

HARTLEY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FOR YEAR ENDED
SEPTEMBER 30, 2019**

HARTLEY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2019

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PART I

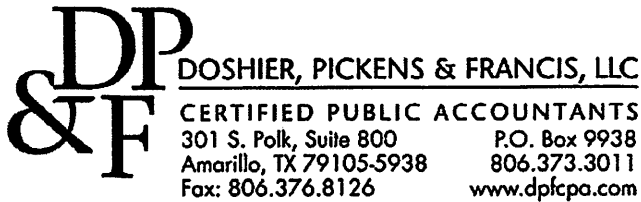
INTRODUCTORY SECTION

HARTLEY COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
SEPTEMBER 30, 2019

Ronnie Gordon	County Judge
David Vincent	Commissioner, Precinct #1
David Ford	Commissioner, Precinct #2
Chad Hicks	Commissioner, Precinct #3
Butch Owens	Commissioner, Precinct #4
Ron Enns	Judge, 69 th Judicial District
David Green	District Attorney
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, 2019, 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, 2019, 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 31 – 35 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 5, 2019, 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 the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hartley County, Texas' internal control over financial reporting and compliance.

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

DOSHIER, PICKENS & FRANCIS, LLC
November 5, 2019

BASIC FINANCIAL STATEMENTS

**HARTLEY COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,806,656
Accounts receivable, net	342,358
Delinquent taxes receivable, net	11,322
Prepaid expenses	23,890
Capital assets, net of accumulated depreciation	<u>2,679,034</u>
Total assets	<u>4,863,260</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions	108,798
Pension economic/demographic losses	23,791
Pension deficient earnings	369,718
Pension changes in assumptions	<u>26,037</u>
Total deferred outflows of resources	<u>528,344</u>
LIABILITIES	
Accounts payable	82,116
Due to other governmental entities	135,507
Accrued expenses	43,417
Accrued interest	220
Deposits held in trust	103,617
Noncurrent liabilities:	
Due within one year	27,333
Due in more than one year	15,246
Net pension liability	<u>585,837</u>
Total liabilities	<u>993,293</u>
DEFERRED INFLOWS OF RESOURCES	
Pension economic/demographic gains	<u>79,336</u>
Total deferred inflows of resources	<u>79,336</u>
NET POSITION	
Net investment in capital assets	2,653,401
Restricted by enabling legislation for:	
Special projects	123,804
Unrestricted	<u>1,541,770</u>
Total net position	<u>\$ 4,318,975</u>

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

**HARTLEY COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Primary Governmental Activities</u>
Primary government					
Governmental Activities:					
Administrative	\$ 912,439	\$ 319,231	\$ 46,170	\$ -	\$ (547,038)
Judicial	540,635	387,830	35,626	-	(117,179)
Public facilities	210,269	-	-	-	(210,269)
Public safety	1,620,661	69,840	7,430	-	(1,543,391)
Road and bridge	729,783	360,153	15,660	114,252	(239,718)
Public service	164,824	-	-	-	(164,824)
Interest on long-term debt	1,245	-	-	-	(1,245)
Total	\$ 4,179,856	\$ 1,137,054	\$ 104,886	\$ 114,252	(2,823,664)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					3,208,355
Property taxes, levied for debt service					119
Mixed beverage taxes					10,939
Investment earnings					44,834
Miscellaneous					44,185
Gain from disposal of asset					99,606
Total general revenues					3,408,038
Change in net position					584,374
Net position - beginning					3,734,601
Net position - ending					\$ 4,318,975

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

**HARTLEY COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	<u>General</u>	<u>Road and Bridge</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,730,505	\$ -	\$ 76,151	\$ 1,806,656
Accounts receivable, net	342,358	-	-	342,358
Taxes receivable, net	11,322	-	-	11,322
Due from other funds	55	127,605	107,342	235,002
Prepaid expenses	23,890	-	-	23,890
Total assets	<u>\$ 2,108,130</u>	<u>\$ 127,605</u>	<u>\$ 183,493</u>	<u>\$ 2,419,228</u>
LIABILITIES				
Accounts payable	\$ 82,116	\$ -	\$ -	\$ 82,116
Due to other funds	234,947	-	55	235,002
Due to other governmental entities	135,507	-	-	135,507
Accrued expenses	43,417	-	-	43,417
Deposits held in trust	103,617	-	-	103,617
Total liabilities	<u>599,604</u>	<u>-</u>	<u>55</u>	<u>599,659</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	6,042	-	-	6,042
Unavailable revenue - other receivables	256,134	-	-	256,134
Total deferred inflows of resources	<u>262,176</u>	<u>-</u>	<u>-</u>	<u>262,176</u>
FUND BALANCES				
Unspendable:				
Prepaid expenses	23,890	-	-	23,890
Restricted:				
By enabling legislation for special projects	-	-	134,942	134,942
Committed for:				
Capital projects/debt service	-	-	48,496	48,496
Special revenues	-	127,605	-	127,605
Unassigned	1,222,460	-	-	1,222,460
Total fund balances	<u>1,246,350</u>	<u>127,605</u>	<u>183,438</u>	<u>1,557,393</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,108,130</u>	<u>\$ 127,605</u>	<u>\$ 183,493</u>	<u>\$ 2,419,228</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, 2019

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

Total fund balances - governmental funds	\$	1,557,393
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.		2,679,034
Long-term assets are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenue in the fund financial statements.		262,176
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		23,791
Pension deficient earnings		369,718
Pension assumption changes		26,037
Pension contributions paid after the measurement date, December 31, 2018, and before September 30, 2019 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.		108,798
Pension gains and excess earnings are shown as deferred inflows of resources in the government-wide financial statements.		
Pension economic/demographic gains		(79,336)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements:		
Accrued interest		(220)
Notes payable		(25,633)
Accrued compensated absences		(16,946)
Net position - governmental activities	\$	4,318,975

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

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019

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, 2019

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 is related to the County's pension plan 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, 2019**

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, 2019**

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, 2019**

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, 2019, disbursements exceeded appropriations in the Capital Outlay line item of the General Fund by \$10,321. The excess expenditures were covered by lower than anticipated expenditures in every other department of the County.

NOTE 3 – 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 2018 tax roll was \$.392 per \$100, which means that the County has a tax margin of \$.408 per \$100 and could raise up to \$3,332,389 additional revenue from the 2018 assessed valuation of \$816,762,012 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, 2019**

NOTE 4 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the County’s cash and deposit balances as of September 30, 2019:

Cash and deposit balances consist of:

Petty cash funds	\$	1,200
Bank deposits		409,750
Texas LOGIC		793,177
TexPool		725,261
		725,261
Total	\$	1,929,388

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

Government-wide Statement of Net Position:

Unrestricted	\$	1,806,656
Statement of Fiduciary Net Position: Agency Funds		122,732
		122,732

Total	\$	1,929,388
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Custodial credit risk – deposits. As of September 30, 2019, the carrying amount of the County's deposits with financial institutions was \$409,750 and the bank's balance was \$435,917. The entire bank balance of \$435,917 was insured through the Federal Depository Insurance Corporation (FDIC).

As of September 30, 2019, the County had \$793,177 and \$725,261, 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.

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.

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 4 – DEPOSITS AND INVESTMENTS – Continuation

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, 2019, 78.75% 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 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, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land and land improvements	\$ 22,129	\$ -	\$ -	-	\$ 22,129
Construction in progress	285,596	82,900	-	(368,496)	-
Total capital assets, not being depreciated	<u>307,725</u>	<u>82,900</u>	<u>-</u>	<u>(368,496)</u>	<u>22,129</u>
Capital assets, being depreciated:					
Buildings and improvements	2,070,043	46,329	-	-	2,116,372
Infrastructure	363,312	-	-	368,496	731,808
Equipment	2,190,728	380,284	(202,710)	-	2,368,302
Total capital assets, being depreciated	<u>4,624,083</u>	<u>426,613</u>	<u>(202,710)</u>	<u>368,496</u>	<u>5,216,482</u>
Less accumulated depreciation for:					
Buildings and improvements	(895,404)	(60,316)	-	-	(955,720)
Infrastructure	(29,520)	(12,921)	-	-	(42,441)
Equipment	(1,565,622)	(177,360)	181,566	-	(1,561,416)
Total accumulated depreciation	<u>(2,490,546)</u>	<u>(250,597)</u>	<u>181,566</u>	<u>-</u>	<u>(2,559,577)</u>
Total capital assets, being depreciated, net	<u>2,133,537</u>	<u>176,016</u>	<u>(21,144)</u>	<u>368,496</u>	<u>2,656,905</u>
Governmental activities capital assets, net	<u>\$ 2,441,262</u>	<u>\$ 258,916</u>	<u>\$ (21,144)</u>	<u>-</u>	<u>\$ 2,679,034</u>

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5 – CAPITAL ASSETS – Continuation

Depreciation expense for the year ended September 30, 2019 was charged to the functions/programs of the primary government as follows:

Governmental activities	
Public facilities	\$ 16,576
Public safety	110,299
Road and bridge	<u>120,076</u>
 Total Depreciation Expense	 <u>\$ 250,597</u>

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.

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 December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	29
Active employees	37

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, 2019**

NOTE 6 – RETIREMENT PLAN – Continuation

The County contributed using the actuarially determined rate of 12.42% for the months of the accounting year in 2018 and 12.89% for the months of the accounting year in 2019. The contribution rate payable by the employee members is 7.0% for fiscal year 2019 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, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

The actuarial assumptions that determined the total pension liability as of December 31, 2018 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.

In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale, 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

TCDRS system-wide economic assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	2.00%

The payroll growth assumption is for the aggregate covered payroll of an employer.

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 – RETIREMENT PLAN – Continuation

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 shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10-year time horizon.

Note that 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 2017.

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

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return (Expected Minus Inflation)</u>
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities - Developed	MSCI World Ex USA (net) Index	10.00%	5.40%
International Equities - Emerging	MSCI Emerging Markets (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Funds of Funds Composite Index	13.00%	3.90%

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 – RETIREMENT PLAN – Continuation

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.

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

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

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

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

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

Continued

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6 – RETIREMENT PLAN – Continuation

Changes in the Net Pension Liability / (Asset):

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2017	\$ 6,057,679	\$ 6,060,309	\$ (2,630)
Changes for the year:			
Service cost	184,608	-	184,608
Interest on total pension liability (1)	494,060	-	494,060
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	35,687	-	35,687
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	(291,235)	(291,235)	-
Administrative expenses	-	(4,735)	4,735
Member contributions	-	86,160	(86,160)
Net investment income	-	(113,421)	113,421
Employer contributions	-	158,658	(158,658)
Other (2)	-	(774)	774
Balances as of December 31, 2018	<u>\$ 6,480,799</u>	<u>\$ 5,894,962</u>	<u>\$ 585,837</u>

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

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

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 7,177,432	\$ 6,480,799	\$ 5,877,611
Fiduciary net position	<u>5,894,962</u>	<u>5,894,962</u>	<u>5,894,962</u>
Net pension liability / (asset)	<u>\$ 1,282,470</u>	<u>\$ 585,837</u>	<u>\$ (17,351)</u>

Continued

**HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2018 to December 31, 2018
Service cost	\$ 184,608
Interest on total pension liability (1)	494,060
Effect of plan changes	-
Administrative expenses	4,735
Member contributions	(86,160)
Expected investment return net of investment expenses	(488,823)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(13,046)
Recognition of assumption changes or inputs	13,018
Recognition of investment gains or losses	154,153
Other (2)	774
 Pension expense / (income)	 \$ 263,319

(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, 2018, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 79,336	\$ 23,791
Changes of assumptions	-	26,037
Net difference between projected and actual earnings	-	369,718
Contributions made subsequent to measurement date	N/A	108,798

Continued

**HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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:		
2019	\$	126,617
2020		42,585
2021		50,560
2022		120,448
2023		-
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 GLTF is a separate trust administered by the TCERS board of trustees. TCERS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GLTF. This report is available at www.tcdrs.org. TCERS' CAFR may also be obtained by writing to the Texas County & District System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Funding Policy

Each participating employer contributes to the GLTF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. Hartley County, Texas contributions to the GLTF for the year ended September 30, 2018, 2017 and 2016, were \$3,487, \$3,363, and \$3,400, respectively, which equaled the contractually required contributions each year.

**HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual Fund Inter-fund Receivables and Payables

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ 55	\$ 234,947
Special Revenue Funds:		
Road and Bridge	127,605	-
Records Management	1,861	-
Records Preservation	11,729	-
Records Archive	27,852	-
Seized Property	28,164	-
Courthouse Security	10,825	-
Justice Court Technology	14,894	-
Justice Building Security	2,846	-
District Clerk Technology	9,171	-
Capital Project Fund	-	55
	<u>\$ 235,002</u>	<u>\$ 235,002</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 Transfers In	Inter-fund Transfers Out
General Fund	\$ -	\$ 485,000
Special Revenue Funds:		
Road and Bridge	475,000	-
Capital Project Fund	10,000	-
	<u>\$ 485,000</u>	<u>\$ 485,000</u>

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

HARTLEY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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%.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Public Property Finance	\$ 50,429	\$ -	\$ (24,796)	\$ 25,633	\$ 25,633
Compensated absences	<u>19,366</u>	<u>36,750</u>	<u>(39,170)</u>	<u>16,946</u>	<u>1,700</u>
 Governmental activity long-term liabilities	 <u>\$ 69,795</u>	 <u>\$ 36,750</u>	 <u>\$ (63,966)</u>	 <u>\$ 42,579</u>	 <u>\$ 27,333</u>

The County incurred interest expense of \$1,245 during the fiscal year ended September 30, 2019.

The annual debt service requirement on long-term liabilities outstanding as of September 30, 2019 is as follows:

<u>Fiscal Year</u>	<u>Total</u>	<u>Public Property Finance</u>	
		<u>Interest</u>	<u>Principal</u>
2020	<u>26,314</u>	<u>681</u>	<u>25,633</u>
	<u>\$ 26,314</u>	<u>\$ 681</u>	<u>\$ 25,633</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, 2019**

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, 2019 is as follows:

Department revenues:

TJJD grant revenues - audited	\$ 152,111
Local funding - unaudited	93,000
Other revenues - unaudited	<u>962</u>

Total revenues	<u>246,073</u>
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Department expenditures:

Grant expenditures - audited	152,111
Local expenditures - unaudited	<u>104,189</u>

Total expenditures	<u>256,300</u>
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Excess of Revenues over / (under) Expenditures	<u><u>\$ (10,227)</u></u>
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Total assets - unaudited	<u><u>\$ 69,175</u></u>
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Fund balance - unaudited	<u><u>\$ 69,175</u></u>
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Community Supervision and Corrections (Adult Probation)

The 69th District CSCD is a joint venture between Dallam, Hartley, Sherman and Moore Counties. The County’s local funding to this department for the year ended September 30, 2019 was \$6,203. 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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 3,211,345	\$ 3,211,345	\$ 3,209,723	\$ (1,622)
Other taxes	10,000	10,000	10,939	939
Licenses and fees	207,500	207,500	310,537	103,037
Fines and forfeitures	219,500	219,500	329,677	110,177
Intergovernmental	82,033	82,033	89,226	7,193
Investment earnings	8,000	8,000	27,720	19,720
Miscellaneous	25,000	25,000	37,335	12,335
	<u>3,763,378</u>	<u>3,763,378</u>	<u>4,015,157</u>	<u>251,779</u>
EXPENDITURES				
Current:				
Administrative				
County Judge	139,537	139,537	125,396	14,141
County Treasurer	89,970	89,970	88,529	1,441
District and County Clerk	262,086	272,166	263,097	9,069
Administrative	121,400	121,400	89,618	31,782
Tax Collector	297,964	297,964	292,667	5,297
	<u>910,957</u>	<u>921,037</u>	<u>859,307</u>	<u>61,730</u>
Total administrative				
Judicial				
County Attorney	129,353	132,853	119,691	13,162
Justice of the Peace	181,772	181,772	168,843	12,929
District Judge	38,336	38,336	35,280	3,056
District Attorney	80,333	80,333	78,379	1,954
Judicial	182,039	182,039	94,487	87,552
	<u>611,833</u>	<u>615,333</u>	<u>496,680</u>	<u>118,653</u>
Total judicial				
Public facilities				
Building operations	74,183	86,183	81,924	4,259
Rita Blanca Lake	35,000	35,000	35,000	-
Landfill operations	5,000	5,000	-	5,000
Bi-County Library	78,000	76,500	75,343	1,157
	<u>192,183</u>	<u>202,683</u>	<u>192,267</u>	<u>10,416</u>
Total public facilities				

Continued

**HARTLEY COUNTY, TEXAS
GENERAL
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Continuation EXPENDITURES	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Current:				
Public safety				
Sheriff's department	\$ 562,154	\$ 580,654	\$ 557,858	\$ 22,796
Fire protection	234,549	234,549	234,091	458
Ambulance service	40,500	40,500	40,500	-
Probation	42,400	42,400	40,706	1,694
Dallam/Hartley County Jail	444,000	586,500	586,100	400
Total public safety	<u>1,323,603</u>	<u>1,484,603</u>	<u>1,459,255</u>	<u>25,348</u>
Public service				
Public service	28,000	28,000	27,495	505
Extension service	125,000	126,500	126,064	436
Veteran's service	11,966	11,966	10,500	1,466
Total public service	<u>164,966</u>	<u>166,466</u>	<u>164,059</u>	<u>2,407</u>
Debt service:				
Principal	34,314	34,314	24,796	9,518
Interest	-	-	1,502	(1,502)
Total debt service	<u>34,314</u>	<u>34,314</u>	<u>26,298</u>	<u>8,016</u>
Capital outlay	<u>40,000</u>	<u>86,000</u>	<u>96,321</u>	<u>(10,321)</u>
Total expenditures	<u>3,277,856</u>	<u>3,510,436</u>	<u>3,294,187</u>	<u>216,249</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>485,522</u>	<u>252,942</u>	<u>720,970</u>	<u>468,028</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from disposition of assets	-	-	10,000	10,000
Transfers out	(485,000)	(485,000)	(485,000)	-
Total other financing sources (uses)	<u>(485,000)</u>	<u>(485,000)</u>	<u>(475,000)</u>	<u>10,000</u>
NET CHANGE IN FUND BALANCE	522	(232,058)	245,970	478,028
FUND BALANCE - BEGINNING	<u>1,000,380</u>	<u>1,000,380</u>	<u>1,000,380</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,000,902</u>	<u>\$ 768,322</u>	<u>\$ 1,246,350</u>	<u>\$ 478,028</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and fees	\$ 353,000	\$ 353,000	\$ 360,153	\$ 7,153
Intergovernmental	15,000	125,000	129,912	4,912
Investment earnings	9,000	9,000	12,474	3,474
Miscellaneous	6,000	11,000	6,662	(4,338)
Total revenues	<u>383,000</u>	<u>498,000</u>	<u>509,201</u>	<u>11,201</u>
EXPENDITURES				
Current:				
Road and bridge				
Precinct 1	160,806	160,806	131,229	29,577
Precinct 2	141,280	141,280	119,390	21,890
Precinct 3	139,532	139,532	123,561	15,971
Precinct 4	161,915	161,915	134,459	27,456
County Wide	130,000	130,000	74,831	55,169
Total road and bridge	<u>733,533</u>	<u>733,533</u>	<u>583,470</u>	<u>150,063</u>
Capital outlay	<u>240,000</u>	<u>338,000</u>	<u>317,810</u>	<u>20,190</u>
Total expenditures	<u>973,533</u>	<u>1,071,533</u>	<u>901,280</u>	<u>170,253</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(590,533)</u>	<u>(573,533)</u>	<u>(392,079)</u>	<u>181,454</u>
OTHER FINANCING SOURCES				
Proceeds from disposition of assets	18,000	32,000	26,750	(5,250)
Transfers in	475,000	475,000	475,000	-
Total other financing sources	<u>493,000</u>	<u>507,000</u>	<u>501,750</u>	<u>(5,250)</u>
NET CHANGE IN FUND BALANCE	(97,533)	(66,533)	109,671	176,204
FUND BALANCE - BEGINNING	<u>17,934</u>	<u>17,934</u>	<u>17,934</u>	<u>-</u>
FUND BALANCE - ENDING (DEFICIT)	<u>\$ (79,599)</u>	<u>\$ (48,599)</u>	<u>\$ 127,605</u>	<u>\$ 176,204</u>

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

	Year Ended December 31,			
	2018	2017	2016	2015
Total Pension Liability:				
Service cost	\$ 184,608	\$ 173,241	\$ 178,859	\$ 169,108
Interest on total pension liability	494,060	473,244	436,667	414,343
Effect of plan changes	-	-	-	(11,623)
Effect of assumption changes or inputs	-	52,073	-	55,658
Effect of economic/demographic (gains) or losses	35,687	(158,674)	44,181	(59,939)
Benefit payments/refunds of contributions	(291,235)	(297,169)	(290,355)	(260,504)
Net change in total pension liability	423,120	242,715	369,352	307,043
Total pension liability, beginning	6,057,679	5,814,964	5,445,612	5,138,569
Total pension liability, ending (a)	\$ 6,480,799	\$ 6,057,679	\$ 5,814,964	\$ 5,445,612
Fiduciary Net Position:				
Employer contributions	\$ 158,658	\$ 147,463	\$ 140,902	\$ 135,823
Member contributions	86,160	83,111	78,528	76,000
Investment income net of investment expenses	(113,421)	780,100	370,431	(10,034)
Benefit payments/refunds of contributions	(291,235)	(297,169)	(290,355)	(260,504)
Administrative expenses	(4,735)	(4,030)	(4,021)	(3,607)
Other	(774)	(930)	54,547	38,439
Net change in fiduciary net position	(165,347)	708,545	350,032	(23,883)
Fiduciary net position, beginning	6,060,309	5,351,764	5,001,732	5,025,615
Fiduciary net position, ending (b)	\$ 5,894,962	\$ 6,060,309	\$ 5,351,764	\$ 5,001,732
Net pension liability / (asset), ending = (a) - (b)	\$ 585,837	\$ (2,630)	\$ 463,200	\$ 443,880
Fiduciary net position as a % of total pension liability	90.96%	100.04%	92.03%	91.85%
Pensionable covered payroll	\$ 1,230,857	\$ 1,187,304	\$ 1,121,830	\$ 1,085,717
Net pension liability as a % of covered payroll	47.60%	-0.22%	41.29%	40.88%

2014

\$ 161,733
382,961
-
-

70,159
(245,033)

369,820
4,768,749

\$ 5,138,569

\$ 146,877
75,822

321,048
(245,033)
(3,750)
22,876

317,840
4,707,775

\$ 5,025,615

\$ 112,954

97.80%
\$ 1,083,165

10.43%

HARTLEY COUNTY, TEXAS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last Ten Fiscal Years (will ultimately be displayed as available)

Year Ending September 30:	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 138,379	\$ 138,379	\$ -	\$ 1,082,277	12.8%
2016	139,935	139,935	-	1,115,280	12.5%
2017	141,926	141,926	-	1,139,404	12.5%
2018	157,349	157,349	-	1,233,118	12.8%
2019	152,392	152,392	-	1,272,891	12.0%

Notes to Schedule:

Valuation Date Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	11.1 years (based on contribution rate calculated in 12/31/2018 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8.0%, net of investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Methods Reflected in the Schedule of Employer Contributions	New inflation, mortality and other assumptions were reflected in the Schedule of Employer Contributions for 2015. New mortality assumptions were reflected in the Schedule of Employer Contributions for 2017.
Changes in Plan Provisions Reflected in the Schedule of Employer	No changes in plan provisions were reflected in the Schedule of Employer Contributions for 2015, 2016, or 2018. New Annuity Purchase Rates were reflected in the Schedule of Employer Contributions for benefits earned after 2017.

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, 2019**

Special Revenue Funds

	<u>Records Management</u>	<u>Records Preservation</u>	<u>Records Archives</u>	<u>Seized Property</u>	<u>Courthouse Security</u>	<u>Justice Court Technology</u>	<u>Hot Check</u>
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,844
Due from other funds	1,861	11,729	27,852	28,164	10,825	14,894	-
Total assets	<u>\$ 1,861</u>	<u>\$ 11,729</u>	<u>\$ 27,852</u>	<u>\$ 28,164</u>	<u>\$ 10,825</u>	<u>\$ 14,894</u>	<u>\$ 1,844</u>
LIABILITIES							
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Restricted:							
By enabling legislation for special projects	\$ 1,861	\$ 11,729	\$ 27,852	\$ 28,164	\$ 10,825	\$ 14,894	\$ 1,844
Committed for:							
Capital projects	-	-	-	-	-	-	-
Total fund balances	<u>1,861</u>	<u>11,729</u>	<u>27,852</u>	<u>28,164</u>	<u>10,825</u>	<u>14,894</u>	<u>1,844</u>
Total liabilities and fund balances	<u>\$ 1,861</u>	<u>\$ 11,729</u>	<u>\$ 27,852</u>	<u>\$ 28,164</u>	<u>\$ 10,825</u>	<u>\$ 14,894</u>	<u>\$ 1,844</u>

Continued

**HARTLEY COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

Continuation

Special Revenue Funds

	<u>Justice Building Security</u>	<u>District Clerk Technology</u>	<u>Pretrial Diversion</u>	<u>Total Special Revenue Funds</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ 25,756	\$ 27,600	\$ 48,551	\$ 76,151
Due from other funds	2,846	9,171	-	107,342	-	107,342
Total assets	<u>\$ 2,846</u>	<u>\$ 9,171</u>	<u>\$ 25,756</u>	<u>\$ 134,942</u>	<u>\$ 48,551</u>	<u>\$ 183,493</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ 55	\$ 55
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55</u>	<u>55</u>
FUND BALANCES						
Restricted:						
By enabling legislation for special projects	\$ 2,846	\$ 9,171	\$ 25,756	\$ 134,942	\$ -	\$ 134,942
Committed for:						
Capital projects	-	-	-	-	48,496	48,496
Total fund balances	<u>2,846</u>	<u>9,171</u>	<u>25,756</u>	<u>134,942</u>	<u>48,496</u>	<u>183,438</u>
Total liabilities and fund balances	<u>\$ 2,846</u>	<u>\$ 9,171</u>	<u>\$ 25,756</u>	<u>\$ 134,942</u>	<u>\$ 48,551</u>	<u>\$ 183,493</u>

HARTLEY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Special Revenue Funds

	<u>Records Management</u>	<u>Records Preservation</u>	<u>Records Archives</u>	<u>Seized Property</u>	<u>Courthouse Security</u>	<u>Justice Court Technology</u>	<u>Hot Check</u>
REVENUES							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	11,210	7,118	11,351	-	7,205	6,163	371
Fines and forfeitures	-	-	-	13,510	-	-	-
Investment earnings	173	302	1,113	940	156	505	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>11,383</u>	<u>7,420</u>	<u>12,464</u>	<u>14,450</u>	<u>7,361</u>	<u>6,668</u>	<u>371</u>
EXPENDITURES							
Current:							
Administrative	13,669	2,957	-	-	-	-	-
Judicial	-	-	-	-	289	3,910	-
Public safety	-	-	-	23,681	-	-	-
Capital outlay	-	-	11,382	-	-	-	-
Total expenditures	<u>13,669</u>	<u>2,957</u>	<u>11,382</u>	<u>23,681</u>	<u>289</u>	<u>3,910</u>	<u>-</u>
EXCESS OF REVENUES OVER / (UNDER) EXPENDITURES	(2,286)	4,463	1,082	(9,231)	7,072	2,758	371
OTHER FINANCING SOURCES							
Transfers in	-	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(2,286)	4,463	1,082	(9,231)	7,072	2,758	371
FUND BALANCES - BEGINNING	<u>4,147</u>	<u>7,266</u>	<u>26,770</u>	<u>37,395</u>	<u>3,753</u>	<u>12,136</u>	<u>1,473</u>
FUND BALANCES - ENDING	<u>\$ 1,861</u>	<u>\$ 11,729</u>	<u>\$ 27,852</u>	<u>\$ 28,164</u>	<u>\$ 10,825</u>	<u>\$ 14,894</u>	<u>\$ 1,844</u>

Continued

HARTLEY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Continuation

	<u>Special Revenue Funds</u>					
	<u>Justice Building Security</u>	<u>District Clerk Technology</u>	<u>Pretrial Diversion</u>	<u>Total Special Revenue Funds</u>	<u>Capital Projects</u>	<u>Total Nonmajor Funds</u>
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 119	\$ 119
Licenses and fees	1,894	1,677	22,900	69,889	-	69,889
Fines and forfeitures	-	-	-	13,510	-	13,510
Investment earnings	38	352	-	3,579	1,061	4,640
Miscellaneous	-	-	-	-	188	188
Total revenues	<u>1,932</u>	<u>2,029</u>	<u>22,900</u>	<u>86,978</u>	<u>1,368</u>	<u>88,346</u>
EXPENDITURES						
Current:						
Administrative	-	-	-	16,626	11	16,637
Judicial	-	1,313	18,639	24,151	-	24,151
Public safety	-	-	-	23,681	-	23,681
Capital outlay	-	-	-	11,382	-	11,382
Total expenditures	<u>-</u>	<u>1,313</u>	<u>18,639</u>	<u>75,840</u>	<u>11</u>	<u>75,851</u>
EXCESS OF REVENUES OVER / (UNDER) EXPENDITURES	1,932	716	4,261	11,138	1,357	12,495
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	10,000	10,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
NET CHANGE IN FUND BALANCES	1,932	716	4,261	11,138	11,357	22,495
FUND BALANCES - BEGINNING	<u>914</u>	<u>8,455</u>	<u>21,495</u>	<u>123,804</u>	<u>37,139</u>	<u>160,943</u>
FUND BALANCES - ENDING	<u>\$ 2,846</u>	<u>\$ 9,171</u>	<u>\$ 25,756</u>	<u>\$ 134,942</u>	<u>\$ 48,496</u>	<u>\$ 183,438</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, 2019, and the related notes to the financial statements, which collectively comprise Hartley County, Texas' basic financial statements and have issued our report thereon dated November 5, 2019.

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 5, 2019