HARTLEY COUNTY, TEXAS ANNUAL FINANCIAL REPORT

FOR YEAR ENDED SEPTEMBER 30, 2014

HARTLEY COUNTY, TEXAS

ANNUAL FINANCIAL REPORT FOR YEAR ENDED SEPTEMBER 30, 2014

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PART I INTRODUCTORY SECTION

HARTLEY COUNTY, TEXAS

PRINCIPAL COUNTY OFFICIALS

SEPTEMBER 30, 2014

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

Justice of the Peace

Edwyna Womble

PART II FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and its respective budgetary comparison schedule, and the aggregate remaining fund information of Hartley County, Texas as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund with its respective budgetary comparison schedule, and the aggregate remaining fund information of Hartley County, Texas, as of September 30, 2014, 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.

Hartley County, Texas Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of funding progress for the retirement plan for the employees of Hartley, Texas on page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

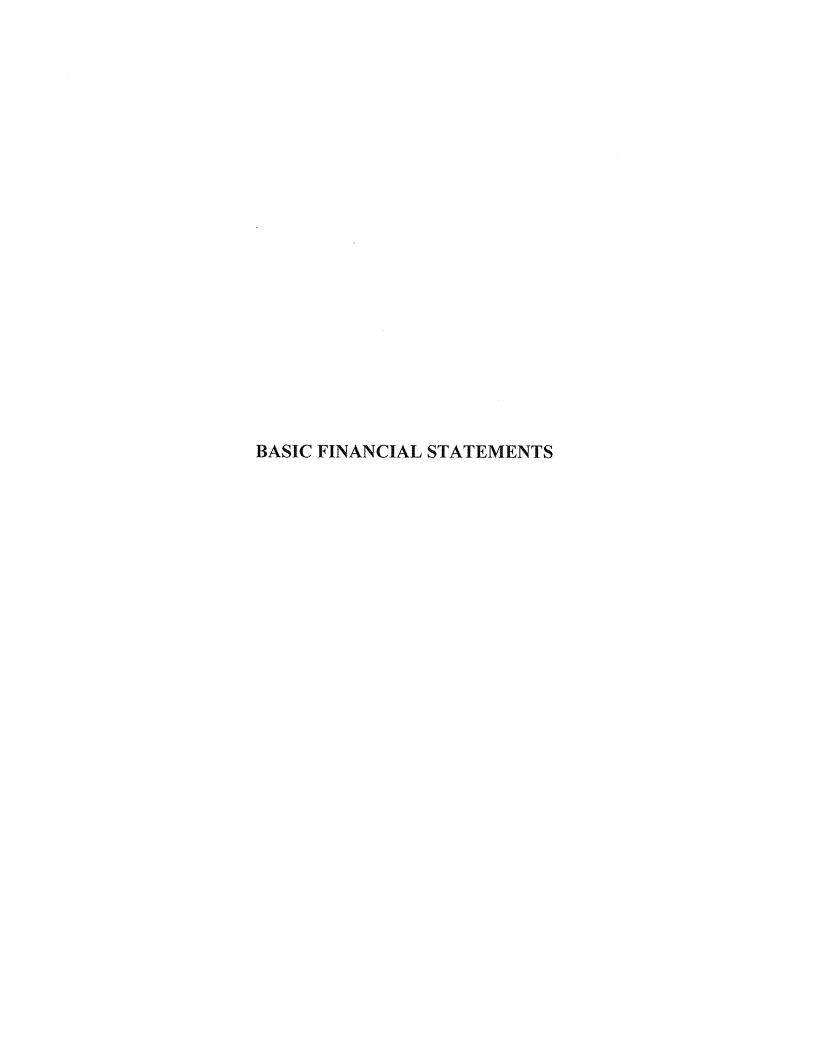
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014, 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.

DPOSHIER, PICKENS & FRANCIS, LLC

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

November 7, 2014



HARTLEY COUNTY, TEXAS STATEMENT OF NET POSITION SEPTEMBER 30, 2014

	Governmental Activities
ASSETS	**************************************
Cash and cash equivalents	\$ 345,022
Investments	400,000
Accounts receivable, net	261,918
Delinquent taxes receivable, net	8,276
Prepaid expenses	20,339
Restricted assets:	
Cash	16,431
Capital assets, net of accumulated depreciation	2,343,067
Total assets	3,395,053
LIABILITIES	
Accounts payable	177,422
Due to other governmental entities	110,206
Accrued expenses	32,087
Accrued interest	9,693
Deposits held in trust	16,267
Noncurrent liabilities:	
Due within one year	296,155
Due in more than one year	247,787
Total liabilities	889,617
NET POSITION	
Net investment in capital assets	1,818,280
Restricted by enabling legislation for:	•
Special projects	84,258
Unrestricted	602,898
Total net position	\$ 2,505,436

HARTLEY COUNTY, TEXAS STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2014

				harges for	C	am Revenue perating rants and	C	apital	R (N)	et (Expense) evenue and Changes in let Position Primary fovernment
Functions/Programs		Expenses		Services		ntributions		ributions		Activities
Primary government Governmental Activities:										
Administrative	\$	737,394	\$	268,039	\$	15,000	\$	_	\$	(454,355)
Judicial	•	438,583	,	195,824	•	38,546		_	*	(204,213)
Public facilities		175,980		-		_		_		(175,980)
Public safety		1,139,770		23,202		3,155		-		(1,113,413)
Road and bridge		795,663		365,946		20,180		-		(409,537)
Public service		129,590		**		-		-		(129,590)
Interest on long-term										
debt		28,923		-			***************************************	_		(28,923)
Total	\$	3,445,903	\$	853,011	\$	76,881	\$	-		(2,516,011)
		neral revenue Taxes:	es:							
		Property taxe	s, levi	ed for genera	ıl purp	oses				2,168,883
		Property taxe		-						183,134
		Mixed bevera								1,741
	I	nvestment eari	nings							3,308
	N	Miscellaneous								40,054
	C	Gain from disp	osal o	fasset					·	30,337
		Total general	reven	ues						2,427,457
	Change in net position								(88,554)	
	N	Vet position - b	eginn	ing						2,593,990
	N	Vet position - e	nding						\$	2,505,436

HARTLEY COUNTY, TEXAS BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2014

ASSETS	G	eneral Fund	Road	and Bridge Fund	Gov	Other vernmental Funds	Go	Total evernmental Funds
Cash and cash equivalents	\$	308,160	\$	-	\$	53,293	\$	361,453
Investments		400,000		-		-		400,000
Accounts receivable, net		261,918		-		-		261,918
Taxes receivable, net		8,276		-		-		8,276
Due from other funds		3,577		18,867		82,560		105,004
Prepaid expenses		20,339						20,339
Total assets	\$	1,002,270	\$	18,867	\$	135,853	\$	1,156,990
LIABILITIES								
Liabilities:								
Accounts payable	\$	177,422	\$	-	\$	-	\$	177,422
Due to other funds		101,427		-		3,577		105,004
Due to other governmental entities		110,206		_		-		110,206
Accrued expenses		32,087		-		-		32,087
Deposits held in trust		16,267		-		-		16,267
Total liabilities		437,409		-	***************************************	3,577		440,986
DEFERRED INFLOWS OF RESOURCES	;							
Unavailable revenue - property taxes		5,245		-		_		5,245
Unavailable revenue - other receivables		206,338		-		**		206,338
Total deferred inflows of resources		211,583	*************			***************************************	***************************************	211,583
FUND BALANCES								
Unspendable:								
Prepaid expenses		20,339		-		-		20,339
Restricted:								
By enabling legislation								
for special projects		_		-		84,258		84,258
Committed for:								
Capital projects/debt service		-		-		48,018		48,018
Special revenues		-		18,867		-		18,867
Unassigned		332,939		•		**	***************************************	332,939
Total fund balances		353,278	**************************************	18,867		132,276	***************************************	504,421
Total liabilities, deferred inflows								
of resources, and fund balances	\$.	1,002,270	\$	18,867	\$	135,853	\$	1,156,990

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, 2014

Total fund balances - governmental funds	\$	504,421
Amounts reported for governmental activities in the Statement of Net Position are different because:	t	
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.	=	2,343,067
Long-term assets are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenue in the fund financial statements.	÷	211,583
Long-term liabilities are not due and payable in the current period and therefore are no reported in the fund financial statements:	t	
Accrued interest		(9,693)
Notes payable		(524,787)
Accrued compensated absences		(19,155)
Net position - governmental activities	\$	2,505,436

HARTLEY COUNTY, TEXAS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund		Road and Bridge Fund		Other Governmental Funds		Total Governmental Funds	
REVENUES	•		<u></u>			, , , , , , , , , , , , , , , , , , , 	***************************************	
Property taxes	\$	2,170,896	\$	-	\$	183,134	\$	2,354,030
Other taxes		1,741		-		-		1,741
Licenses and fees		217,128		365,946		42,251		625,325
Fines and forfeitures		230,250		-		6,322		236,572
Intergovernmental		56,701		20,180		-		76,881
Investment earnings		1,770		824		714		3,308
Miscellaneous		38,483				1,571	•	40,054
Total revenues		2,716,969		386,950		233,992		3,337,911
EXPENDITURES								
Current:								
Administrative		699,590		-		27,883		727,473
Judicial		402,963		-		35,640		438,603
Public facilities		158,035		-		-		158,035
Public safety		1,008,371		-		12,581		1,020,952
Road and bridge		-		660,308				660,308
Public service		129,590		-		-		129,590
Debt service:								
Principal		20,773		66,365		167,889		255,027
Interest		3,614		981		14,635		19,230
Capital outlay		118,009	***********	339,696		-		457,705
Total expenditures		2,540,945	•	1,067,350		258,628	*********	3,866,923
EXCESS (DEFICIENCY) OF REVENUES								
OVER (UNDER) EXPENDITURES		176,024	h	(680,400)		(24,636)		(529,012)
OTHER FINANCING SOURCES (USES)								
Proceeds from long-term debt		88,254		307,196		-		395,450
Transfers in		_		330,000		-		330,000
Transfers out		(330,000)	P	**		-		(330,000)
Total other financing sources (uses)		(241,746)		637,196	***************************************	**		395,450
NET CHANGE IN FUND BALANCES		(65,722)		(43,204)		(24,636)		(133,562)
FUND BALANCES - BEGINNING	***************************************	419,000	***************************************	62,071		156,912	***************************************	637,983
FUND BALANCES - ENDING	\$	353,278	\$	18,867	\$	132,276	\$	504,421

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, 2014

Net change in fund balances - total governmental funds:	\$ (133,562)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays, \$457,705, was exceeded by depreciation, \$279,915, in the current period.	177,790
\$217,713, in the current period.	177,790
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.	(663)
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.	31,000
Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenue.	(10,899)
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.	
Debt issued or incurred:	(205.450)
Notes payable Principal repayments:	(395,450)
Notes payable	255,027
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Accrued interest on debt, net change	(9,693)
Compensated absences, net change	(2,104)

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

(88,554)

Change in net position - governmental activities

HARTLEY COUNTY, TEXAS GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts					Actual	V	ariance With
		Original Final			Amounts		Final Budget	
REVENUES					•			
Property taxes	\$	2,173,227	\$	2,173,227	\$	2,170,896	\$	(2,331)
Other taxes		1,000		1,000		1,741		741
Licenses and fees		164,500		199,500		217,128		17,628
Fines and forfeitures		269,000		299,000		230,250		(68,750)
Intergovernmental		46,733		53,083		56,701		3,618
Investment earnings		1,000		1,000		1,770		770
Miscellaneous		36,226		49,726		38,483		(11,243)
Total revenues	detertement	2,691,686		2,776,536	***************************************	2,716,969		(59,567)
EXPENDITURES								
Current:								
Administrative		711,835		732,585		699,590		32,995
Judicial		444,936		444,936		402,963		41,973
Public facilities		174,018		184,018		158,035		25,983
Public safety		1,045,318		1,075,018		1,008,371		66,647
Public service		154,683		154,683		129,590		25,093
Debt service:								
Principal		-		20,775		20,773		2
Interest		-		3,625		3,614		11
Capital outlay	***************************************	30,000		30,000		118,009		(88,009)
Total expenditures		2,560,790	***************************************	2,645,640		2,540,945		104,695
EXCESS / (DEFICIENCY) OF REVENUE	ES							
OVER / (UNDER) EXPENDITURES		130,896		130,896		176,024	descension of the second	45,128
OTHER FINANCING SOURCES (USES)								
Proceeds from long-term debt		-		-		88,254		88,254
Transfers out		(130,000)		(130,000)		(330,000)		(200,000)
Total other financing								
sources (uses)		(130,000)	***************************************	(130,000)		(241,746)		(111,746)
NET CHANGE IN FUND BALANCE		896		896		(65,722)		(66,618)
FUND BALANCE - BEGINNING	************	419,000	***************************************	419,000		419,000	•	_
FUND BALANCE - ENDING	\$	419,896	\$	419,896	\$	353,278	\$	(66,618)

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

HARTLEY COUNTY, TEXAS ROAD AND BRIDGE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted	d Amounts	Actual	Variance With	
	Original	Original Final		Final Budget	
REVENUES					
Licenses and fees	\$ 347,500	\$ 347,500	\$ 365,946	\$ 18,446	
Intergovernmental	15,000	20,000	20,180	180	
Investment earnings	1,000	1,000	824	(176)	
Miscellaneous	6,000	6,000	_	(6,000)	
Total revenues	369,500	374,500	386,950	12,450	
EXPENDITURES					
Current:					
Road and bridge	695,428	700,428	660,308	40,120	
Debt service:					
Principal	10,000	10,000	66,365	(56,365)	
Interest	-	-	981	(981)	
Capital outlay	100,000	100,000	339,696	(239,696)	
Total expenditures	805,428	810,428	1,067,350	(256,922)	
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES	(435,928)	(435,928)	(680,400)	(244,472)	
OTHER FINANCING SOURCES					
Proceeds from long-term debt	-	-	307,196	307,196	
Transfers in	130,000	130,000	330,000	200,000	
Total other financing sources	135,000	135,000	637,196	502,196	
NET CHANGE IN FUND BALANCE	(300,928)	(300,928)	(43,204)	257,724	
FUND BALANCE - BEGINNING	62,071	62,071	62,071		
FUND BALANCE (DEFICIT) - ENDING	\$ (238,857)	\$ (238,857)	\$ 18,867	\$ 257,724	

HARTLEY COUNTY, TEXAS STATEMENT OF FIDUCIARY NET POSITION AGENCY FUNDS SEPTEMBER 30, 2014

ASSETS

Cash and cash equivalents	\$ 61,273
Total assets	\$ 61,273
LIABILITIES	
Accounts payable	\$ 212
Deposits	 61,061
Total liabilities	\$ 61,273

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hartley County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

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 Commissioners Court, which is made up of four commissioners and the county judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: administrative (e.g., tax collection), judicial (courts, juries, district attorney, etc.), public safety (sheriff, jail, etc.), road and bridge, public facilities, and public services (e.g. juvenile services and assistance to indigents).

B. Government-Wide and Fund Financial Statements

Government-Wide Statements

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report, except for County fiduciary activity, information on all of the activities of the County. The effect of inter-fund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Fund-Level Statements

Separate **fund financial statements** are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund and the Road and Bridge Fund meet criteria as *major governmental funds*. Each major fund is reported in separate columns in the fund financial statements. Non-major funds include the other Special Revenue funds and the Capital Projects Fund. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types which have been accrued are district clerk and county clerk fees, justice of the peace fees, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, investment earnings, and other miscellaneous revenues.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as unavailable revenue.

Revenues susceptible to accrual include property taxes, fines, forfeitures, licenses, interest income, and charges for service and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

Interfund eliminations have not been made in the fund financial statements.

Expenditures generally are recorded when a fund liability is incurred; however, expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The County reports the following major governmental funds:

The <u>General Fund</u> 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, and capital acquisition.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continuation

D. 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.

E. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

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

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

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

2. Receivables and Payables

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

E. Assets, Liabilities, and Net Position or Equity - Continuation

2. Receivables and Payables - Continuation

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unavailable revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts of \$787,241.

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 \$919.

4. Prepaid Items

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

5. Capital Assets

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

E. Assets, Liabilities, and Net Position or Equity – Continuation

6. 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 in the amount of \$19,155 at September 30, 2014.

7. 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.

8. Fund Balances

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

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

<u>Restricted Fund Balance</u> – 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.

<u>Committed Fund Balance</u> – 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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

E. Assets, Liabilities, and Net Position or Equity - Continuation

8. Fund Balances - Continuation

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

<u>Unassigned Fund Balance</u> – 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.

9. Net Position

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

<u>Net Investment in Capital Assets</u> – 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.

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

<u>Unrestricted Net Position</u> – This amount includes all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

10. 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continuation

A. Budgetary Information – Continuation

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

B. Excess of Disbursements Over Appropriations

For the year ended September 30, 2014, disbursements exceeded appropriations in the Capital Outlay function of the General Fund by \$88,009 and the Debt Service and Capital Outlay functions of the Road and Bridge Fund by \$57,346 and \$239,696, respectively. The excess expenditures in all areas were funded by the proceeds from long-term debt.

NOTE 3 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the County's cash and deposit balances as of September 30, 2014:

Cash and deposit balances consist of:		
Petty cash funds	\$	800
Bank deposits		181,669
Texas LOGIC (interest rate1086%)		161,148
TexPool (interest rate0852%)	***************************************	79,109
Total	\$	422,726
Cash and deposit balances are reported in the basic financial statements as follows:		
Government-wide Statement of Net Position:		
Unrestricted	\$	345,022
Restricted		16,431
Statement of Fiduciary Net Position: Agency Funds		61,273
Total	\$	422,726

As of September 30, 2014, the County had the following investments:

Investment Type	F	air Value	Weighted Average Maturity (Days)
Governmental activities Certificates of deposit (interest rates from .50%60%)	<u>\$</u>	400,000	365
Total fair value Portfolio weighted average maturity	\$	400,000	365

Custodial credit risk – deposits. As of September 30, 2014, the carrying amount of the County's deposits with financial institutions was \$581,669 and the bank's balance was \$608,583. Of the bank balance, \$356,560 was insured through the Federal Depository Insurance Corporation (FDIC) and \$252,023 was collateralized with securities held by the pledging institution's agent in the County's name.

As of September 30, 2014, the County had \$161,148 and \$79,109, respectively invested with the Texas LOGIC and Texas Treasury Safekeeping Trust Company (TexPool). Both Texas LOGIC and TexPool are public funds investment pools created pursuant to the Interlocal Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over both funds. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally the State Comptroller has established an advisory board composed of both participants of the pools and other persons who do not have a business relationship with either pool. The advisory board members review the investment policy and management fee structure.

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

NOTE 3 – DEPOSITS AND INVESTMENTS – Continuation

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

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

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single insurer. As of September 30, 2014, 29% 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 2013 tax roll was \$.358924 per \$100, which means that the County has a tax margin of \$.441076 per \$100 and could raise up to \$2,835,679 additional revenue from the 2013 assessed valuation of \$642,900,245 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.

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, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated: Land and land improvements	\$ 22,129	\$ -	\$ -	\$ 22,129
Total capital assets, not being	22 120			22 120
depreciated	22,129	***	-	22,129
Capital assets, being depreciated:				
Buildings and improvements	2,070,043	-	-	2,070,043
Equipment	1,793,878	488,705	(44,805)	2,237,778
Total capital assets, being				
depreciated	3,863,921	488,705	(44,805)	4,307,821
Less accumulated depreciation for:				
Buildings and improvements	(587,684)	(61,685)	-	(649,369)
Equipment	(1,163,426)	(218,230)	44,142	(1,337,514)
Total accumulated depreciation	(1,751,110)	(279,915)	44,142	(1,986,883)
Total capital assets, being				
depreciated, net	2,112,811	208,790	(663)	2,320,938
Governmental activities capital assets, net	\$ 2,134,940	\$ 208,790	\$ (663)	\$ 2242.067
वऽऽटाऽ, गटा	φ 2,134,940	φ 400,790	a (003)	\$ 2,343,067

Depreciation expense for the year ended September 30, 2014 was charged to the functions/programs of the primary government as follows:

Governmental activities	
Administrative	\$ 8,903
Public facilities	17,945
Public safety	121,085
Road and bridge	131,982
Total Depreciation Expense	\$ 279,915

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 656 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.

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.

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. 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

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.

The County contributed using the actuarially determined rate of 11.81% for the months of the accounting year in 2013 and 13.56% for the months of the accounting year in 2014. The contribution rate payable by the employee members is 7.0% for fiscal year 2014 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.

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, 2014, 2013 and 2012, were \$3,099, \$2,832, and \$2,681, respectively, which equaled the contractually required contributions each year.

NOTE 6 – RETIREMENT PLAN – Continuation

Annual Pension Cost

For 2014, the County's annual pension cost of \$141,332 was equal to the County's required and actual contributions.

TREND INFORMATION FOR THE RETIREMENT PLAN FOR THE EMPLOYEES OF HARTLEY COUNTY, TEXAS

Accounting Year Ending	Annual Pension ost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2012 September 30, 2013	\$ 99,988 115,568	100 % 100	\$ -
September 30, 2014	141,332	100	-

The required contribution was determined as part of the December 31, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2013 included (a) 8.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9%. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of the assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten year period. The unfunded actuarial accrued liability is being amortized over a level percentage of projected payrolls on a closed basis. The remaining amortization period at December 31, 2013 was 20 years.

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 86.91% funded. The actuarial accrued liability for benefits was \$3,245,087, and the actuarial value of assets was \$2,820,368, resulting in an unfunded actuarial accrued liability (UAAL) of \$424,719. The covered payroll (annual payroll of active employees covered by the plan) was \$1,035,039, and the ratio of UAAL to the covered payroll was 41.03%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual Fund Interfund Receivables and Payables

Fund		nterfund eceivables	Interfund Payables
General Fund	\$	3,577	\$ 101,427
Special Revenue Funds:		ŕ	•
Road and Bridge		18,867	-
Records Management		15,422	-
Records Preservation		3,727	-
Records Archive		36,870	-
Seized Property		4,967	-
Courthouse Security		1,089	_
Justice Court Technology		13,761	-
Justice Building Security		3,333	-
District Clerk Technology		3,391	-
Capital Project Fund	***************************************	*-	 3,577
	\$	105,004	\$ 105,004

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

Individual Interfund Transfers

	Fund		Interfund ransfers In		Interfund ansfers Out
General Fund Special Revenue Funds:		\$	-	\$	330,000
Road and Bridge		WhatMandana	330,000		
		<u>\$</u>	330,000	\$	330,000

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

NOTE 8 – LONG-TERM LIABILITIES

In 2005 the County participated in the joint financing of the construction of the Dallam-Hartley Counties Jail facility. In 2014 the County added to the principal balance of this note with a \$50,000 advance. This advance was for foundation and other general repairs to the Courthouse. The original principal amount of Hartley County's portion of this financing was \$1,498,863 with a fixed interest rate of 3,75%.

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

		Beginning Balance	F	Additions	F	Reductions		Ending Balance	_	ue Within One Year
Governmental activities:							***************************************			
2005 Note Payable	\$	384,364	\$	-	\$	(167,889)	\$	216,475	\$	216,475
John Deere Financial		-		54,793		(11,851)		42,942		10,101
Warren CAT Financing				252,403		(54,514)		197,889		46,078
2013 Note Payable		-		88,254		(20,773)		67,481		21,585
Compensated absences	***************************************	17,051		28,520		(26,416)		19,155	*****	1,916
Governmental activity long-term liabilities	\$	401,415	\$	423,970	\$	(281,443)	\$	543,942	\$	296,155

The County incurred interest expense of \$28,923 during the fiscal year ended September 30, 2014.

The annual debt service requirement on long-term liabilities outstanding as of September 30, 2014 is as follows:

		2005	Note Paya	ble	J	ohn Deer	e Fii	nancial	V	Varren CA	T Fi	nancing		2013 Not	e Pa	yable
Fiscal Year	Total	Intere	st Prin	ncipal	Iı	nterest	P	rincipal		Interest	P	rincipal	I	nterest	P	rincipal
2015	\$ 308,541	\$ 3	34 \$ 21	6,475	\$	1,750	\$	10,101	\$	9,416	\$	46,078	\$	2,802	\$	21,585
2016	91,732	-		-		1,339		10,512		7,224		48,270		1,906		22,481
2017	91,732	-		-		910		10,941		4,927		50,567		972		23,415
2018	67,346			-		463		11,388		2,521		52,974		-		~
	\$ 559,351	\$ 3	34 \$ 21	6,475	\$	4,462	\$	42,942	\$	24,088	\$	197,889	\$	5,680	\$	67,481

NOTE 9 – 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 or the previous three years.

NOTE 10 – 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, 2014 is as follows:

Department revenues:		
TJJD grant revenues - audited	\$	156,450
Local funding - unaudited		83,000
Other revenues - unaudited		5,230
Total revenues		244,680
Device device de la 12		
Department expenditures:		
Grant expenditures - audited		139,909
Grant and local expenditures - unaudited		80,923
Total expenditures		220,832
Eveness of Provinces over Evenes ditures	c r	22 040
Excess of Revenues over Expenditures		23,848
Total assets - unaudited	¢	105,343
rotar assets - unaudited	Φ	103,343
Fund balance - unaudited	¢	105,343
i una varance - unauantea	Ψ	103,343

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, 2014 was \$5,162. This funding was not audited after it was sent to the CSCD by the County.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

HARTLEY COUNTY, TEXAS REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN FOR THE EMPLOYEES OF HARTLEY COUNTY, TEXAS FOR THE YEAR ENDED SEPTEMBER 30, 2014

											UAAI	_
				Actuarial							as a	
		Actuarial		Accrued	J	J nfunded				Annual	Percenta	ıge
Actuarial		Value of		Liability		AAL	Funde	d		Covered	of Cover	red
Valuation		Assets		(AAL)		(UAAL)	Ratio			Payroll*	Payrol	.1
Date		(a)		(b)		(b-a)	(a/b)			(c)	((b-a)/c	<u>;) </u>
12/31/11	\$	2,829,447	\$	3,237,086	\$	407,639	87.41	%	\$	981,550	41.53	%
12/31/11	Ψ	2,889,106	Ψ	3,437,074	Ψ	547,968	84.06		Ψ	1,016,392	53.91	,0
12/31/13		2,820,368		3,245,087		424,719	86.91			1,035,039	41.03	



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, 2014

Continuation			91	Special Revenue Funds	enue Fu	spu						
ASSETS	Justice	Justice Building Security	Distri Tech	District Clerk Technology	Pr	Pretrial Diversion	Total Reven	Total Special Revenue Funds		Capital Projects	Gov	Total Nonmajor Governmental Funds
Cash and cash equivalents Due from other funds	€9	3,333	€	3,391	↔	195	89	1,698	↔	51,595	€9	53,293 82,560
Total assets	€	3,333	€9	3,391	↔	195	€4	84,258	€9	51,595	8	135,853
LIABILITIES												
Due to other funds	69		€9	1	8	ŧ	€9	f	8	3,577	↔	3,577
Total liabilities		1		1		1		1		3,577		3,577
FUND BALANCES												
Restricted: By enabling legislation for special projects		3,333		3,391		195		84,258		ı		84,258
Capital projects		1				•		1		48,018		48,018
Total fund balances		3,333		3,391		195		84,258		48,018		132,276
Total liabilities and fund balances	69	3,333	€9	3,391	↔	195	8	84,258	€9	51,595	€	135,853

HARTLEY COUNTY, TEXAS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2014

Continuation			Sp	ecial Rev	Special Revenue Funds	ds						
	Justic	Justice Building Security	District Clerk Technology	t Clerk	Pre Dive	Pretrial Diversion	Tota Reven	Total Special Revenue Funds		Capital Projects	Z 69	Total Nonmajor Governmental Funds
REVENUES Property taxes	↔	t	↔	ţ	€9	ı	€9	1	↔	183,134	↔	183,134
Licenses and fees		1,150		832		200		42,251				42,251
Fines and forfeitures		ı		•		ı		6,322		1		6,322
Investment earnings		62		12		i		553		161		714
Miscellaneous		r						***************************************		1,571		1,571
Total revenues		1,212		844		200		49,126		184,866		233,992
EXPENDITURES												
Current:												
Administrative		ı		,		1		25,988		1,895		27,883
Judicial		10,000		ı		5		35,640		i		35,640
Public safety		1		1		,		12,581		,		12,581
Debt service:												
Principal		ı		ı		ı		1		167,889		167,889
Interest		ŗ		**		1		1		14,635		14,635
Total expenditures		10,000		r		5		74,209		184,419		258,628
EXCESS / (DEFICIENCY) OF REVENUES OVER / (UNDER) EXPENDITURES		(8,788)		844		195		(25,083)		447		(24,636)
FUND BALANCES - BEGINNING		12,121		2,547		1		109,341		47,571		156,912
FUND BALANCES - ENDING	69	3,333	↔	3,391	↔	195	⇔	84,258	€9	48,018	€9	132,276

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.

County Attorney – The County Attorney's Fund accounts for the restitution payments collected by his office to be repaid to the victims of hot checks.

HARTLEY COUNTY, TEXAS COMBINING STATEMENT OF FIDUCIARY NET POSITION AGENCY FUNDS SEPTEMBER 30, 2014

	County and District Clerk		County Attorney		Total Agency Funds	
ASSETS						
Cash and cash equivalents	\$	61,061	\$	212	\$	61,273
Total assets	\$	61,061	\$	212	\$	61,273
LIABILITIES						
Accounts payable	\$	-	\$	212	\$	212
Deposits		61,061	***************************************	-		61,061
Total liabilities	\$	61,061	\$	212	\$	61,273

PART III COMPLIANCE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and its respective budgetary comparison, and the aggregate remaining fund information of Hartley County, Texas as of and for the year ended September 30, 2014, 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 7, 2014.

Internal Control Over Financial Reporting

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

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

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

Finding 2014-1

Compliance and Other Matters

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

Purpose of this Report

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

DOSHIER, PICKENS & FRANCIS, LLC

DOSHER, PICKENS & FRANCIS, L.L.C.

November 7, 2014

HARTLEY COUNTY, TEXAS SCHEDULE OF FINDINGS SEPTEMBER 30, 2014

Finding 2014-1

INTERNAL CONTROL OVER FINANCIAL REPORTING:

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