

**HARTLEY COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR YEAR ENDED  
SEPTEMBER 30, 2017**

**HARTLEY COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR YEAR ENDED SEPTEMBER 30, 2017**

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**HARTLEY COUNTY, TEXAS**  
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**PART I**  
**INTRODUCTORY SECTION**

**HARTLEY COUNTY, TEXAS**  
**PRINCIPAL COUNTY OFFICIALS**  
**SEPTEMBER 30, 2017**

|                |   |
|----------------|---|
| 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 <sup>th</sup> Judicial District |
| David Green    | District Attorney                         |
| Melissa Mead   | District/County Clerk                     |
| Robert Elliott | County Attorney                           |
| 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 the aggregate remaining fund information of Hartley County, Texas as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 County'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 County'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, and the aggregate remaining fund information of Hartley County, Texas, as of September 30, 2017, 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 budgetary comparison information, the schedule of changes in net pension liability and related ratios, and the schedule of employer contributions on pages 32 – 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 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 9, 2017, 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 9, 2017

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## **BASIC FINANCIAL STATEMENTS**

**HARTLEY COUNTY, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>ASSETS</b>                                   |                                    |
| Cash and cash equivalents                       | \$ 964,490                         |
| Investments                                     | 100,000                            |
| Accounts receivable, net                        | 231,629                            |
| Delinquent taxes receivable, net                | 8,370                              |
| Prepaid expenses                                | 20,511                             |
| Capital assets, net of accumulated depreciation | 2,093,788                          |
| Total assets                                    | 3,418,788                          |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                                    |
| Pension contributions                           | 104,956                            |
| Pension economic/demographic losses             | 29,454                             |
| Pension deficient earnings                      | 304,780                            |
| Pension changes in assumptions                  | 18,553                             |
| Total deferred outflows of resources            | 457,743                            |
| <b>LIABILITIES</b>                              |                                    |
| Accounts payable                                | 101,436                            |
| Due to other governmental entities              | 152,615                            |
| Accrued expenses                                | 38,554                             |
| Accrued interest                                | 1,254                              |
| Deposits held in trust                          | 58,471                             |
| Net pension liability                           | 463,200                            |
| Noncurrent liabilities:                         |                                    |
| Due within one year                             | 56,327                             |
| Due in more than one year                       | 64,329                             |
| Total liabilities                               | 936,186                            |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |                                    |
| Pension economic/demographic gains              | 19,980                             |
| Total deferred inflows of resources             | 19,980                             |
| <b>NET POSITION</b>                             |                                    |
| Net investment in capital assets                | 1,987,329                          |
| Restricted by enabling legislation for:         |                                    |
| Special projects                                | 85,491                             |
| Unrestricted                                    | 847,545                            |
| Total net position                              | \$ 2,920,365                       |

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, 2017**

| <u>Functions/Programs</u>                   | <u>Expenses</u>     | <u>Program Revenues</u> |                      |                      | <u>Net (Expense)</u> |
|---|---------------------|-------------------------|----------------------|----------------------|----------------------|
|   |                     | <u>Charges for</u>      | <u>Operating</u>     | <u>Capital</u>       | <u>Revenue and</u>   |
|   |                     | <u>Services</u>         | <u>Grants and</u>    | <u>Grants and</u>    | <u>Changes in</u>    |
|   |                     |                         | <u>Contributions</u> | <u>Contributions</u> | <u>Net Position</u>  |
|   |                     |                         |                      |                      | <u>Primary</u>       |
|   |                     |                         |                      |                      | <u>Government</u>    |
|   |                     |                         |                      |                      | <u>Governmental</u>  |
|   |                     |                         |                      |                      | <u>Activities</u>    |
| <b>Primary government</b>                   |                     |                         |                      |                      |                      |
| Governmental Activities:                    |                     |                         |                      |                      |                      |
| Administrative                              | \$ 867,060          | \$ 243,395              | \$ 37,434            | \$ -                 | \$ (586,231)         |
| Judicial                                    | 492,000             | 366,539                 | 34,675               | -                    | (90,786)             |
| Public facilities                           | 196,307             | -                       | -                    | -                    | (196,307)            |
| Public safety                               | 1,306,089           | 70,645                  | 11,896               | -                    | (1,223,548)          |
| Road and bridge                             | 712,757             | 355,965                 | 15,788               | -                    | (341,004)            |
| Public service                              | 169,930             | -                       | -                    | -                    | (169,930)            |
| Interest on long-term debt                  | 9,631               | -                       | -                    | -                    | (9,631)              |
| <b>Total</b>                                | <b>\$ 3,753,774</b> | <b>\$ 1,036,544</b>     | <b>\$ 99,793</b>     | <b>\$ -</b>          | <b>(2,617,437)</b>   |
| <b>General revenues:</b>                    |                     |                         |                      |                      |                      |
| Taxes:                                      |                     |                         |                      |                      |                      |
| Property taxes, levied for general purposes |                     |                         |                      |                      | 2,716,686            |
| Property taxes, levied for debt service     |                     |                         |                      |                      | 235                  |
| Mixed beverage taxes                        |                     |                         |                      |                      | 9,853                |
| Investment earnings                         |                     |                         |                      |                      | 11,223               |
| Miscellaneous                               |                     |                         |                      |                      | 53,466               |
| Gain from disposal of asset                 |                     |                         |                      |                      | 15,397               |
| <b>Total general revenues</b>               |                     |                         |                      |                      | <b>2,806,860</b>     |
| Change in net position                      |                     |                         |                      |                      | 189,423              |
| Net position - beginning                    |                     |                         |                      |                      | 2,730,942            |
| Net position - ending                       |                     |                         |                      |                      | <b>\$ 2,920,365</b>  |

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

**HARTLEY COUNTY, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017**

|  | <b>General</b>      | <b>Road and Bridge</b> | <b>Total Nonmajor<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---------------------|------------------------|---------------------------------|---|
| <b>ASSETS</b>  |                     |                        |                                 |   |
| Cash and cash equivalents  | \$ 952,436          | \$ -                   | \$ 12,054                       | \$ 964,490                              |
| Investments  | 100,000             | -                      | -                               | 100,000                                 |
| Accounts receivable, net   | 231,629             | -                      | -                               | 231,629                                 |
| Taxes receivable, net  | 8,370               | -                      | -                               | 8,370                                   |
| Due from other funds   | 5,819               | -                      | 80,323                          | 86,142                                  |
| Prepaid expenses   | 20,511              | -                      | -                               | 20,511                                  |
|  | <u>1,318,765</u>    | <u>-</u>               | <u>92,377</u>                   | <u>1,411,142</u>                        |
| Total assets   | <u>\$ 1,318,765</u> | <u>\$ -</u>            | <u>\$ 92,377</u>                | <u>\$ 1,411,142</u>                     |
| <b>LIABILITIES</b>   |                     |                        |                                 |   |
| Accounts payable   | \$ 101,436          | \$ -                   | \$ -                            | \$ 101,436                              |
| Due to other funds   | 80,315              | 5,819                  | 8                               | 86,142                                  |
| Due to other governmental entities                                     | 152,615             | -                      | -                               | 152,615                                 |
| Accrued expenses   | 38,554              | -                      | -                               | 38,554                                  |
| Deposits held in trust   | 58,471              | -                      | -                               | 58,471                                  |
|  | <u>431,391</u>      | <u>5,819</u>           | <u>8</u>                        | <u>437,218</u>                          |
| Total liabilities  | <u>431,391</u>      | <u>5,819</u>           | <u>8</u>                        | <u>437,218</u>                          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                     |                        |                                 |   |
| Unavailable revenue - property taxes                                   | 5,312               | -                      | -                               | 5,312                                   |
| Unavailable revenue - other receivables                                | 155,268             | -                      | -                               | 155,268                                 |
|  | <u>160,580</u>      | <u>-</u>               | <u>-</u>                        | <u>160,580</u>                          |
| Total deferred inflows of resources                                    | <u>160,580</u>      | <u>-</u>               | <u>-</u>                        | <u>160,580</u>                          |
| <b>FUND BALANCES</b>   |                     |                        |                                 |   |
| Unspendable:   |                     |                        |                                 |   |
| Prepaid expenses   | 20,511              | -                      | -                               | 20,511                                  |
| Restricted:  |                     |                        |                                 |   |
| By enabling legislation<br>for special projects                        | -                   | -                      | 85,491                          | 85,491                                  |
| Committed for:   |                     |                        |                                 |   |
| Capital projects/debt service  | -                   | -                      | 6,878                           | 6,878                                   |
| Unassigned (deficit)   | 706,283             | (5,819)                | -                               | 700,464                                 |
|  | <u>726,794</u>      | <u>(5,819)</u>         | <u>92,369</u>                   | <u>813,344</u>                          |
| Total fund balances  | <u>726,794</u>      | <u>(5,819)</u>         | <u>92,369</u>                   | <u>813,344</u>                          |
| Total liabilities, deferred inflows<br>of resources, and fund balances | <u>\$ 1,318,765</u> | <u>\$ -</u>            | <u>\$ 92,377</u>                | <u>\$ 1,411,142</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, 2017**

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

|   |    |           |
|---|----|-----------|
| Total fund balances - governmental funds  | \$ | 813,344   |
| 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.   |    | 2,093,788 |
| Long-term assets are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenue in the fund financial statements.  |    | 160,580   |
| Pension losses, deficient earnings, and changes in assumptions are shown as deferred outflows of resources in the government-wide financial statements.   |    |           |
| Pension economic/demographic losses   |    | 29,454    |
| Pension deficient earnings  |    | 304,780   |
| Pension assumption changes  |    | 18,553    |
| Pension contributions paid after the measurement date, December 31, 2016, and before September 30, 2017 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements. |    | 104,956   |
| Pension gains and excess earnings are shown as deferred inflows of resources in the government-wide financial statements.   |    |           |
| Pension economic/demographic gains  |    | (19,980)  |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements:  |    |           |
| Accrued interest  |    | (1,254)   |
| Notes payable   |    | (105,205) |
| Accrued compensated absences  |    | (15,451)  |
| Net pension liability   |    | (463,200) |
|   |    | (463,200) |
| Net position - governmental activities  | \$ | 2,920,365 |

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, 2017**

|   | <u>General</u>    | <u>Road and Bridge</u> | <u>Total Nonmajor<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------|------------------------|---------------------------------|---|
| <b>REVENUES</b>   |                   |                        |                                 |   |
| Property taxes  | \$ 2,717,374      | \$ -                   | \$ 235                          | \$ 2,717,609                            |
| Other taxes   | 9,853             | -                      | -                               | 9,853                                   |
| Licenses and fees                                       | 294,428           | 355,961                | 47,463                          | 697,852                                 |
| Fines and forfeitures                                   | 298,286           | -                      | 36,463                          | 334,749                                 |
| Intergovernmental                                       | 84,005            | 15,788                 | -                               | 99,793                                  |
| Investment earnings                                     | 5,470             | 4,044                  | 1,709                           | 11,223                                  |
| Miscellaneous   | 53,371            | -                      | 95                              | 53,466                                  |
|   | <u>3,462,787</u>  | <u>375,793</u>         | <u>85,965</u>                   | <u>3,924,545</u>                        |
| <b>EXPENDITURES</b>                                     |                   |                        |                                 |   |
| Current:  |                   |                        |                                 |   |
| Administrative  | 797,461           | -                      | 42,996                          | 840,457                                 |
| Judicial  | 463,589           | -                      | 12,748                          | 476,337                                 |
| Public facilities                                       | 177,736           | -                      | -                               | 177,736                                 |
| Public safety   | 1,151,348         | -                      | 26,059                          | 1,177,407                               |
| Road and bridge   | -                 | 603,957                | -                               | 603,957                                 |
| Public service  | 169,302           | -                      | -                               | 169,302                                 |
| Debt service:   |                   |                        |                                 |   |
| Principal   | 23,517            | 151,811                | -                               | 175,328                                 |
| Interest  | 2,780             | 12,542                 | -                               | 15,322                                  |
| Capital outlay  | 108,373           | -                      | -                               | 108,373                                 |
|   | <u>2,894,106</u>  | <u>768,310</u>         | <u>81,803</u>                   | <u>3,744,219</u>                        |
| <b>EXCESS OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> |                   |                        |                                 |   |
|   | <u>568,681</u>    | <u>(392,517)</u>       | <u>4,162</u>                    | <u>180,326</u>                          |
| <b>OTHER FINANCING SOURCES (USES)</b>                   |                   |                        |                                 |   |
| Proceeds from long-term debt                            | 30,676            | -                      | -                               | 30,676                                  |
| Transfers in  | -                 | 439,000                | -                               | 439,000                                 |
| Transfers out   | (439,000)         | -                      | -                               | (439,000)                               |
|   | <u>(408,324)</u>  | <u>439,000</u>         | <u>-</u>                        | <u>30,676</u>                           |
| <b>NET CHANGE IN FUND BALANCES</b>                      |                   |                        |                                 |   |
|   | 160,357           | 46,483                 | 4,162                           | 211,002                                 |
| <b>FUND BALANCES - BEGINNING (DEFICIT)</b>              |                   |                        |                                 |   |
|   | <u>566,437</u>    | <u>(52,302)</u>        | <u>88,207</u>                   | <u>602,342</u>                          |
| <b>FUND BALANCES - ENDING (DEFICIT)</b>                 |                   |                        |                                 |   |
|   | <u>\$ 726,794</u> | <u>\$ (5,819)</u>      | <u>\$ 92,369</u>                | <u>\$ 813,344</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, 2017**

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

|  |    |           |
|--|----|-----------|
| Net change in fund balances - total governmental funds:  | \$ | 211,002   |
| <p>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.</p> <p>This is the amount by which capital outlays, \$108,373, was exceeded by depreciation, \$218,481, in the current period.</p> |    |           |
|  |    | (110,108) |
| <p>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.</p>  |    |           |
|  |    | (6,603)   |
| <p>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.</p>  |    |           |
|  |    | 22,000    |
| <p>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.</p>   |    |           |
|  |    | 3,255     |
| <p>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.</p>  |    |           |
| Debt issued or incurred:   |    |           |
| Notes payable  |    | (30,676)  |
| Principal repayments:  |    |           |
| Notes payable  |    | 175,328   |
| <p>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:</p>   |    |           |
| Accrued interest on debt, net change   |    | 5,692     |
| Compensated absences, net change   |    | 30        |
| Deferred outflows of resources related to pensions   |    | (81,156)  |
| Deferred inflows of resources related to pensions  |    | 19,979    |
| Net pension liability  |    | (19,320)  |
| Change in net position - governmental activities   | \$ | 189,423   |

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, 2017**

| <b>ASSETS</b>             |  |                     |
|---------------------------|--|---------------------|
| Cash and cash equivalents |  | \$ 1,929,484        |
|                           |  | <u>1,929,484</u>    |
| Total assets              |  | <u>\$ 1,929,484</u> |
| <b>LIABILITIES</b>        |  |                     |
| Deposits                  |  | \$ 1,929,484        |
|                           |  | <u>1,929,484</u>    |
| Total liabilities         |  | <u>\$ 1,929,484</u> |

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

**HARTLEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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. For the most part, the effect of inter-fund 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. 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, 2017**

**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*.

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 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 agency funds are custodial in nature and involve no measurement of results of operations.

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, 2017**

**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.

Additionally, the County reports the following fund types:

**Special Revenue Funds** – *Special Revenue Funds* account for the proceeds of specific revenue sources (other than fiduciary funds) that are legally restricted to expenditures for specified purposes.

**Capital Projects Funds** – *Capital Projects Funds* account for financial resources to be used for the acquisition or construction of major capital facilities.

**Agency Funds** – *Agency Funds* account for assets received by the governmental unit in its capacity as trustee or agent for the County, other governmental entities, or individuals. The receipts and disbursements of such funds are governed by the terms of the statutes, ordinances, regulations or other authority.

**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.

Continued

**HARTLEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

The Act requires an annual audit of investment policies. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that in 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 inter-fund loans) or “advances to/from other funds” (i.e., the noncurrent portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

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

Reimbursement 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. Receivables are shown net of an allowance for uncollectible accounts of \$1,081,874.

Revenues received in advance of the costs being incurred are recorded as unavailable revenue in the fund statements.

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 \$6,062.

Continued

**HARTLEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

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

**4. Restricted Assets/Funds**

The following accounts reflect restricted status by third-party or statutory obligations for specific purposes:

- Other Non-Major Governmental fund balances (amounts restricted for other specific purposes such as management, preservation, and archiving of public records, enhancement of law enforcement operations with seized funds, personnel and security for the courthouse, technology requirements for the justice court, administration of pre-trial diversion programs, and enhancement of the county attorney operations with fees from processing dishonored and forged checks. All restrictions are enacted according to Texas statutes.)

**5. 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. The County uses the consumption method to record its prepaid items which requires reporting these items as assets and deferring the recognition of expenditures until the period in which prepaid items are used or consumed. In the fund financial statements, they are offset by a designation of nonspendable fund balance which indicates they do not represent “available spendable resources”.

**6. Capital Assets**

Capital assets, which include land, buildings and improvements, infrastructure, and equipment, are reported in the government-wide financial statements. The County has opted 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    |
| Equipment                  | 3-10 years  |

**7. Deferred Outflows/Inflows of Resources**

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

Continued

**HARTLEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

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

**7. Deferred Outflows/Inflows of Resources – Continuation**

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

**8. Compensated Absences**

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

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

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

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.

**9. 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.

**10. 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.

Continued



**HARTLEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

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

**11. 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:

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

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

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

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

**12. 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.”

Continued

**HARTLEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

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

**13. Fund Balance Policies**

When the County incurs an expenditures for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first, then unrestricted funds. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Committed fund balance amounts may be used for other purposes with appropriate action by the Commissioners' Court to either modify or rescind a fund balance commitment. Commitments are typically done through adoption and amendment of the budget.

The County's highest level of decision-making authority is the Commissioners' Court. The Court has not yet delegated the authority to assign fund balance amounts to a specific individual nor does it have a policy to authorize the assignment of fund balances outside the Court.

**14. 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.

**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.

Continued

**HARTLEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

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, 2017, disbursements exceeded appropriations in the Capital Outlay function of the General Fund by \$25,923. The excess expenditures in the capital outlay function were funded by proceeds from long-term debt.

**HARTLEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Following is a reconciliation of the County’s cash and deposit balances as of September 30, 2017:

Cash and deposit balances consist of:

|                  |    |           |
|------------------|----|-----------|
| Petty cash funds | \$ | 1,200     |
| Bank deposits    |    | 350,193   |
| Texas LOGIC      |    | 2,309,098 |
| TexPool          |    | 233,482   |
|                  |    | 233,482   |
| Total            | \$ | 2,893,973 |

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

Government-wide Statement of Net Position:

Unrestricted \$ 964,490

Statement of Fiduciary Net Position: Agency Funds 1,929,484

Total \$ 2,893,974

As of September 30, 2017, the County had the following investments:

| <b>Investment Type</b>                         | <b>Fair Value</b> | <b>Weighted Average Maturity (Days)</b> |
|--|-------------------|---|
| Governmental activities                        |                   |   |
| Certificates of deposit (interest rate - .50%) | \$ 100,000        | 365                                     |
| Total fair value                               | \$ 100,000        |   |
| Portfolio weighted average maturity            |                   | 365                                     |

**Custodial credit risk – deposits.** As of September 30, 2017, the carrying amount of the County's deposits with financial institutions was \$450,193 and the bank's balance was \$460,105. Of the bank balance, \$460,105 was insured through the Federal Depository Insurance Corporation (FDIC).

As of September 30, 2017, the County had \$2,309,098 and \$233,482, respectively invested with the Texas LOGIC and Texas Treasury Safekeeping Trust Company (TexPool). The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool and Texas LOGIC, through which political subdivisions and other entities may invest public funds. 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.

Continued

**HARTLEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 3 – DEPOSITS AND INVESTMENTS – Continuation**

Both investment pools use amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool and Texas LOGIC do not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals. TexPool and Texas LOGIC have a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principle. TexPool and Texas LOGIC invest in a quality portfolio of debt securities investments that are legally permissible for local governments in the state.

*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, 2017, 88% 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 2016 tax roll was \$.39 per \$100, which means that the County has a tax margin of \$.41 per \$100 and could raise up to \$2,855,390 additional revenue from the 2016 assessed valuation of \$696,436,547 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, 2017**

**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, 2017 was as follows:

|  | Beginning<br>Balance | Increases   | Decreases  | Ending<br>Balance |
|--|----------------------|-------------|------------|-------------------|
| <b>Governmental activities:</b>              |                      |             |            |                   |
| Capital assets, not being depreciated:       |                      |             |            |                   |
| Land and land improvements                   | \$ 22,129            | \$ -        | \$ -       | \$ 22,129         |
| Construction in progress                     | -                    | 42,450      | -          | 42,450            |
| <br>   |                      |             |            |                   |
| Total capital assets, not being depreciated  | 22,129               | 42,450      | -          | 64,579            |
| <br>   |                      |             |            |                   |
| Capital assets, being depreciated:           |                      |             |            |                   |
| Buildings and improvements                   | 2,070,043            | -           | -          | 2,070,043         |
| Infrastructure                               | 363,312              | -           | -          | 363,312           |
| Equipment                                    | 2,044,116            | 87,923      | (68,703)   | 2,063,336         |
| <br>   |                      |             |            |                   |
| Total capital assets, being depreciated      | 4,477,471            | 87,923      | (68,703)   | 4,496,691         |
| <br>   |                      |             |            |                   |
| Less accumulated depreciation for:           |                      |             |            |                   |
| Buildings and improvements                   | (772,739)            | (61,685)    | -          | (834,424)         |
| Infrastructure                               | (11,354)             | (9,083)     | -          | (20,437)          |
| Equipment                                    | (1,527,008)          | (147,713)   | 62,100     | (1,612,621)       |
| <br>   |                      |             |            |                   |
| Total accumulated depreciation               | (2,311,101)          | (218,481)   | 62,100     | (2,467,482)       |
| <br>   |                      |             |            |                   |
| Total capital assets, being depreciated, net | 2,166,370            | (130,558)   | (6,603)    | 2,029,209         |
| <br>   |                      |             |            |                   |
| Governmental activities capital assets, net  | \$ 2,188,499         | \$ (88,108) | \$ (6,603) | \$ 2,093,788      |

Continued

**HARTLEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 5 – CAPITAL ASSETS – Continuation**

Depreciation expense for the year ended September 30, 2017 was charged to the functions/programs of the primary government as follows:

|                            |            |
|----------------------------|------------|
| Governmental activities    |            |
| Public facilities          | \$ 17,945  |
| Public safety              | 109,202    |
| Road and bridge            | 91,334     |
| Total Depreciation Expense | \$ 218,481 |

**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 several 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 and is available at [www.tcdrs.org](http://www.tcdrs.org).

**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, 2017, the following employees were covered by the benefit terms:

|  |    |
|--|----|
| Inactive employees or beneficiaries currently receiving benefits | 28 |
| Inactive employees entitled to but not yet receiving benefits    | 30 |
| 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, 2017**

**NOTE 6 – RETIREMENT PLAN – Continuation**

The County contributed using the actuarially determined rate of 12.56% for the months of the accounting year in 2016 and 12.56% for the months of the accounting year in 2017. The contribution rate payable by the employee members is 7.0% for fiscal year 2017 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, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                            |   |
|----------------------------|---|
| Inflation                  | 3.00%   |
| Salary increases           | Varies by age and service. 4.9% average over career including inflation |
| Investment rate of return  | 8%, net of investment expenses, including inflation                     |
| Cost-of-living adjustments | None  |

In the 2016 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.

The actuarial assumptions that determined the total pension liability as of December 31, 2016 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 2016 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, 2017**

**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<br>Allocation | Geometric Real<br>Rate of Return<br>(Expected Minus<br>Inflation) |
|------------------------------------|----------------------|---|
| US Equities                        | 13.50 %              | 4.70 %  |
| Private Equity                     | 16.00                | 7.70  |
| Global Equities                    | 1.50                 | 5.00  |
| International Equities - Developed | 10.00                | 4.70  |
| International Equities - Emerging  | 7.00                 | 5.70  |
| Investment-Grade Bonds             | 3.00                 | 0.60  |
| High-Yield Bonds                   | 3.00                 | 3.70  |
| Opportunistic Credit               | 2.00                 | 3.83  |
| Direct Lending                     | 10.00                | 8.15  |
| Distressed Debt                    | 3.00                 | 6.70  |
| REIT Equities                      | 2.00                 | 3.85  |
| Master Limited Partnerships        | 3.00                 | 5.60  |
| Private Real Estate Partnerships   | 6.00                 | 7.20  |
| Hedge Funds                        | 20.00                | 3.85  |

**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, 2017**

**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, alternative 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, 2017**

**NOTE 6 – RETIREMENT PLAN – Continuation**

**Changes in the Net Pension Liability / (Asset):**

|  | Total Pension<br>Liability<br>(a) | Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability / (Asset)<br>(a) - (b) |
|--|-----------------------------------|----------------------------------|---|
| Balances as of December 31, 2015               | \$ 5,445,612                      | \$ 5,001,732                     | \$ 443,880                                      |
| Changes for the year:                          |                                   |                                  |   |
| Service cost                                   | 178,859                           | -                                | 178,859   |
| Interest on total pension liability (1)        | 436,667                           | -                                | 436,667   |
| Effect of plan changes (2)                     | -                                 | -                                | -   |
| Effect of economic/demographic gains or losses | 44,181                            | -                                | 44,181  |
| Effect of assumptions changes or inputs        | -                                 | -                                | -   |
| Refund of contributions                        | (19,350)                          | (19,350)                         | -   |
| Benefit payments                               | (271,005)                         | (271,005)                        | -   |
| Administrative expenses                        | -                                 | (4,021)                          | 4,021   |
| Member contributions                           | -                                 | 78,528                           | (78,528)  |
| Net investment income                          | -                                 | 370,431                          | (370,431)                                       |
| Employer contributions                         | -                                 | 140,902                          | (140,902)                                       |
| Other (3)                                      | -                                 | 54,547                           | (54,547)  |
| Balances as of December 31, 2016               | <u>\$ 5,814,964</u>               | <u>\$ 5,351,764</u>              | <u>\$ 463,200</u>                               |

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

(2) No plan changes valued.

(3) 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%<br>Decrease<br>7.10% | Current<br>Discount Rate<br>8.10% | 1%<br>Increase<br>9.10% |
|---------------------------------|-------------------------|-----------------------------------|-------------------------|
| Total pension liability         | \$ 6,434,665            | \$ 5,814,964                      | \$ 5,286,374            |
| Fiduciary net position          | <u>5,351,764</u>        | <u>5,351,764</u>                  | <u>5,351,764</u>        |
| Net pension liability / (asset) | <u>\$ 1,082,901</u>     | <u>\$ 463,200</u>                 | <u>\$ (65,390)</u>      |

Continued

**HARTLEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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, 2016 to<br>December 31, 2016 |
|---|---|
| Service cost  | \$ 178,859                              |
| Interest on total pension liability (1)               | 436,667                                 |
| Effect of plan changes                                | -                                       |
| Administrative expenses                               | 4,021                                   |
| Member contributions                                  | (78,528)                                |
| Expected investment return net of investment expenses | (404,331)                               |
| Recognition of deferred inflows/outflows of resources |   |
| Recognition of economic/demographic gains or losses   | 18,134                                  |
| Recognition of assumption changes or inputs           | 18,553                                  |
| Recognition of investment gains or losses             | 103,594                                 |
| Other (2)   | (54,547)                                |
| Pension expense / (income)                            | \$ 222,422                              |

(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, 2016, the deferred inflows and outflows of resources are as follows:

|  | Deferred Inflows<br>of Resources | Deferred Outflows<br>of Resources |
|--|----------------------------------|-----------------------------------|
| Differences between expected and actual experience   | \$ 19,980                        | \$ 29,454                         |
| Changes of assumptions                               | -                                | 18,553                            |
| Net difference between projected and actual earnings | -                                | 304,780                           |
| Contributions made subsequent to measurement date    | N/A                              | 104,956                           |

Continued

**HARTLEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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: |    |         |
| 2017                    | \$ | 116,894 |
| 2018                    |    | 118,321 |
| 2019                    |    | 90,813  |
| 2020                    |    | 6,779   |
| 2021                    |    | -       |
| Thereafter              |    | -       |

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

*Funding Policy*

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. Hartley County, Texas contributions to the GTLF for the year ended September 30, 2017, 2016 and 2015, were \$3,363, \$3,400, and \$3,139, respectively, which equaled the contractually required contributions each year.

**HARTLEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 8 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS**

**Individual Fund Inter-fund Receivables and Payables**

| Fund                      | Inter-fund<br>Receivables | Inter-fund<br>Payables |
|---------------------------|---------------------------|------------------------|
| General Fund              | \$ 5,819                  | \$ 80,315              |
| Special Revenue Funds:    |                           |                        |
| Road and Bridge           | -                         | 5,819                  |
| Records Management        | 1,550                     | -                      |
| Records Preservation      | 5,035                     | -                      |
| Records Archive           | 21,354                    | -                      |
| Seized Property           | 20,091                    | -                      |
| Courthouse Security       | 6,469                     | -                      |
| Justice Court Technology  | 11,192                    | -                      |
| Justice Building Security | 7,838                     | -                      |
| District Clerk Technology | 6,794                     | -                      |
| Capital Project Fund      | -                         | 8                      |
|                           | <u>\$ 86,142</u>          | <u>\$ 86,142</u>       |

The primary purpose of inter-fund 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 Inter-fund Transfers**

| Fund                   | Inter-fund<br>Transfers In | Inter-fund<br>Transfers Out |
|------------------------|----------------------------|-----------------------------|
| General Fund           | \$ -                       | \$ 439,000                  |
| Special Revenue Funds: |                            |                             |
| Road and Bridge        | 439,000                    | -                           |
|                        | <u>\$ 439,000</u>          | <u>\$ 439,000</u>           |

The primary purpose for inter-fund 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, 2017**

**NOTE 9 – LONG-TERM LIABILITIES**

In 2016 the County financed the acquisition of specialized computer software and hardware for use in the Sheriff’s office with a Public Property Finance Act Contract. Principal payments are due annually on June 1, with a fixed interest rate of 2.90%.

In 2017 the County financed the acquisition of a new vehicle for use in the Sheriff’s office with Wellington State Bank. The entire balance was paid off in October of 2017.

|  | Beginning<br>Balance | Additions        | Reductions          | Ending<br>Balance | Due Within<br>One Year |
|--|----------------------|------------------|---------------------|-------------------|------------------------|
| <b>Governmental activities:</b>                |                      |                  |                     |                   |                        |
| Warren CAT Financing                           | \$ 151,811           | \$ -             | \$ (151,811)        | \$ -              | \$ -                   |
| Public Property Finance                        | 98,046               | -                | (23,517)            | 74,529            | 24,151                 |
| Wellington State Bank                          | -                    | 30,676           | -                   | 30,676            | 30,676                 |
| Compensated absences                           | 15,481               | 26,231           | (26,261)            | 15,451            | 1,500                  |
| Governmental activity<br>long-term liabilities | <u>\$ 265,338</u>    | <u>\$ 56,907</u> | <u>\$ (201,589)</u> | <u>\$ 120,656</u> | <u>\$ 56,327</u>       |

The County incurred interest expense of \$9,631 during the fiscal year ended September 30, 2017.

The annual debt service requirement on long-term liabilities outstanding as of September 30, 2017 is as follows:

| Fiscal Year | Total             | Public Property Finance |                  | Wellington State Bank |                  |
|-------------|-------------------|-------------------------|------------------|-----------------------|------------------|
|             |                   | Interest                | Principal        | Interest              | Principal        |
| 2018        | \$ 57,538         | \$ 2,163                | \$ 24,151        | \$ 548                | \$ 30,676        |
| 2019        | 26,314            | 1,462                   | 24,852           | -                     | -                |
| 2020        | 26,314            | 788                     | 25,526           | -                     | -                |
|             | <u>\$ 110,166</u> | <u>\$ 4,413</u>         | <u>\$ 74,529</u> | <u>\$ 548</u>         | <u>\$ 30,676</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, 2017**

**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, 2017 is as follows:

|  |                         |
|--|-------------------------|
| Department revenues:                     |                         |
| TJJD grant revenues - audited            | \$ 153,720              |
| Local funding - unaudited                | 93,000                  |
| Other revenues - unaudited               | <u>3,680</u>            |
| Total revenues                           | <u>250,400</u>          |
|  |                         |
| Department expenditures:                 |                         |
| Grant expenditures - audited             | 153,720                 |
| Grant and local expenditures - unaudited | <u>90,677</u>           |
| Total expenditures                       | <u>244,397</u>          |
| Excess of Revenues over Expenditures     | <u><u>\$ 6,003</u></u>  |
| Total assets - unaudited                 | <u><u>\$ 86,382</u></u> |
| Fund balance - unaudited                 | <u><u>\$ 86,382</u></u> |

***Community Supervision and Corrections (Adult Probation)***

The 69<sup>th</sup> 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, 2017 was \$6,561. This funding was not audited after it was sent to the CSCD by the County.



**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**HARTLEY COUNTY, TEXAS  
GENERAL  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|                           | <u>Budgeted Amounts</u> |              | <u>Actual<br/>Amounts</u> | <u>Variance With<br/>Final Budget</u> |
|---------------------------|-------------------------|--------------|---------------------------|---------------------------------------|
|                           | <u>Original</u>         | <u>Final</u> |                           |                                       |
| <b>REVENUES</b>           |                         |              |                           |                                       |
| Property taxes            | \$ 2,734,022            | \$ 2,734,022 | \$ 2,717,374              | \$ (16,648)                           |
| Other taxes               | 5,000                   | 5,000        | 9,853                     | 4,853                                 |
| Licenses and fees         | 189,500                 | 266,250      | 294,428                   | 28,178                                |
| Fines and forfeitures     | 209,500                 | 264,500      | 298,286                   | 33,786                                |
| Intergovernmental         | 56,933                  | 126,583      | 84,005                    | (42,578)                              |
| Investment earnings       | 1,000                   | 1,000        | 5,470                     | 4,470                                 |
| Miscellaneous             | 28,000                  | 38,000       | 53,371                    | 15,371                                |
|                           | <hr/>                   | <hr/>        | <hr/>                     | <hr/>                                 |
| Total revenues            | 3,223,955               | 3,435,355    | 3,462,787                 | 27,432                                |
| <b>EXPENDITURES</b>       |                         |              |                           |                                       |
| Current:                  |                         |              |                           |                                       |
| Administrative            |                         |              |                           |                                       |
| County Judge              | 130,358                 | 130,358      | 116,678                   | 13,680                                |
| County Treasurer          | 84,449                  | 84,449       | 81,754                    | 2,695                                 |
| District and County Clerk | 262,399                 | 265,399      | 257,020                   | 8,379                                 |
| Administrative            | 116,600                 | 116,600      | 89,969                    | 26,631                                |
| Tax Collector             | 252,548                 | 252,548      | 252,040                   | 508                                   |
|                           | <hr/>                   | <hr/>        | <hr/>                     | <hr/>                                 |
| Total administrative      | 846,354                 | 849,354      | 797,461                   | 51,893                                |
| Judicial                  |                         |              |                           |                                       |
| County Attorney           | 121,000                 | 121,000      | 107,651                   | 13,349                                |
| Justice of the Peace      | 164,426                 | 164,426      | 151,553                   | 12,873                                |
| District Judge            | 33,962                  | 34,712       | 34,582                    | 130                                   |
| District Attorney         | 73,387                  | 74,387       | 74,134                    | 253                                   |
| Judicial                  | 94,892                  | 108,892      | 95,669                    | 13,223                                |
|                           | <hr/>                   | <hr/>        | <hr/>                     | <hr/>                                 |
| Total judicial            | 487,667                 | 503,417      | 463,589                   | 39,828                                |
| Public facilities         |                         |              |                           |                                       |
| Building operations       | 67,395                  | 77,395       | 72,325                    | 5,070                                 |
| Rita Blanca Lake          | 35,000                  | 35,000       | 35,000                    | -                                     |
| Landfill operations       | 5,000                   | 5,000        | -                         | 5,000                                 |
| Bi-County Library         | 76,000                  | 76,000       | 70,411                    | 5,589                                 |
|                           | <hr/>                   | <hr/>        | <hr/>                     | <hr/>                                 |
| Total public facilities   | 183,395                 | 193,395      | 177,736                   | 15,659                                |

Continued

**HARTLEY COUNTY, TEXAS**  
**GENERAL**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

| Continuation                            | <u>Budgeted Amounts</u> |                   | <u>Actual</u><br><u>Amounts</u> | <u>Variance With</u><br><u>Final Budget</u> |
|---|-------------------------|-------------------|---------------------------------|---|
|   | <u>Original</u>         | <u>Final</u>      |                                 |   |
| <b>EXPENDITURES</b>                     |                         |                   |                                 |   |
| Current:                                |                         |                   |                                 |   |
| Public safety                           |                         |                   |                                 |   |
| Sheriff's department                    | 434,388                 | 477,588           | 462,039                         | 15,549                                      |
| Fire protection                         | 123,764                 | 145,092           | 144,756                         | 336   |
| Ambulance service                       | 30,500                  | 36,289            | 36,289                          | -   |
| Probation                               | 41,362                  | 41,362            | 41,064                          | 298   |
| Dallam/Hartley County Jail              | 402,000                 | 469,000           | 467,200                         | 1,800                                       |
| Total public safety                     | <u>1,032,014</u>        | <u>1,169,331</u>  | <u>1,151,348</u>                | <u>17,983</u>                               |
| Public service                          |                         |                   |                                 |   |
| Public service                          | 43,750                  | 43,750            | 43,070                          | 680   |
| Extension service                       | 114,000                 | 116,000           | 115,581                         | 419   |
| Veteran's service                       | 11,251                  | 11,251            | 10,651                          | 600   |
| Total public service                    | <u>169,001</u>          | <u>171,001</u>    | <u>169,302</u>                  | <u>1,699</u>                                |
| Debt service:                           |                         |                   |                                 |   |
| Principal                               | 23,529                  | 23,529            | 23,517                          | 12  |
| Interest                                | 2,785                   | 2,785             | 2,780                           | 5   |
| Total debt service                      | <u>26,314</u>           | <u>26,314</u>     | <u>26,297</u>                   | <u>17</u>                                   |
| Capital outlay                          | <u>40,000</u>           | <u>82,450</u>     | <u>108,373</u>                  | <u>(25,923)</u>                             |
| Total expenditures                      | <u>2,784,745</u>        | <u>2,995,262</u>  | <u>2,894,106</u>                | <u>101,156</u>                              |
| <b>EXCESS OF REVENUES</b>               |                         |                   |                                 |   |
| <b>OVER EXPENDITURES</b>                | <u>439,210</u>          | <u>440,093</u>    | <u>568,681</u>                  | <u>128,588</u>                              |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                         |                   |                                 |   |
| Proceeds from long-term debt            | -                       | -                 | 30,676                          | 30,676                                      |
| Transfers out                           | (439,000)               | (439,000)         | (439,000)                       | -   |
| Total other financing<br>sources (uses) | <u>(439,000)</u>        | <u>(439,000)</u>  | <u>(408,324)</u>                | <u>30,676</u>                               |
| <b>NET CHANGE IN FUND BALANCE</b>       | 210                     | 1,093             | 160,357                         | 159,264                                     |
| <b>FUND BALANCE - BEGINNING</b>         | <u>566,437</u>          | <u>566,437</u>    | <u>566,437</u>                  | <u>-</u>                                    |
| <b>FUND BALANCE - ENDING</b>            | <u>\$ 566,647</u>       | <u>\$ 567,530</u> | <u>\$ 726,794</u>               | <u>\$ 159,264</u>                           |

**HARTLEY COUNTY, TEXAS**  
**ROAD AND BRIDGE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

|   | <u>Budgeted Amounts</u>    |                            | <u>Actual<br/>Amounts</u> | <u>Variance With<br/>Final Budget</u> |
|---|----------------------------|----------------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>            | <u>Final</u>               |                           |                                       |
| <b>REVENUES</b>                           |                            |                            |                           |                                       |
| Licenses and fees                         | \$ 350,000                 | \$ 360,000                 | \$ 355,961                | \$ (4,039)                            |
| Intergovernmental                         | 15,000                     | 15,000                     | 15,788                    | 788                                   |
| Investment earnings                       | 1,000                      | 1,000                      | 4,044                     | 3,044                                 |
| Miscellaneous                             | 6,000                      | 6,000                      | -                         | (6,000)                               |
|   | <u>372,000</u>             | <u>382,000</u>             | <u>375,793</u>            | <u>(6,207)</u>                        |
| <b>EXPENDITURES</b>                       |                            |                            |                           |                                       |
| Current:                                  |                            |                            |                           |                                       |
| Road and bridge                           |                            |                            |                           |                                       |
| Precinct 1                                | 136,133                    | 136,133                    | 120,964                   | 15,169                                |
| Precinct 2                                | 119,873                    | 129,873                    | 118,492                   | 11,381                                |
| Precinct 3                                | 118,026                    | 118,026                    | 108,104                   | 9,922                                 |
| Precinct 4                                | 152,748                    | 152,748                    | 118,404                   | 34,344                                |
| County Wide                               | 179,000                    | 179,000                    | 137,993                   | 41,007                                |
|   | <u>705,780</u>             | <u>715,780</u>             | <u>603,957</u>            | <u>111,823</u>                        |
| Debt service:                             |                            |                            |                           |                                       |
| Principal                                 | 202,346                    | 202,346                    | 151,811                   | 50,535                                |
| Interest                                  | 15,000                     | 15,000                     | 12,542                    | 2,458                                 |
|   | <u>217,346</u>             | <u>217,346</u>             | <u>164,353</u>            | <u>52,993</u>                         |
| Total expenditures                        | <u>923,126</u>             | <u>933,126</u>             | <u>768,310</u>            | <u>164,816</u>                        |
| <b>EXCESS OF REVENUES</b>                 |                            |                            |                           |                                       |
| <b>OVER (UNDER) EXPENDITURES</b>          |                            |                            |                           |                                       |
|   | <u>(551,126)</u>           | <u>(551,126)</u>           | <u>(392,517)</u>          | <u>158,609</u>                        |
| <b>OTHER FINANCING SOURCES</b>            |                            |                            |                           |                                       |
| Proceeds from sale of assets              | 5,000                      | 5,000                      | -                         | (5,000)                               |
| Transfers in                              | 439,000                    | 439,000                    | 439,000                   | -                                     |
|   | <u>444,000</u>             | <u>444,000</u>             | <u>439,000</u>            | <u>(5,000)</u>                        |
| <b>NET CHANGE IN FUND BALANCE</b>         | (107,126)                  | (107,126)                  | 46,483                    | 153,609                               |
| <b>FUND BALANCE - BEGINNING (DEFICIT)</b> | <u>(52,302)</u>            | <u>(52,302)</u>            | <u>(52,302)</u>           | <u>-</u>                              |
| <b>FUND BALANCE - ENDING (DEFICIT)</b>    | <u><u>\$ (159,428)</u></u> | <u><u>\$ (159,428)</u></u> | <u><u>\$ (5,819)</u></u>  | <u><u>\$ 153,609</u></u>              |

**HARTLEY COUNTY, TEXAS**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**Last Ten Fiscal Years (will ultimately be displayed as available)**

|  | Year Ended December 31, |                     |                     |
|--|-------------------------|---------------------|---------------------|
|  | 2016                    | 2015                | 2014                |
| <b>Total Pension Liability:</b>                          |                         |                     |                     |
| Service cost   | \$ 178,859              | \$ 169,108          | \$ 161,733          |
| Interest on total pension liability (1)                  | 436,667                 | 414,343             | 382,961             |
| Effect of plan changes                                   | -                       | (11,623)            | -                   |
| Effect of assumption changes or inputs                   | -                       | 55,658              | -                   |
| Effect of economic/demographic (gains) or losses         | 44,181                  | (59,939)            | 70,159              |
| Benefit payments/refunds of contributions                | (290,355)               | (260,504)           | (245,033)           |
| Net change in total pension liability                    | 369,352                 | 307,043             | 369,820             |
| Total pension liability, beginning                       | 5,445,612               | 5,138,569           | 4,768,749           |
| Total pension liability, ending (a)                      | <u>\$ 5,814,964</u>     | <u>\$ 5,445,612</u> | <u>\$ 5,138,569</u> |
| <b>Fiduciary Net Position:</b>                           |                         |                     |                     |
| Employer contributions                                   | \$ 140,902              | \$ 135,823          | \$ 146,877          |
| Member contributions                                     | 78,528                  | 76,000              | 75,822              |
| Investment income net of investment expenses             | 370,431                 | (10,034)            | 321,048             |
| Benefit payments/refunds of contributions                | (290,355)               | (260,504)           | (245,033)           |
| Administrative expenses                                  | (4,021)                 | (3,607)             | (3,750)             |
| Other  | 54,547                  | 38,439              | 22,876              |
| Net change in fiduciary net position                     | 350,032                 | (23,883)            | 317,840             |
| Fiduciary net position, beginning                        | 5,001,732               | 5,025,615           | 4,707,775           |
| Fiduciary net position, ending (b)                       | <u>\$ 5,351,764</u>     | <u>\$ 5,001,732</u> | <u>\$ 5,025,615</u> |
| Net pension liability / (asset), ending = (a) - (b)      | <u>\$ 463,200</u>       | <u>\$ 443,880</u>   | <u>\$ 112,954</u>   |
| Fiduciary net position as a % of total pension liability | 92.03%                  | 91.85%              | 97.80%              |
| Pensionable covered payroll                              | \$ 1,121,830            | \$ 1,085,717        | \$ 1,083,165        |
| Net pension liability as a % of covered payroll          | 41.29%                  | 40.88%              | 10.43%              |

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.



**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, 2017**

**Special Revenue Funds**

|  | <u>Records<br/>Management</u> | <u>Records<br/>Preservation</u> | <u>Records<br/>Archives</u> | <u>Seized<br/>Property</u> | <u>Courthouse<br/>Security</u> | <u>Justice Court<br/>Technology</u> | <u>Hot Check</u> |
|--|-------------------------------|---------------------------------|-----------------------------|----------------------------|--------------------------------|-------------------------------------|------------------|
| <b>ASSETS</b>                                |                               |                                 |                             |                            |                                |                                     |                  |
| Cash and cash equivalents                    | \$ -                          | \$ -                            | \$ -                        | \$ -                       | \$ -                           | \$ -                                | \$ 528           |
| Due from other funds                         | 1,550                         | 5,035                           | 21,354                      | 20,091                     | 6,469                          | 11,192                              | -                |
| Total assets                                 | <u>\$ 1,550</u>               | <u>\$ 5,035</u>                 | <u>\$ 21,354</u>            | <u>\$ 20,091</u>           | <u>\$ 6,469</u>                | <u>\$ 11,192</u>                    | <u>\$ 528</u>    |
| <b>LIABILITIES</b>                           |                               |                                 |                             |                            |                                |                                     |                  |
| Due to other funds                           | \$ -                          | \$ -                            | \$ -                        | \$ -                       | \$ -                           | \$ -                                | \$ -             |
| Total liabilities                            | <u>-</u>                      | <u>-</u>                        | <u>-</u>                    | <u>-</u>                   | <u>-</u>                       | <u>-</u>                            | <u>-</u>         |
| <b>FUND BALANCES</b>                         |                               |                                 |                             |                            |                                |                                     |                  |
| Restricted:                                  |                               |                                 |                             |                            |                                |                                     |                  |
| By enabling legislation for special projects | \$ 1,550                      | \$ 5,035                        | \$ 21,354                   | \$ 20,091                  | \$ 6,469                       | \$ 11,192                           | \$ 528           |
| Committed for:                               |                               |                                 |                             |                            |                                |                                     |                  |
| Capital projects                             | <u>-</u>                      | <u>-</u>                        | <u>-</u>                    | <u>-</u>                   | <u>-</u>                       | <u>-</u>                            | <u>-</u>         |
| Total fund balances                          | <u>1,550</u>                  | <u>5,035</u>                    | <u>21,354</u>               | <u>20,091</u>              | <u>6,469</u>                   | <u>11,192</u>                       | <u>528</u>       |
| Total liabilities and fund balances          | <u>\$ 1,550</u>               | <u>\$ 5,035</u>                 | <u>\$ 21,354</u>            | <u>\$ 20,091</u>           | <u>\$ 6,469</u>                | <u>\$ 11,192</u>                    | <u>\$ 528</u>    |

Continued

**HARTLEY COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

Continuation

**Special Revenue Funds**

|  | <b>Justice Building<br/>Security</b> | <b>District Clerk<br/>Technology</b> | <b>Pretrial<br/>Diversion</b> | <b>Total Special<br/>Revenue Funds</b> | <b>Capital<br/>Projects</b> | <b>Total<br/>Nonmajor<br/>Funds</b> |
|--|--------------------------------------|--------------------------------------|-------------------------------|--|-----------------------------|-------------------------------------|
| <b>ASSETS</b>                                |                                      |                                      |                               |  |                             |                                     |
| Cash and cash equivalents                    | \$ -                                 | \$ -                                 | \$ 4,640                      | \$ 5,168                               | \$ 6,886                    | \$ 12,054                           |
| Due from other funds                         | 7,838                                | 6,794                                | -                             | 80,323                                 | -                           | 80,323                              |
| Total assets                                 | <u>\$ 7,838</u>                      | <u>\$ 6,794</u>                      | <u>\$ 4,640</u>               | <u>\$ 85,491</u>                       | <u>\$ 6,886</u>             | <u>\$ 92,377</u>                    |
| <b>LIABILITIES</b>                           |                                      |                                      |                               |  |                             |                                     |
| Due to other funds                           | \$ -                                 | \$ -                                 | \$ -                          | \$ -                                   | \$ 8                        | \$ 8                                |
| Total liabilities                            | <u>-</u>                             | <u>-</u>                             | <u>-</u>                      | <u>-</u>                               | <u>8</u>                    | <u>8</u>                            |
| <b>FUND BALANCES</b>                         |                                      |                                      |                               |  |                             |                                     |
| Restricted:                                  |                                      |                                      |                               |  |                             |                                     |
| By enabling legislation for special projects | \$ 7,838                             | \$ 6,794                             | \$ 4,640                      | \$ 85,491                              | \$ -                        | \$ 85,491                           |
| Committed for:                               |                                      |                                      |                               |  |                             |                                     |
| Capital projects                             | <u>-</u>                             | <u>-</u>                             | <u>-</u>                      | <u>-</u>                               | <u>6,878</u>                | <u>6,878</u>                        |
| Total fund balances                          | <u>7,838</u>                         | <u>6,794</u>                         | <u>4,640</u>                  | <u>85,491</u>                          | <u>6,878</u>                | <u>92,369</u>                       |
| Total liabilities and fund balances          | <u>\$ 7,838</u>                      | <u>\$ 6,794</u>                      | <u>\$ 4,640</u>               | <u>\$ 85,491</u>                       | <u>\$ 6,886</u>             | <u>\$ 92,377</u>                    |

**HARTLEY COUNTY, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Special Revenue Funds**

|   | <b>Records<br/>Management</b> | <b>Records<br/>Preservation</b> | <b>Records<br/>Archives</b> | <b>Seized<br/>Property</b> | <b>Courthouse<br/>Security</b> | <b>Justice Court<br/>Technology</b> | <b>Hot Check</b> |
|---|-------------------------------|---------------------------------|-----------------------------|----------------------------|--------------------------------|-------------------------------------|------------------|
| <b>REVENUES</b>   |                               |                                 |                             |                            |                                |                                     |                  |
| Property taxes  | \$ -                          | \$ -                            | \$ -                        | \$ -                       | \$ -                           | \$ -                                | \$ -             |
| Licenses and fees   | 11,001                        | 3,959                           | 10,835                      | -                          | 7,301                          | 7,225                               | 598              |
| Fines and forfeitures                                     | -                             | -                               | -                           | 36,463                     | -                              | -                                   | -                |
| Investment earnings                                       | 34                            | 87                              | 783                         | 205                        | 137                            | 161                                 | -                |
| Miscellaneous   | -                             | -                               | -                           | -                          | -                              | -                                   | -                |
| Total revenues  | <u>11,035</u>                 | <u>4,046</u>                    | <u>11,618</u>               | <u>36,668</u>              | <u>7,438</u>                   | <u>7,386</u>                        | <u>598</u>       |
| <b>EXPENDITURES</b>                                       |                               |                                 |                             |                            |                                |                                     |                  |
| Current:  |                               |                                 |                             |                            |                                |                                     |                  |
| Administrative  | 11,156                        | 3,283                           | 28,547                      | -                          | -                              | -                                   | -                |
| Judicial  | -                             | -                               | -                           | -                          | 7,694                          | 4,090                               | 964              |
| Public safety   | -                             | -                               | -                           | 26,059                     | -                              | -                                   | -                |
| Total expenditures  | <u>11,156</u>                 | <u>3,283</u>                    | <u>28,547</u>               | <u>26,059</u>              | <u>7,694</u>                   | <u>4,090</u>                        | <u>964</u>       |
| <b>EXCESS OF REVENUES<br/>OVER / (UNDER) EXPENDITURES</b> | (121)                         | 763                             | (16,929)                    | 10,609                     | (256)                          | 3,296                               | (366)            |
| <b>FUND BALANCES - BEGINNING</b>                          | <u>1,671</u>                  | <u>4,272</u>                    | <u>38,283</u>               | <u>9,482</u>               | <u>6,725</u>                   | <u>7,896</u>                        | <u>894</u>       |
| <b>FUND BALANCES - ENDING</b>                             | <u>\$ 1,550</u>               | <u>\$ 5,035</u>                 | <u>\$ 21,354</u>            | <u>\$ 20,091</u>           | <u>\$ 6,469</u>                | <u>\$ 11,192</u>                    | <u>\$ 528</u>    |

Continued

**HARTLEY COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Continuation

**Special Revenue Funds**

|   | <b>Justice Building<br/>Security</b> | <b>District Clerk<br/>Technology</b> | <b>Pretrial<br/>Diversion</b> | <b>Total Special<br/>Revenue Funds</b> | <b>Capital<br/>Projects</b> | <b>Total<br/>Nonmajor<br/>Funds</b> |
|---|--------------------------------------|--------------------------------------|-------------------------------|--|-----------------------------|-------------------------------------|
| <b>REVENUES</b>   |                                      |                                      |                               |  |                             |                                     |
| Property taxes  | \$ -                                 | \$ -                                 | \$ -                          | \$ -                                   | \$ 235                      | \$ 235                              |
| Licenses and fees   | 1,779                                | 1,265                                | 3,500                         | 47,463                                 | -                           | 47,463                              |
| Fines and forfeitures                                     | -                                    | -                                    | -                             | 36,463                                 | -                           | 36,463                              |
| Investment earnings                                       | 122                                  | 110                                  | -                             | 1,639                                  | 70                          | 1,709                               |
| Miscellaneous   | -                                    | -                                    | -                             | -                                      | 95                          | 95                                  |
| Total revenues  | <u>1,901</u>                         | <u>1,375</u>                         | <u>3,500</u>                  | <u>85,565</u>                          | <u>400</u>                  | <u>85,965</u>                       |
| <b>EXPENDITURES</b>                                       |                                      |                                      |                               |  |                             |                                     |
| Current:  |                                      |                                      |                               |  |                             |                                     |
| Administrative  | -                                    | -                                    | -                             | 42,986                                 | 10                          | 42,996                              |
| Judicial  | -                                    | -                                    | -                             | 12,748                                 | -                           | 12,748                              |
| Public safety   | -                                    | -                                    | -                             | 26,059                                 | -                           | 26,059                              |
| Total expenditures  | <u>-</u>                             | <u>-</u>                             | <u>-</u>                      | <u>81,793</u>                          | <u>10</u>                   | <u>81,803</u>                       |
| <b>EXCESS OF REVENUES<br/>OVER / (UNDER) EXPENDITURES</b> | 1,901                                | 1,375                                | 3,500                         | 3,772                                  | 390                         | 4,162                               |
| <b>FUND BALANCES - BEGINNING</b>                          | <u>5,937</u>                         | <u>5,419</u>                         | <u>1,140</u>                  | <u>81,719</u>                          | <u>6,488</u>                | <u>88,207</u>                       |
| <b>FUND BALANCES - ENDING</b>                             | <u>\$ 7,838</u>                      | <u>\$ 6,794</u>                      | <u>\$ 4,640</u>               | <u>\$ 85,491</u>                       | <u>\$ 6,878</u>             | <u>\$ 92,369</u>                    |

## **FIDUCIARY FUNDS**

### **AGENCY FUNDS**

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

**County and District Clerk** – The County and District Clerk’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, 2017**

|                           | <b>ASSETS</b>      | <b><u>County and<br/>District Clerk</u></b> |
|---------------------------|--------------------|---|
| Cash and cash equivalents |                    | \$ 1,929,484                                |
| Total assets              |                    | <u>\$ 1,929,484</u>                         |
|                           | <b>LIABILITIES</b> |   |
| Deposits                  |                    | <u>\$ 1,929,484</u>                         |
| Total liabilities         |                    | <u>\$ 1,929,484</u>                         |

**PART III**  
**COMPLIANCE**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hartley County, Texas as of and for the year ended September 30, 2017, 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 9, 2017.

**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. 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.

**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 9, 2017