

DALLAM COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2013

DALLAM COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2013

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PART I

INTRODUCTORY SECTION

DALLAM COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
SEPTEMBER 30, 2013

David D. Field	County Judge
Carl McCarty	Commissioner, Precinct #1
Corey Crabtree	Commissioner, Precinct #2
Don J. Bowers	Commissioner, Precinct #3
Floyd French	Commissioner, Precinct #4
Ron Enns	Judge, 69 th Judicial District
David Green	District Attorney
Terri Banks	County and District Clerk
Jon King	County Attorney
Kay Howell	County Tax Assessor/Collector
Wes Ritchey	County Treasurer
Bruce Scott	County Sheriff
Rita Little	Justice of the Peace
Shane Stevenson	Constable

PART II
FINANCIAL SECTION



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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and its budgetary comparison, and the aggregate remaining fund information of Dallam County, Texas as of and for the year ended September 30, 2013, 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 the cash receipts and disbursements basis of accounting described in Note 1; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion 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 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 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 the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, the major fund and its budgetary comparison, and the aggregate remaining fund information of Dallam County, Texas at September 30, 2013, and the respective changes in financial position – cash basis thereof for the year then ended in conformity with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash receipts and disbursements basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

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 Dallam County, Texas on page 20 be presented to supplement the basic financial statements. Such information, 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. 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 regarding 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 Dallam 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 schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining non-major and agency fund financial statements and the schedule of expenditures of federal and state awards 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 to 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 October 31, 2013, on our consideration of Dallam 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 Dallam County, Texas' internal control over financial reporting and compliance.

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

DOSHIER, PICKENS & FRANCIS, LLC
October 31, 2013

BASIC FINANCIAL STATEMENTS

DALLAM COUNTY, TEXAS
STATEMENT OF NET POSITION - CASH BASIS
SEPTEMBER 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,426,230
Total assets	<u>1,426,230</u>
LIABILITIES	
Group insurance payable	5,302
Due to other governmental entities	39,778
Cash bonds	<u>49,164</u>
Total liabilities	<u>94,244</u>
NET POSITION	
Temporarily restricted:	
Restricted by enabling legislation for:	
Special projects	89,647
Unrestricted	<u>1,242,339</u>
Total net position	<u><u>\$ 1,331,986</u></u>

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

DALLAM COUNTY, TEXAS
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Functions/Programs</u>	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>			<u>Net</u> <u>(Disbursements)</u> <u>Receipts and</u> <u>Changes in</u> <u>Net Assets</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Primary</u> <u>Government</u> <u>Governmental</u> <u>Activities</u>
Primary government					
Governmental Activities:					
Administrative	\$ 887,520	\$ 218,410	\$ 15,000	\$ -	\$ (654,110)
Judicial	422,710	200,994	20,833	-	(200,883)
Public facilities	332,458	980	59,667	-	(271,811)
Public safety	1,795,031	709,003	62,650	-	(1,023,378)
Road and bridge	685,202	476,182	19,300	-	(189,720)
Public service	227,723	310	100,901	-	(126,512)
Principal on indebtedness	171,063	-	-	-	(171,063)
Interest on indebtedness	13,037	-	-	-	(13,037)
Capital outlay	842,147	-	-	739,862	(102,285)
Total	<u>\$ 5,376,891</u>	<u>\$ 1,605,879</u>	<u>\$ 278,351</u>	<u>\$ 739,862</u>	<u>(2,752,799)</u>
General receipts:					
					2,595,586
					275,000
					1,548
					186,428
					1,323
					25,899
					<u>3,085,784</u>
					332,985
					<u>999,001</u>
					<u>\$ 1,331,986</u>

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

DALLAM COUNTY, TEXAS
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND
CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>General</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS			
Taxes (Ad Valorem and Payments in Lieu)	\$ 2,870,586	\$ -	\$ 2,870,586
Miscellaneous taxes	1,548	-	1,548
Licenses and fees	1,375,267	38,819	1,414,086
Fines and forfeitures	191,793	-	191,793
Intergovernmental	1,138,641	-	1,138,641
Interest	1,323	-	1,323
Miscellaneous	91,899	-	91,899
	<u>5,671,057</u>	<u>38,819</u>	<u>5,709,876</u>
DISBURSEMENTS			
Administrative	866,714	20,806	887,520
Judicial	416,734	5,976	422,710
Public facilities	332,458	-	332,458
Public safety	1,795,031	-	1,795,031
Road and bridge	685,202	-	685,202
Public service	227,723	-	227,723
Debt service			
Principal	171,063	-	171,063
Interest	13,037	-	13,037
Capital outlay	842,147	-	842,147
	<u>5,350,109</u>	<u>26,782</u>	<u>5,376,891</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	320,948	12,037	332,985
CASH BASIS FUND BALANCE - Beginning of year	<u>909,355</u>	<u>89,646</u>	<u>999,001</u>
CASH BASIS FUND BALANCE - End of year	<u>\$ 1,230,303</u>	<u>\$ 101,683</u>	<u>\$ 1,331,986</u>
CASH BASIS ASSETS - End of year			
Cash, net of liabilities	<u>\$ 1,230,303</u>	<u>\$ 101,683</u>	<u>\$ 1,331,986</u>
CASH BASIS FUND BALANCES - End of Year			
Restricted:			
By enabling legislation for special projects	\$ -	\$ 101,683	\$ 101,683
Committed to:			
Friends of the library	29,157	-	29,157
Unassigned	<u>1,201,146</u>	<u>-</u>	<u>1,201,146</u>
Total cash basis fund balances - end of year	<u>\$ 1,230,303</u>	<u>\$ 101,683</u>	<u>\$ 1,331,986</u>

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

DALLAM COUNTY, TEXAS
BUDGETARY COMPARISON STATEMENT - CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ 909,355	\$ 909,355	\$ 909,355	\$ -
Resources (Inflows):				
Taxes	2,855,000	2,855,000	2,870,586	15,586
Sales and miscellaneous taxes	3,000	3,000	1,548	(1,452)
Licenses and fees	1,390,353	1,390,353	1,375,267	(15,086)
Fines and forfeitures	175,900	175,900	191,793	15,893
Intergovernmental	381,140	381,140	1,138,641	757,501
Interest	12,000	12,000	1,323	(10,677)
Miscellaneous	4,000	4,000	91,899	87,899
Total resources	<u>4,821,393</u>	<u>4,821,393</u>	<u>5,671,057</u>	<u>849,664</u>
Amounts available for appropriation	<u>5,730,748</u>	<u>5,730,748</u>	<u>6,580,412</u>	<u>849,664</u>
Appropriations (Outflows):				
Administrative	860,547	860,447	866,714	(6,267)
Judicial	424,445	424,445	416,734	7,711
Public facilities	368,935	368,935	332,458	36,477
Public safety	1,843,795	1,843,795	1,795,031	48,764
Road and bridge	723,507	723,507	685,202	38,305
Public service	269,582	265,582	227,723	37,859
Debt service				
Principal	180,000	171,063	171,063	-
Interest and other charges	-	13,037	13,037	-
Capital outlay	145,000	145,000	842,147	(697,147)
Total appropriations	<u>4,815,811</u>	<u>4,815,811</u>	<u>5,350,109</u>	<u>(534,298)</u>
Ending Budgetary Fund Balance	<u>\$ 914,937</u>	<u>\$ 914,937</u>	<u>\$ 1,230,303</u>	<u>\$ 315,366</u>

The accompanying notes are an integral part of these financial statements.

DALLAM COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
SEPTEMBER 30, 2013

ASSETS		
Cash and cash equivalents		\$ 117,328
		<hr/>
Total assets		\$ 117,328
		<hr/> <hr/>
LIABILITIES		
Accounts payable		\$ 5,294
Due to other governments		256
Deposits		111,778
		<hr/>
Total liabilities		\$ 117,328
		<hr/> <hr/>

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

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Dallam County's financial statements are prepared on a cash receipts and disbursements basis of accounting. This other comprehensive basis of accounting differs from accounting principles generally accepted in the United States of America (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 more 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 1876, 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 service (e.g. juvenile services and assistance to indigents).

The accompanying basic financial statements present the government defined according to criteria in GASB Statement No. 14, *The Financial Reporting Entity*. These financial statements do not include the operations of any other organization, because none of the criteria for inclusion as set forth in GASB Statement No. 14 have been met. Component units are legally separate organizations for which the County is financially accountable. The County has no component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Statements

The **government-wide financial statements** include the statement of net position – cash basis and the statement of activities – cash basis. 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.

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. Government-Wide and Fund Financial Statements – Continuation

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 is the only fund meeting the criteria for a **major governmental fund**. The General Fund is reported in a separate column in the fund financial statements. Non-major funds include the other Special Revenue funds. The combined amounts for these funds are reflected in a single column in the fund Statement of Cash Basis Assets and Fund Balances and Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances.

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

The **government-wide financial statements** are reported using the economic resources measurement focus, within the limitations of the cash receipts and disbursements basis of accounting, as defined below.

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 cash receipts and disbursements basis of accounting.

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

In the government-wide Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis and the fund financial statements, governmental activities are presented using the cash receipts and disbursements basis of accounting.

This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash receipts and disbursements basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use a modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

The County reports the following major governmental funds:

The **General Fund** is the general operating fund of the County and always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

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.

D. Use of Restricted Assets

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

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 and demand deposits. 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 is 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. Accounts Payable

Payables recorded do not reflect an accrual entry, but are amounts collected and in the process of payment primarily to other governments within 30 days. They are treated as fiduciary in nature.

3. Property Tax Calendar and Receipts

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. Tax collections after February 1 are treated as late payments and are subject to penalties and interest. Uncollected taxes from the current roll become delinquent on July 1 and are subject to additional penalties and interest.

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

4. Capital Assets

The County's cash receipts and disbursements basis of accounting reports capital asset purchases resulting from transactions. In the government-wide and fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

5. Compensated Absences

Regular full-time employees are entitled to vacation of up to three weeks per year as earned. Vacation time earned, but not taken, is not allowed to accumulate from year to year unless an employee is unable to take vacation because of the needs of the County. A liability for accrued compensated absences has not been calculated for disclosure because it is immaterial to the financial statements as there is no accumulated value, and only the current year's unused vacation is paid.

6. Long-term Obligations

Long-term debt arising from cash receipts and disbursements basis transactions of governmental funds is not reported as liabilities in either the government-wide or fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as disbursements.

7. Fund Balances

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

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

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

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

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

7. Fund Balances – Continuation

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

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

8. Net Position

In the government-wide financial statements, equity is classified as Net Position and displayed in two categories.

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

Unrestricted Net Position – This amount includes all net positions that do not meet the definition of “restricted net position.”

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.
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 Commissioner's Court. 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 the General Fund.

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continuation

5. Budgets for the General and Special Revenue Funds are adopted on a cash basis of accounting on an annual basis. The District Clerk Records Management, Archive Records Management, Narcotics Task Force, and the CPS Prosecutor Special Revenue Funds were not included in the annual budget because there were no projected expenditures at the time the budget was prepared.
6. Formal budgetary integration on an annual basis is employed as a management control device during the year for the General 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, 2013, disbursements exceeded appropriations in the Capital Outlay function by \$697,147 and in the Administrative function by \$6,267. The excess in was funded by a grant received from the State of Texas with matching from local businesses totaling \$739,862.

NOTE 3 – CASH

Following is a reconciliation of the County's cash and deposit balances as of September 30, 2013:

Cash and deposit balances consist of:

Bank deposits	\$ 1,542,168
Temporary investments - TexPool (interest rate .02%)	1,390
	\$ 1,543,558
Total	\$ 1,543,558

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

Government-wide Statement of Net Assets - Cash Basis:	
Unrestricted	\$ 1,426,230
Fiduciary Funds Statement of Net Assets - Cash Basis	117,328
	\$ 1,543,558
Total	\$ 1,543,558

Custodial credit risk – deposits. As of September 30, 2013, the carrying amount of the County's deposits with financial institutions was \$1,542,168 and the bank's balance was \$1,740,718. Of the bank balance, \$501,732 was insured through the Federal Depository Insurance Corporation (FDIC) and \$1,238,986 was collateralized with securities held by the pledging institution's agent in the County's name.

As of September 30, 2013, the County had \$1,390 invested in the Texas Treasury Safekeeping Trust Company (TexPool). TexPool is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. 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 in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure.

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 3 – CASH – Continuation

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

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, the readily available TexPool shares, or in certificates of deposit with 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 issuer. As of September 30, 2013, .0901% of the County's carrying value of cash was invested in TexPool. All other cash was deposited with the County's depository 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 2012 tax roll was \$.45 per \$100, which means that the County has a tax margin of \$.35 per \$100 and could raise up to \$1,894,049 additional revenue from the 2012 assessed valuation of \$541,156,957 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 – RETIREMENT PLAN

Plan Description

Dallam County provides retirement benefits for all of its full-time 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 641 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.

Plan Description – Continuation

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 80 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.

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 5 – RETIREMENT PLAN – Continuation

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.

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 17.34% and 17.84% for the months of the accounting year in 2012 and 2013, respectively. The contribution rate payable by the employee members is 7.0% for fiscal year 2013 as adopted by the governing body of the County. The County elected to contribute this amount for its employee members. 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.

Annual Pension Cost

For 2013, the County's annual pension cost of \$481,505 was equal to the County's required and actual contributions.

**TREND INFORMATION FOR THE RETIREMENT PLAN FOR THE EMPLOYEES OF
DALLAM COUNTY, TEXAS**

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2011	\$ 341,597	100%	\$ -
September 30, 2012	356,550	100	-
September 30, 2013	481,505	100	-

The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012 included (a) 8.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4%. Both (a) and (b) included an inflation component of 3.5%. 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 10 year period. The unfunded actuarial liability is being amortized over a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012 was 20 years.

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 5 – RETIREMENT PLAN – Continuation

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 72.72% funded. The actuarial accrued liability for benefits was \$7,422,053, and the actuarial value of assets was \$5,397,381, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,024,672. The covered payroll (annual payroll active employees covered by the plan) was \$2,079,335, and the ratio of UAAL to the covered payroll was 97.37%.

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 6 – LONG-TERM LIABILITIES

Dallam County has an outstanding note payable to First National Bank in Dalhart with a principal amount as of September 30, 2013 of \$331,992 bearing interest at 3.93% maturing October 30, 2013. The note is secured by County taxes. The County has established an Interest and Sinking Fund tax rate to retire the debt over an extended period of time greater than one year. The budget for the fiscal year ending 2013-2014 does not budget for full retirement of the debt.

NOTE 7 – CONCENTRATION OF TAXPAYERS

As of September 30, 2013, the following taxpayers accounted for a significant portion of the County’s total tax levy.

<u>Taxpayer</u>	<u>Industry</u>	<u>Tax Amount</u>	<u>Percent of Total Levy</u>
Taxpayer A	Agriculture	\$ 161,389	6.62 %
Taxpayer B	Railroad	121,867	5.00

NOTE 8 – RISK MANAGEMENT

The County’s major areas of risk management are: public officials’ liability, automobile liability, airport liability, general comprehensive liability, and property damage, workers compensation, automobile liability 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 or previous years.

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 9 – PROBATION DEPARTMENTS

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, 2013 is as follows:

Department revenues:	
TJPC grant revenues - audited	\$ 168,983
Local funding - unaudited	83,000
Other revenues - unaudited	<u>7,484</u>
Total revenues	<u>259,467</u>
Department expenditures:	
Grant expenditures - audited	168,983
Grant and local expenditures - unaudited	<u>74,440</u>
Total expenditures	<u>243,423</u>
Excess of Revenues over Expenditures	<u><u>\$ 16,044</u></u>
Total assets, net - unaudited	<u><u>\$ 81,495</u></u>
Fund balance - unaudited	<u><u>\$ 81,495</u></u>

Community Supervision and Corrections (Adult Probation)

The 69th District CSCD is a joint venture between Dallam, Hartley, Sherman and Moore Counties. The County’s local funding to this department for the year ended September 30, 2013 was \$4,330. This funding was not audited after it was sent to the CSCD by the County.

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 10 – CONSTRUCTION COMMITMENT

The County has an active construction project as of September 30, 2013. The project involves the construction and upgrade of a county roadway. At year end the County had expensed various costs for engineering and construction fees. At year end the County's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Texas Capital Fund Grant - Pipas Road	\$ 715,322	\$ 96,005

REQUIRED SUPPLEMENTARY INFORMATION

DALLAM COUNTY, TEXAS
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN
FOR THE EMPLOYEES OF DALLAM COUNTY, TEXAS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/10	\$ 4,536,429	\$ 6,261,127	\$ 1,724,698	72.45%	\$ 1,966,713	87.69%
12/31/11	4,792,310	6,704,746	1,912,436	71.48%	2,052,916	93.16%
12/31/12	5,397,381	7,422,053	2,024,672	72.72%	2,079,335	97.37%

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Archive – The Archive Fund accounts for receipts from fees collected by the County/District Clerk on the filing of documents of official public record and court cases. These receipts are to be used for specific archiving projects of the office.

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

Jail Immigration and Naturalization – The Jail Immigration and Naturalization Fund accounts for receipts from the State and Federal governments restricted for use with immigrants.

Justice of the Peace Technology – The Justice of the Peace Technology Fund accounts for money charged to a defendant convicted of a misdemeanor in a justice court. It is dedicated by law for purchase of technological enhancements for a justice court.

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

Law Library – The Law Library Fund accounts for statutory fees collected in civil cases filed in County and District Courts. These fees are dedicated by law to provide and maintain a County Law Library.

Records Preservation – The Records Preservation Fund accounts for receipts from fees collected by the County/District Clerk on documents of official public record and court cases. These receipts are to be used for specific preservation projects of the office.

District Clerk Digitizing – The District Clerk Digitizing Fund accounts for receipts from fees collected by the County/District Clerk to be used for restoring and digitizing records.

District Clerk Technology – The District Clerk Technology Fund accounts for receipts from fees collected by the County/District Clerk to be used for purchasing technological enhancements for the office.

DALLAM COUNTY, TEXAS
COMBINING STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND
CASH RECEIPTS , DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Archive	Courthouse Security
RECEIPTS		
Licenses and fees	\$ 8,802	\$ 6,675
Total receipts	8,802	6,675
DISBURSEMENTS		
Current:		
Administrative	9,731	-
Judicial	-	-
Total disbursements	9,731	-
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(929)	6,675
CASH BASIS FUND BALANCE - Beginning of Year	20,597	22,905
CASH BASIS FUND BALANCE - End of Year	\$ 19,668	\$ 29,580
CASH BASIS ASSETS - End of Year		
Cash, net of liabilities	\$ 19,668	\$ 29,580
CASH BASIS FUND BALANCE - End of Year		
Restricted:		
By enabling legislation for special projects	19,668	29,580
Total cash basis fund balance - end of year	\$ 19,668	\$ 29,580

Jail Immigration and Naturalization	JP Technology	Records Management	Law Library	Records Preservation	DC Digitizing
\$ -	\$ 5,497	\$ 12,252	\$ 4,473	\$ 200	\$ 570
-	5,497	12,252	4,473	200	570
-	-	9,767	-	1,308	-
-	2,582	-	562	-	2,832
-	2,582	9,767	562	1,308	2,832
-	2,915	2,485	3,911	(1,108)	(2,262)
2,615	4,832	32,133	1,948	1,422	3,124
\$ 2,615	\$ 7,747	\$ 34,618	\$ 5,859	\$ 314	\$ 862
\$ 2,615	\$ 7,747	\$ 34,618	\$ 5,859	\$ 314	\$ 862
2,615	7,747	34,618	5,859	314	862
\$ 2,615	\$ 7,747	\$ 34,618	\$ 5,859	\$ 314	\$ 862

Continued

DALLAM COUNTY, TEXAS
COMBINING STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND
CASH RECEIPTS , DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>District Clerk Technology</u>	<u>Total Non- Major Governmental Funds</u>
Continuation		
RECEIPTS		
Licenses and fees	\$ 350	\$ 38,819
Total receipts	<u>350</u>	<u>38,819</u>
DISBURSEMENTS		
Current:		
Administrative	-	20,806
Judicial	-	5,976
Total disbursements	<u>-</u>	<u>26,782</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	350	12,037
CASH BASIS FUND BALANCE - Beginning of Year	<u>70</u>	<u>89,646</u>
CASH BASIS FUND BALANCE - End of Year	<u>\$ 420</u>	<u>\$ 101,683</u>
CASH BASIS ASSETS - End of Year		
Cash, net of liabilities	<u>\$ 420</u>	<u>\$ 101,683</u>
CASH BASIS FUND BALANCE - End of Year		
Restricted:		
By enabling legislation for special projects	<u>420</u>	<u>101,683</u>
Total cash basis fund balance - end of year	<u>\$ 420</u>	<u>\$ 101,683</u>

FIDUCIARY

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 money collected that is remitted to various entities and for registry funds held by the County and District Clerk.

Tax Assessor Collector – The Tax Assessor Collector Fund accounts for money collected by the Tax Assessor Collector and remitted to various taxing jurisdictions.

County Attorney – The County Attorney Fund accounts for money collected by the County Attorney and remitted to various entities.

DALLAM COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
SEPTEMBER 30, 2013

	<u>County and District Clerk</u>	<u>Tax Assessor Collector</u>	<u>County Attorney</u>	<u>Total Agency Funds</u>
ASSETS				
Cash and cash equivalents	\$ 61,785	\$ 50,249	\$ 5,294	\$ 117,328
Total assets	<u>\$ 61,785</u>	<u>\$ 50,249</u>	<u>\$ 5,294</u>	<u>\$ 117,328</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 5,294	\$ 5,294
Due to other governments	-	256	-	256
Deposits	<u>61,785</u>	<u>49,993</u>	<u>-</u>	<u>111,778</u>
Total liabilities	<u>\$ 61,785</u>	<u>\$ 50,249</u>	<u>\$ 5,294</u>	<u>\$ 117,328</u>

PART III
COMPLIANCE

DALLAM COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR YEAR ENDED SEPTEMBER 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State Award Contract Number	Expenditures, Indirect Costs and Refunds	Pass Through Entity Identifying Number
State Awards:				
Texas Department of Agriculture Texas Capital Fund Award	N/A	712002	<u>673,862</u>	N/A
Total State Awards			<u><u>\$ 673,862</u></u>	



To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Dallam 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 the financial statements of the governmental activities, each major fund and their respective budgetary comparisons, and the aggregate remaining fund information of Dallam County, Texas as of and for the year ended September 30, 2013, which collectively comprise Dallam County, Texas' basic financial statements and have issued our report thereon dated October 31, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Dallam County, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dallam County, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Dallam County, Texas' internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dallam County, Texas' financial statements are free of 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*.

We noted certain matters that we reported to management of Dallam County, Texas in a separate letter dated October 31, 2013.

This report is intended for the information of the Commissioners' Court and County Officials and is not intended to be and should not be used by anyone other than those specified parties.

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

DOSHIER, PICKENS & FRANCIS, LLC

October 31, 2013



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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited Dallam County, Texas' compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Dallam County, Texas' major federal and state programs for the year ended September 30, 2013. Dallam County, Texas' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of Dallam County, Texas' management. Our responsibility is to express an opinion on Dallam County, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Dallam County, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Dallam County, Texas' compliance with those requirements.

In our opinion, Dallam County, Texas complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2013. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

Management of Dallam County, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered Dallam County, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dallam County, Texas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Commissioners' Court, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

DOSHIER, PICKENS & FRANCIS, LLC

October 31, 2013

**DALLAM COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2013**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness(es) identified? _____ X
Yes No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ X
Yes None reported

Noncompliance material to financial statements noted? _____ X
Yes No

State Awards

Internal control over major programs:

- Material weakness(es) identified? _____ X
Yes No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ X
Yes None reported

Type of auditor’s report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 501(a) of OMB Circular A-133? _____ X
Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
N/A	Texas Capital Fund Grant

Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**

Auditee qualified as low-risk auditee? _____ X
Yes No

DALLAM COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2013

Section II – Financial Statement Findings

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Inadequate segregation of duties within a significant account or accounting process is considered to be a deficiency in your financial reporting controls. Certain officials of the County, because of the small size of the offices, have not been able to adequately segregate the processes of cash receipts and deposits, cash disbursements and checks, and reconciling the bank accounts. Because of this lack of segregation of duties within these processes of handling cash, there is 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 the various offices may not be able to adequately segregate these processes within the office, the official should implement compensating controls over these processes such as having the bank reconciliations reviewed by another official of the County outside of their office.

Section III – Federal and State Award Findings and Questioned Costs

None

DALLAM COUNTY, TEXAS
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2013

Section I – Financial Statement Findings

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Inadequate segregation of duties within a significant account or accounting process is considered to be a deficiency in your financial reporting controls. Certain officials of the County, because of the small size of the offices, have not been able to adequately segregate the processes of cash receipts and deposits, cash disbursements and checks, and reconciling the bank accounts. Because of this lack of segregation of duties within these processes of handling cash, there is 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 the various offices may not be able to adequately segregate these processes within the office, the official should implement compensating controls over these processes such as having the bank reconciliations reviewed by another official of the County outside of their office.

Section II – Federal and State Award Findings and Questioned Costs

None