deposit balances consist of:

Petty cash funds	\$	1,200
Bank deposits		307,303
Texas LOGIC (interest rate - .1086%)		23,026
TexPool (interest rate - .0852%)		29,212
		29,212
Total	\$	360,741

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

Government-wide Statement of Net Position:

Unrestricted	\$	299,376
Statement of Fiduciary Net Position: Agency Funds		61,365
		61,365

Total	\$	360,741
-------	----	---------

As of September 30, 2015, the County had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Governmental activities		
Certificates of deposit (interest rate - .50%)	\$ 200,000	365
		365
Total fair value	\$ 200,000	
Portfolio weighted average maturity		365

Custodial credit risk – deposits. As of September 30, 2015, the carrying amount of the County's deposits with financial institutions was \$507,303 and the bank's balance was \$540,339. Of the bank balance, \$411,133 was insured through the Federal Depository Insurance Corporation (FDIC) and the remaining \$129,206 was collateralized with securities held by the pledging institution’s agent in the County’s name.

As of September 30, 2015, the County had \$23,026 and \$29,212, respectively invested with the Texas LOGIC and Texas Treasury Safekeeping Trust Company (TexPool). Both Texas LOGIC and TexPool are public funds investment pools created pursuant to the Interlocal Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over both funds. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally the State Comptroller has established an advisory board composed of both participants of the pools and other persons who do not have a business relationship with either pool. The advisory board members review the investment policy and management fee structure.

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

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 3 – DEPOSITS AND INVESTMENTS – Continuation

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

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

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single insurer. As of September 30, 2015, 14% of the County's carrying value of cash was invested in pooled investment accounts. All other cash was deposited with the County's depository bank and was adequately secured as described above.

NOTE 4 – PROPERTY TAX

The State of Texas Constitutional tax rate limit for both operations and debt service is \$.80 on each \$100 of assessed valuation. The tax rate on the 2014 tax roll was \$.366578 per \$100, which means that the County has a tax margin of \$.433422 per \$100 and could raise up to \$2,801,614 additional revenue from the 2014 assessed valuation of \$646,394,041 before the limit is reached.

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

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 5 – CAPITAL ASSETS

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

Capital asset activity for the year ended September 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 22,129	\$ -	\$ -	\$ 22,129
Total capital assets, not being depreciated	22,129	-	-	22,129
Capital assets, being depreciated:				
Buildings and improvements	2,070,043	-	-	2,070,043
Infrastructure	-	363,312	-	363,312
Equipment	2,237,778	42,410	(26,890)	2,253,298
Total capital assets, being depreciated	4,307,821	405,722	(26,890)	4,686,653
Less accumulated depreciation for:				
Buildings and improvements	(649,369)	(61,685)	-	(711,054)
Infrastructure	-	(2,271)	-	(2,271)
Equipment	(1,337,514)	(214,902)	14,725	(1,537,691)
Total accumulated depreciation	(1,986,883)	(278,858)	14,725	(2,251,016)
Total capital assets, being depreciated, net	2,320,938	126,864	(12,165)	2,435,637
Governmental activities capital assets, net	\$ 2,343,067	\$ 126,864	\$ (12,165)	\$ 2,457,766

Continued

**HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 5 – CAPITAL ASSETS – Continuation

Depreciation expense for the year ended September 30, 2015 was charged to the functions/programs of the primary government as follows:

Governmental activities	
Administrative	\$ 8,903
Public facilities	17,945
Public safety	117,764
Road and bridge	134,246
Total Depreciation Expense	\$ 278,858

NOTE 6 – RETIREMENT PLAN

Plan Description: Hartley County provides retirement and death benefits for all of its employees, except temporary employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 677 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Benefits Provided: The plan provisions are adopted by the governing body of the County (employer), within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

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

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

Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	27
Active employees	33

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

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 – RETIREMENT PLAN – Continuation

The County contributed using the actuarially determined rate of 13.56% for the months of the accounting year in 2014 and 12.51% for the months of the accounting year in 2015. The contribution rate payable by the employee members is 7.0% for fiscal year 2015 as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

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

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

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

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

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

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

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 – RETIREMENT PLAN – Continuation

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

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

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

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

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

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 – RETIREMENT PLAN – Continuation

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

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

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

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

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

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 – RETIREMENT PLAN – Continuation

Changes in the Net Pension Liability / (Asset):

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability / (Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2013	\$ 4,768,749	\$ 4,707,775	\$ 60,974
Changes for the year:			
Service cost	161,733	-	161,733
Interest on total pension liability (1)	382,961	-	382,961
Effect of economic/demographic gains or losses	70,159	-	70,159
Refund of contributions	(417)	(417)	-
Benefit payments	(244,616)	(244,616)	-
Administrative expenses	-	(3,750)	3,750
Member contributions	-	75,822	(75,822)
Net investment income	-	321,048	(321,048)
Employer contributions	-	146,877	(146,877)
Other (2)	-	22,876	(22,876)
Balances as of December 31, 2014	<u>\$ 5,138,569</u>	<u>\$ 5,025,615</u>	<u>\$ 112,954</u>

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

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

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 5,697,566	\$ 5,138,569	\$ 4,669,237
Fiduciary net position	<u>5,025,615</u>	<u>5,025,615</u>	<u>5,025,615</u>
Net pension liability / (asset)	<u>\$ 671,951</u>	<u>\$ 112,954</u>	<u>\$ (356,378)</u>

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 – RETIREMENT PLAN – Continuation

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

Pension Expense / (Income):

	January 1, 2014 to December 31, 2014
Service cost	\$ 161,733
Interest on total pension liability (1)	382,961
Effect of plan changes	-
Administrative expenses	3,750
Member contributions	(75,822)
Expected investment return net of investment expenses	(384,952)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	23,386
Recognition of assumption changes or inputs	-
Recognition of investment gains or losses	12,781
Other (2)	(22,876)
 Pension expense / (income)	 \$ 100,961

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

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

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

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 46,772
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	51,123
Contributions made subsequent to measurement date	N/A	99,820

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 – RETIREMENT PLAN – Continuation

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

Year ended December 31:		
2015	\$	36,167
2016		36,167
2017		12,781
2018		12,781

NOTE 7 – POSTEMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN

Plan Description

Hartley County, Texas participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GLTF). This optional plan provides group term life insurance coverage to current eligible employees.

The GLTF is a separate trust administered by the TCERS board of trustees. TCERS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GLTF. This report is available at www.tcdrs.org. TCERS' CAFR may also be obtained by writing to the Texas County & District System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Funding Policy

Each participating employer contributes to the GLTF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. Hartley County, Texas contributions to the GLTF for the year ended September 30, 2015, 2014 and 2013, were \$3,139, \$3,099, and \$2,832, respectively, which equaled the contractually required contributions each year.

**HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual Fund Interfund Receivables and Payables

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 209,285	\$ 99,576
Special Revenue Funds:		
Road and Bridge	-	206,506
Records Management	2,479	-
Records Preservation	3,873	-
Records Archive	50,255	-
Seized Property	20,778	-
Courthouse Security	-	2,779
Justice Court Technology	13,461	-
Justice Building Security	4,324	-
District Clerk Technology	4,313	-
Capital Project Fund	93	-
	<u>\$ 308,861</u>	<u>\$ 308,861</u>

The primary purpose of interfund receivables and payables is the reimbursement of the Special Revenue funds for day to day operations as all County funds are pooled in the General Fund.

Individual Interfund Transfers

Fund	Interfund Transfers In	Interfund Transfers Out
General Fund	\$ -	\$ 130,000
Special Revenue Funds:		
Road and Bridge	130,000	-
	<u>\$ 130,000</u>	<u>\$ 130,000</u>

The primary purpose for interfund transfers was for the General Fund to supplement the Road and Bridge and Capital Projects Funds revenue in the current year.

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 – LONG-TERM LIABILITIES

In 2005 the County participated in the joint financing of the construction of the Dallam-Hartley Counties Jail facility. In 2014 the County added to the principal balance of this note with a \$50,000 advance. This advance was for foundation and other general repairs to the Courthouse. The original principal amount of Hartley County’s portion of this financing was \$1,498,863 with a fixed interest rate of 3.75%.

In 2014 the County financed the acquisition of specialized computer software and hardware for use in the Sheriff’s office. Principal payments are due annually on February 1, with a fixed interest rate of 4.2%.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
2005 Note Payable	\$ 216,475	\$ -	\$ (216,475)	\$ -	\$ -
John Deere Financial	42,942	-	(10,101)	32,841	10,513
Warren CAT Financing	197,889	-	-	197,889	46,077
2013 Note Payable	67,481	-	(21,585)	45,896	22,481
Compensated absences	19,155	23,612	(27,543)	15,224	1,522
	<u>543,942</u>	<u>23,612</u>	<u>(275,704)</u>	<u>291,850</u>	<u>80,593</u>
Governmental activity long-term liabilities	<u>\$ 543,942</u>	<u>\$ 23,612</u>	<u>\$ (275,704)</u>	<u>\$ 291,850</u>	<u>\$ 80,593</u>

The County incurred interest expense of \$10,966 during the fiscal year ended September 30, 2015.

The annual debt service requirement on long-term liabilities outstanding as of September 30, 2015 is as follows:

Fiscal Year	Total	John Deere Financial		Warren CAT Financing		2013 Note Payable	
		Interest	Principal	Interest	Principal	Interest	Principal
2016	\$ 91,733	\$ 1,339	\$ 10,513	\$ 9,417	\$ 46,077	\$ 1,906	\$ 22,481
2017	91,732	910	10,941	7,224	48,270	972	23,415
2018	67,345	463	11,388	4,927	50,567	-	-
2019	55,495	-	-	2,521	52,974	-	-
	<u>\$ 306,305</u>	<u>\$ 2,712</u>	<u>\$ 32,842</u>	<u>\$ 24,089</u>	<u>\$ 197,888</u>	<u>\$ 2,878</u>	<u>\$ 45,896</u>

NOTE 10 – RISK MANAGEMENT

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

**HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 11 – PROBATION DEPARMENTS

Juvenile Probation Department

The Dallam, Hartley and Sherman Counties Juvenile Probation Department (Department) is a joint venture between the Counties. Each County makes a contribution to the Department based on a predetermined percentage of budgeted expenditures. The Department is governed by the Juvenile Probation Board whose members are the District Judge, the three County Judges and one citizen member appointed by the Board.

The Department operates on a fiscal year ending August 31 and issues a statement of revenues, expenditures and changes in fund balance – budget and actual. This financial statement is issued on a regulatory basis of accounting as mandated by the Texas Juvenile Justice Division. This report is solely the TJJD special revenue grant funds and not the Department as a whole.

Summarized information of the Dallam, Hartley and Sherman Counties Juvenile Probation Department for the year ended August 31, 2015 is as follows:

Department revenues:	
TJJD grant revenues - audited	\$ 162,669
Local funding - unaudited	83,000
Other revenues - unaudited	<u>2,364</u>
Total revenues	<u>248,033</u>
Department expenditures:	
Grant expenditures - audited	162,669
Grant and local expenditures - unaudited	<u>84,795</u>
Total expenditures	<u>247,464</u>
Excess of Revenues over Expenditures	<u><u>\$ 569</u></u>
Total assets - unaudited	<u><u>\$ 91,695</u></u>
Fund balance - unaudited	<u><u>\$ 89,372</u></u>

Community Supervision and Corrections (Adult Probation)

The 69th District CSCD is a joint venture between Dallam, Hartley, Sherman and Moore Counties. The County’s local funding to this department for the year ended September 30, 2015 was \$4,486. This funding was not audited after it was sent to the CSCD by the County.

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 12 – PRIOR PERIOD ADJUSTMENT

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

Net pension liability as determined at the 12/31/13 measurement date	\$ (60,974)
Deferred outflow of resources for employer contributions paid after the 12/31/13 measurement date and before the 9/30/14 fiscal year end date	<u>108,318</u>
Prior period adjustment	<u><u>\$ 47,344</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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

	Year Ended December 31,			
	2014	2013	2012	2011
Total Pension Liability:				
Service cost	\$ 161,733	\$ N/A	\$ N/A	\$ N/A
Interest on total pension liability (1)	382,961	N/A	N/A	N/A
Effect of plan changes	-	N/A	N/A	N/A
Effect of assumption changes or inputs	-	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	70,159	N/A	N/A	N/A
Benefit payments/refunds of contributions	(245,033)	N/A	N/A	N/A
Net change in total pension liability	369,820	N/A	N/A	N/A
Total pension liability, beginning	4,768,749	N/A	N/A	N/A
Total pension liability, ending (a)	<u>\$ 5,138,569</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Fiduciary Net Position:				
Employer contributions	\$ 146,877	\$ N/A	\$ N/A	\$ N/A
Member contributions	75,822	N/A	N/A	N/A
Investment income net of investment expenses	321,048	N/A	N/A	N/A
Benefit payments/refunds of contributions	(245,033)	N/A	N/A	N/A
Administrative expenses	(3,750)	N/A	N/A	N/A
Other	22,876	N/A	N/A	N/A
Net change in fiduciary net position	317,840	N/A	N/A	N/A
Fiduciary net position, beginning	<u>4,707,775</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$ 5,025,615</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 112,954</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Fiduciary net position as a % of total pension liability	97.80%	N/A	N/A	N/A
Pensionable covered payroll	\$ 1,083,165	\$ N/A	\$ N/A	\$ N/A
Net pension liability as a % of covered payroll	10.43%	N/A	N/A	N/A

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

Year Ended December 31,

2010	2009	2008	2007	2006	2005
\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
N/A	N/A	N/A	N/A	N/A	N/A

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

Year Ending December 31:	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2005	Not Available	Not Available	Not Available	Not Available	Not Available
2006	\$ 59,327	\$ 59,927	\$ (600)	\$ 749,084	8.0%
2007	64,476	65,375	(899)	817,183	8.0%
2008	66,628	69,676	(3,048)	870,949	8.0%
2009	70,557	73,688	(3,131)	921,104	8.0%
2010	95,376	95,376	-	986,313	9.7%
2011	95,800	95,800	-	981,550	9.8%
2012	100,826	100,826	-	1,016,392	9.9%
2013	122,238	122,238	-	1,035,039	11.8%
2014	146,877	146,877	-	1,083,165	13.6%

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

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

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Records Management – The Records Management Fund accounts for revenue from fees collected by the County and District Clerk on court cases. The fees are dedicated by law to be used for specific records management projects of the office.

Records Preservation – The Records Preservation Fund accounts for revenue from fees collected by the County and District Clerk on court cases. The fees are dedicated by law to be used for specific records preservation projects of the office.

Records Archives – The Records Archives Fund accounts for revenue from fees collected by the County and District Clerk on court cases. The fees are dedicated by law to be used for specific records archiving projects of the office.

Seized Property – The Seized Property Fund accounts for proceeds from asset forfeitures and seizures collected by the County Sheriff to statutorily supplement the cost of the Sheriff's office.

Courthouse Security – The Courthouse Security Fund accounts for statutory filing fees collected by the District and County Clerks which are dedicated by law to maintain the security of the courthouse.

Justice Court Technology – The Justice Court Technology Fund accounts for money charged to a defendant convicted of a misdemeanor in a justice court. It is designated for the purpose of financing the purchase of technological enhancements for a justice court.

Hot Check – The Hot Check Fund is used to account for revenues derived from the fees assessed on the collection and processing of dishonored and forged checks. The funds are designated to be used at the discretion of the County Attorney to defray the salaries and expenses of the prosecutor's office.

Justice Building Security – The Justice Building Security Fund accounts for statutory filing fees collected by the District and County Clerks which are dedicated by law to maintain the security of a justice court.

District Clerk Technology – The District Clerk Technology Fund accounts for money charged to a defendant convicted of a misdemeanor in a justice court. It is designated for the purpose of financing the purchase of technological enhancements for the district clerk's office.

Pretrial Diversion – The Pretrial Diversion Fund accounts for fees charged to any defendant willing to participate in a pretrial intervention program. The fees are dedicated by law to be used to administer and maintain the pretrial diversion programs.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for resources accumulated to fund future capital acquisitions or construction. The fund also accounts for property taxes levied for debt service requirements of the note used to finance the Dallam-Hartley Counties Jail Facility.

HARTLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2015

Special Revenue Funds

	Records Management	Records Preservation	Records Archives	Seized Property	Courthouse Security	Justice Court Technology	Hot Check
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,579
Due from other funds	2,479	3,873	50,255	20,778	-	13,461	-
Total assets	\$ 2,479	\$ 3,873	\$ 50,255	\$ 20,778	\$ -	\$ 13,461	\$ 1,579
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 2,779	\$ -	\$ -
Total liabilities	-	-	-	-	2,779	-	-
FUND BALANCES							
Restricted:							
By enabling legislation for special projects	2,479	3,873	50,255	20,778	-	13,461	1,579
Committed for:							
Capital projects	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	(2,779)	-	-
Total fund balances	2,479	3,873	50,255	20,778	(2,779)	13,461	1,579
Total liabilities and fund balances	\$ 2,479	\$ 3,873	\$ 50,255	\$ 20,778	\$ -	\$ 13,461	\$ 1,579

Continued

HARTLEY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2015

	Special Revenue Funds						Total Nonmajor Funds
	Justice Building Security	District Clerk Technology	Pretrial Diversion	Total Special Revenue Funds	Capital Projects	Total	
ASSETS							
Cash and cash equivalents	-	-	600	2,179	4,997	7,176	
Due from other funds	4,324	4,313	-	99,483	93	99,576	
Total assets	4,324	4,313	600	101,662	5,090	106,752	
LIABILITIES							
Due to other funds	-	-	-	2,779	-	2,779	
Total liabilities	-	-	-	2,779	-	2,779	
FUND BALANCES							
Restricted:							
By enabling legislation for special projects	4,324	4,313	600	101,662	-	101,662	
Committed for:							
Capital projects	-	-	-	-	5,090	5,090	
Unassigned (deficit)	-	-	-	(2,779)	-	(2,779)	
Total fund balances	4,324	4,313	600	98,883	5,090	103,973	
Total liabilities and fund balances	4,324	4,313	600	101,662	5,090	106,752	

HARTLEY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

Special Revenue Funds									
	Records Management	Records Preservation	Records Archives	Seized Property	Courthouse Security	Justice Court Technology	Hot Check		
REVENUES									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Licenses and fees	13,049	3,104	13,092	-	4,908	3,925	826		
Fines and forfeitures	-	-	-	41,963	-	-	-		
Investment earnings	133	32	293	47	21	115	-		
Miscellaneous	-	-	-	-	-	-	-		
Total revenues	13,182	3,136	13,385	42,010	4,929	4,040	826		
EXPENDITURES									
Current:									
Administrative	26,125	2,990	-	-	-	-	-		
Judicial	-	-	-	-	8,797	4,340	750		
Public safety	-	-	-	26,199	-	-	-		
Debt service:									
Principal	-	-	-	-	-	-	-		
Interest	-	-	-	-	-	-	-		
Total expenditures	26,125	2,990	-	26,199	8,797	4,340	750		
EXCESS / (DEFICIENCY) OF REVENUES OVER / (UNDER) EXPENDITURES	(12,943)	146	13,385	15,811	(3,868)	(300)	76		
FUND BALANCES - BEGINNING	15,422	3,727	36,870	4,967	1,089	13,761	1,503		
FUND BALANCES - ENDING (DEFICIT)	\$ 2,479	\$ 3,873	\$ 50,255	\$ 20,778	\$ (2,779)	\$ 13,461	\$ 1,579		

Continued

HARTLEY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds						Total Nonmajor Funds
	Justice Building Security	District Clerk Technology	Pretrial Diversion	Total Special Revenue Funds	Capital Projects	Total	
REVENUES							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 181,465	\$ 181,465	
Licenses and fees	955	894	405	41,158	-	41,158	
Fines and forfeitures	-	-	-	41,963	-	41,963	
Investment earnings	36	28	-	705	153	858	
Miscellaneous	-	-	-	-	779	779	
Total revenues	991	922	405	83,826	182,397	266,223	
EXPENDITURES							
Current:							
Administrative	-	-	-	29,115	1,844	30,959	
Judicial	-	-	-	13,887	-	13,887	
Public safety	-	-	-	26,199	-	26,199	
Debt service:							
Principal	-	-	-	-	216,475	216,475	
Interest	-	-	-	-	7,006	7,006	
Total expenditures	-	-	-	69,201	225,325	294,526	
EXCESS / (DEFICIENCY) OF REVENUES OVER / (UNDER) EXPENDITURES	991	922	405	14,625	(42,928)	(28,303)	
FUND BALANCES - BEGINNING	3,333	3,391	195	84,258	48,018	132,276	
FUND BALANCES - ENDING (DEFICIT)	\$ 4,324	\$ 4,313	\$ 600	\$ 98,883	\$ 5,090	\$ 103,973	

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

HARTLEY COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2015

	ASSETS	<u>County and District Clerk</u>
Cash and cash equivalents		\$ 61,365
Total assets		<u>\$ 61,365</u>
	LIABILITIES	
Deposits		\$ 61,365
Total liabilities		<u>\$ 61,365</u>

PART III
COMPLIANCE



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and its respective budgetary comparison, and the aggregate remaining fund information of Hartley County, Texas as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Hartley County, Texas' basic financial statements and have issued our report thereon dated November 5, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hartley County, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hartley County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Hartley County, Texas' internal control.

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

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

- Finding 2015-1

Compliance and Other Matters

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

Purpose of this Report

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

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

DOSHIER, PICKENS & FRANCIS, LLC
November 5, 2015

HARTLEY COUNTY, TEXAS
SCHEDULE OF FINDINGS
SEPTEMBER 30, 2015

Finding 2015-1

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Finding: Inadequate segregation of duties within a significant account or accounting process is considered to be a deficiency in your financial reporting controls. Due to the small size of the offices of the Justice of the Peace and the County and District Clerk, they have not been able to adequately segregate the processes of cash receipts and deposits, and reconciling the bank accounts. This lack of segregation of duties within these processes of handling cash creates a risk that a material misstatement could be present in the financial statements or that fraud could occur and would not be detected by management timely. Though these offices may not be able to adequately segregate these processes within the office, the official should implement compensating controls over these processes.