

HARDEMAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2020



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable County Judge
and County Commissioners
Hardeman County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hardeman County, Texas, as of and for the year ended September 30, 2020 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. 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 the 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 accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Hardeman County, Texas as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the budgetary comparison information, and the schedules on the Texas County and District Retirement System identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a required 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. 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.

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
June 8, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Hardeman County, Texas, we offer readers of the County's Annual Financial Report this narrative overview and analysis of the County's financial performance during the fiscal year ended September 30, 2020. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at September 30, 2020 by \$8,168,284 (net position). Of this amount, \$1,870,567 is unrestricted and may be used to meet the County's obligations.
- During the year, the County's total net position decreased by \$95,072, before the prior period adjustment. The County's expenses, which totaled \$4,966,824, were more than the County's program revenues of \$1,295,167 and general revenues of \$3,576,585.
- The total cost of the County's programs increased \$132,540 or 3% from the prior year, mostly due to additional fire department purchases during the year.
- The governmental funds reported a fund balance this year of \$1,118,584, which is a decrease of \$85,230 in comparison with the restated prior year amount.
- At September 30, 2020, the unassigned fund balance of the General Fund was \$744,870, or 21% of the total General Fund expenditures for the year then ended.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

All of the County's services are reported in the government-wide financial statements, including administration, judicial, road and bridge, and public safety. Property taxes, sales taxes, highway taxes, fees and commissions and intergovernmental grants finance most of the activities. Additionally, all capital and debt financing activities are reported here.

The government-wide financial statements are designed to provide readers a broad overview of the County's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the County's financial position is improving or deteriorating.

The *statement of activities* details how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected property taxes).

Fund Financial Statements

The County uses fund accounting to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the County's most significant *funds* – not the County as a whole. Some funds are required by State law and or bond covenants. Other funds may be established by the County to control and manage money for particular purposes or to evidence appropriate use of certain taxes, grants, and other special revenues.

All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's short-term financing requirements.

Because the focus on *governmental funds* is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's short-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. These reconciliations facilitate the comparison between *governmental funds* and *governmental activities*.

The County maintained multiple governmental funds in the current fiscal year. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance for the General Fund and Road & Bridge Fund, which are considered to be the County's major funds. Financial data for the other governmental funds are combined into a single, aggregated presentation.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs. The County is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the County's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. Exhibited below in Table 1 are the County's net position summarized for the *governmental activities*.

Table 1 - County's Net Position

	Governmental Activities			
	2020	2019	Change	% Change
Current assets	\$ 1,733,080	\$ 1,822,221	\$ (89,141)	-5%
Long-term assets	9,612,458	8,519,846	1,092,612	13%
Total Assets	11,345,538	10,342,067	1,003,471	10%
Deferred Outflows of Resources	192,306	634,395	(442,089)	-70%
Current liabilities	215,619	110,120	105,499	96%
Noncurrent liabilities	2,934,223	2,462,443	471,780	19%
Total Liabilities	3,149,842	2,572,563	577,279	22%
Deferred Inflows of Resources	219,718	112,511	107,207	95%
Net position:				
Net investment in capital assets	6,232,443	6,216,231	16,212	0%
Restricted	65,274	73,645	(8,371)	-11%
Unrestricted	1,870,567	2,001,512	(130,945)	-7%
Total Net Position	\$ 8,168,284	\$ 8,291,388	\$ (123,104)	-1%

The net investment in capital assets (e.g. land, buildings, furniture, and equipment less any related debt used to acquire those assets that is still outstanding) is \$6,232,443. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

A portion of the County's net position, \$65,274, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position of \$1,870,567 may be used to meet the County's ongoing obligations.

Changes in Net Position

The County's total revenues, both program and general, were \$4,871,752. A significant portion, 54%, of the County's revenue comes from property taxes. Charges for services accounted for 23% of the County's revenue. Exhibited below in Table 2 are the County's revenues for the years ended September 30, 2020 and 2019 for the County's *governmental activities*.

Table 2 - County's Revenues

	Governmental Activities			
	2020	Percent	2019	Percent
Charges for services	\$ 1,108,044	23%	\$ 1,138,431	25%
Operating grants and contributions	187,123	4%	179,120	4%
Capital grants	-	0%	47,924	1%
Property taxes	2,683,181	54%	2,652,886	56%
Sales taxes	242,872	5%	226,512	5%
Highway taxes	271,312	6%	287,985	6%
Investment earnings	26,565	1%	32,671	1%
Miscellaneous	352,655	7%	73,087	2%
Total Revenues	\$ 4,871,752	100%	\$ 4,638,616	100%

Exhibited below in Table 3 are the County's expenses for the years ended September 30, 2020 and 2019 for the County's *governmental activities*.

Table 3 - County's Expenses

	Governmental Activities			
	2020	Percent	2019	Percent
County Judge	\$ 119,205	2%	\$ 128,516	3%
Commissioners' Court	98,084	2%	100,307	2%
County & District Clerk	183,180	4%	163,556	3%
Non-departmental	274,891	6%	238,937	5%
Law library	3,652	0%	1,853	0%
Appraisal district	65,337	1%	55,503	1%
Estray sale	-	0%	1,745	0%
County Court	6,550	0%	8,534	0%
District Court	61,142	1%	96,735	2%
Justice of the Peace	156,116	3%	167,914	3%
County Attorney	112,831	2%	109,606	2%
District Attorney	51,625	1%	50,552	1%
Election	8,545	0%	6,380	0%
Treasurer	84,444	2%	86,451	2%
Tax Assessor/Collector	172,111	3%	167,385	3%
Courthouse maintenance	78,218	2%	96,600	2%
Jail	388,321	8%	419,778	9%
Ambulance	855,218	17%	825,132	17%
Emergency management	62,377	1%	51,523	1%
Fire	144,466	3%	29,638	1%
Constable	29,048	1%	26,046	1%
Sheriff	703,755	14%	679,600	14%
Juvenile probation	13,319	0%	5,000	0%
Road & bridge	1,059,786	22%	1,028,705	23%
Public health and welfare	77,666	2%	65,423	1%
Agricultural extension service	67,870	1%	62,503	1%
School FEMA project	-	0%	94,051	2%
Interest	89,067	2%	66,311	1%
Total Expenses	\$ 4,966,824	100%	\$ 4,834,284	100%

Governmental Activities

Table 4 presents the various revenue categories and gross costs of each of the County's functional areas for both the current and prior year. Following the table, we provide explanations for the significant or unusual fluctuations between the two years.

Table 4 - Changes in Net Position

	Governmental Activities			
	2020	2019	Change	% Change
Revenues:				
Program revenues:				
Charges for services	\$ 1,108,044	\$ 1,138,431	\$ (30,387)	-3%
Operating grants and contributions	187,123	179,120	8,003	4%
Capital grants	-	47,924	(47,924)	-100%
General revenues:				
Property taxes	2,683,181	2,652,886	30,295	1%
Sales taxes	242,872	226,512	16,360	7%
Highway taxes	271,312	287,985	(16,673)	-6%
Investment earnings	26,565	32,671	(6,106)	-19%
Miscellaneous	352,655	73,087	279,568	383%
Total revenues	<u>4,871,752</u>	<u>4,638,616</u>	<u>233,136</u>	<u>5%</u>
Expenses				
County Judge	119,205	128,516	(9,311)	-7%
Commissioners' Court	98,084	100,307	(2,223)	-2%
County & District Clerk	183,180	163,556	19,624	12%
Non-departmental	274,891	238,937	35,954	15%
Law library	3,652	1,853	1,799	97%
Appraisal district	65,337	55,503	9,834	18%
Estray sale	-	1,745	(1,745)	-100%
County Court	6,550	8,534	(1,984)	-23%
District Court	61,142	96,735	(35,593)	-37%
Justice of the Peace	156,116	167,914	(11,798)	-7%
County Attorney	112,831	109,606	3,225	3%
District Attorney	51,625	50,552	1,073	2%
Election	8,545	6,380	2,165	34%
Treasurer	84,444	86,451	(2,007)	-2%
Tax Assessor/Collector	172,111	167,385	4,726	3%
Courthouse maintenance	78,218	96,600	(18,382)	-19%
Jail	388,321	419,778	(31,457)	-7%
Ambulance	855,218	825,132	30,086	4%
Emergency management	62,377	51,523	10,854	21%
Fire	144,466	29,638	114,828	387%
Constable	29,048	26,046	3,002	12%
Sheriff	703,755	679,600	24,155	4%
Juvenile probation	13,319	5,000	8,319	166%
Road & bridge	1,059,786	1,028,705	31,081	3%
Public health and welfare	77,666	65,423	12,243	19%
Agricultural extension service	67,870	62,503	5,367	9%
School FEMA project	-	94,051	(94,051)	-100%
Interest	89,067	66,311	22,756	34%
Total expenses	<u>4,966,824</u>	<u>4,834,284</u>	<u>132,540</u>	<u>3%</u>
Change in net position	<u>\$ (95,072)</u>	<u>\$ (195,668)</u>	<u>\$ 100,596</u>	<u>-51%</u>

- Miscellaneous revenues increased \$279,568 or 383% due to (1) additional insurance proceeds from claims during the year and (2) large gains from the sale of equipment.