

DALLAM COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2018

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PART I
INTRODUCTORY SECTION

DALLAM COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
SEPTEMBER 30, 2018

Wes Ritchey	County Judge
Carl McCarty	Commissioner, Precinct #1
Corey Crabtree	Commissioner, Precinct #2
Levi James	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
Jami Parr	County Tax Assessor/Collector
Kenda McKay	County Treasurer
Shane Stevenson	County Sheriff
Carol Smith	Justice of the Peace
Bruce Scott	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 cash basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Dallam County, Texas as of and for the year ended September 30, 2018, 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 basis of accounting described in Note 1; this includes determining that the cash 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 fraud or error.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of 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 cash basis financial position of the governmental activities, the major fund and its budgetary comparison, and the aggregate remaining fund information of Dallam County, Texas at September 30, 2018, and the respective changes in cash basis financial position for the year then ended in conformity with the cash 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 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 this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of budgetary comparisons, schedule of changes in net pension liability, and related ratios and the schedule of employer contributions on pages 25 – 29 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' basic 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 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 November 7, 2018, 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
November 7, 2018

BASIC FINANCIAL STATEMENTS

DALLAM COUNTY, TEXAS
STATEMENT OF NET POSITION - CASH BASIS
SEPTEMBER 30, 2018

		<u>Governmental Activities</u>
ASSETS		
Cash and cash equivalents		\$ 2,096,484
Investments		6,532
		<hr/>
Total assets		2,103,016
		<hr/>
LIABILITIES		
Employee benefits payable		55,773
Due to other governmental entities		36,939
Cash bonds and trusts held		134,467
		<hr/>
Total liabilities		227,179
		<hr/>
NET POSITION		
Restricted:		
By enabling legislation for special projects		139,505
Dallam/Hartley County Library		6,532
Unrestricted		1,729,800
		<hr/>
Total net position		\$ 1,875,837
		<hr/> <hr/>

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, 2018

<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 Position</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	\$ 912,548	\$ 261,705	\$ 25,200	\$ -	\$ (625,643)
Judicial	510,224	187,055	23,333	-	(299,836)
Public facilities	488,315	847	64,935	-	(422,533)
Public safety	2,214,423	753,625	90,136	-	(1,370,662)
Road and bridge	798,301	471,775	19,223	-	(307,303)
Public service	274,612	280	106,020	-	(168,312)
Capital outlay	305,846	-	-	-	(305,846)
Total	<u>\$ 5,504,269</u>	<u>\$ 1,675,287</u>	<u>\$ 328,847</u>	<u>\$ -</u>	<u>(3,500,135)</u>
General receipts:					
					2,938,904
					425,000
					4,490
					209,495
					3,940
					68,062
					<u>3,649,891</u>
					149,756
					<u>1,726,081</u>
					<u>\$ 1,875,837</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, 2018

	<u>General</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS			
Property taxes	\$ 2,938,904	\$ -	\$ 2,938,904
Payments in lieu of taxes	425,000	-	425,000
Miscellaneous taxes	4,490	-	4,490
Licenses and fees	1,446,574	49,069	1,495,643
Fines and forfeitures	179,644	-	179,644
Intergovernmental	538,342	-	538,342
Interest	3,940	-	3,940
Miscellaneous	55,491	-	55,491
Insurance proceeds	12,571	-	12,571
	<u>5,604,956</u>	<u>49,069</u>	<u>5,654,025</u>
Total receipts			
DISBURSEMENTS			
Administrative	887,420	25,128	912,548
Judicial	504,421	5,803	510,224
Public facilities	488,315	-	488,315
Public safety	2,214,423	-	2,214,423
Road and bridge	798,301	-	798,301
Public service	274,612	-	274,612
Capital outlay	305,846	-	305,846
	<u>5,473,338</u>	<u>30,931</u>	<u>5,504,269</u>
Total disbursements			
EXCESS OF RECEIPTS OVER/(UNDER) DISBURSEMENTS	131,618	18,138	149,756
CASH BASIS FUND BALANCE - Beginning of year	<u>1,604,714</u>	<u>121,367</u>	<u>1,726,081</u>
CASH BASIS FUND BALANCE - End of year	<u>\$ 1,736,332</u>	<u>\$ 139,505</u>	<u>\$ 1,875,837</u>
CASH BASIS ASSETS - End of year			
Cash, net of liabilities	<u>\$ 1,736,332</u>	<u>\$ 139,505</u>	<u>\$ 1,875,837</u>
CASH BASIS FUND BALANCES - End of Year			
Restricted:			
By enabling legislation for special projects	\$ -	\$ 139,505	\$ 139,505
Dallam/Hartley County Library	6,532	-	6,532
Committed to:			
Friends of the library	15,208	-	15,208
Unassigned	<u>1,714,592</u>	<u>-</u>	<u>1,714,592</u>
Total cash basis fund balances - end of year	<u>\$ 1,736,332</u>	<u>\$ 139,505</u>	<u>\$ 1,875,837</u>

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

DALLAM COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2018

ASSETS		
Cash and cash equivalents		\$ 60,001
		<hr/>
Total assets		\$ 60,001
		<hr/> <hr/>
LIABILITIES		
Accounts payable		\$ 933
Due to other governments		1,202
Deposits		57,866
		<hr/>
Total liabilities		\$ 60,001
		<hr/> <hr/>

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

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Dallam County, Texas (County) have been prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred.

This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual. As a result, only cash and cash equivalents and related net position or fund balances arising from cash transactions are reported in the statements of net position and balance sheets. All other economic assets, deferred outflows of resources, liabilities, and deferred inflows of resources that would be reported in GAAP basis financial statements are not reported in this cash basis presentation. 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 1876, is a public corporation and political subdivision of the State of Texas. The County is governed by the Commissioners Court, composed of four County Commissioners and the County Judge, all of whom are elected officials.

The County provides a variety of services to advance the welfare, morale, comfort, safety and convenience of the County and its citizens.

The definition of the reporting entity is based primarily on the notion of financial accountability. The elected officials governing the County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity, but also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either, it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the County.

B. Government-Wide and Fund Financial Statements

Government-Wide Statements

Government-wide financial statements consist of the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis. These statements report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The County has no business-like activities.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *cash receipts and disbursements basis of accounting*. Under this measurement focus, revenues are recorded when received and expenses are recorded when spent.

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. Government-Wide and Fund Financial Statements – Continuation

Government-Wide Statements – Continuation

The Statement of Activities – Cash Basis demonstrates the degree to which the direct expenses of the County’s programs are offset by those programs’ revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational and/or capital requirements of a particular program. Taxes and other items not included among program revenue are reported instead as *general revenue*. In miscellaneous general revenues are non-program specific contributions including capital assets contributions.

Fiduciary funds are excluded in the government-wide presentation of the financial statements.

Fund-Level Statements

All governmental funds are reported using *current financial resources measurement focus* and the *cash receipts and disbursements basis of accounting*. Under the cash receipts and disbursements basis of accounting, revenues are recognized when received. Expenditures are recorded when cash is expended.

Any proprietary funds, including internal service and fiduciary funds, including agency funds, are accounted for using the cash receipts and disbursements basis of accounting. Revenues are recognized when received, and expenses when they are spent. These funds are accounted for using an economic resources measurement focus. The agency funds are custodial in nature and involve no measurement of results of operations.

The accounts of the County are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The County reports the following major governmental fund:

The **General Fund** is the general operating fund of the County. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for administrative, judicial, public facilities, public safety, public services, capital acquisition, and debt service.

Additionally, the County reports the following fund types:

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

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

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

C. 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.

D. 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, as an agent, 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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

4. Restricted Assets/Funds

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

- Other Non-Major Governmental fund balances (amounts restricted for other specific purposes such as management, preservation, maintenance, restoration and archiving of public records, enhancement of law enforcement operations with seized funds, personnel and security for the courthouse, technology requirements for the justice court, and maintenance of the County Law Library. All restrictions are enacted according to Texas statutes.)

5. 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.

6. 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.

7. 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.

8. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's Texas County and District Retirement System Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan and are reported in the notes to the financial statements and the required supplementary information. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

9. Fund Balances

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

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

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

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

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

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

10. 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.”

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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.
5. Budgets for the General and Special Revenue Funds are adopted on a cash 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.
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, 2018, disbursements exceeded appropriations in the General Fund departments of the Courthouse by \$52,460, and Capital Outlay by \$5,846. The over expenditures in the Courthouse were funded by insurance proceeds received in prior fiscal years. The remaining over expenditure was funded by lower than expected expenditures everywhere else in the County. Total expenditures for the County were under budget by \$272,428.

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3 – CASH AND INVESTMENTS

Following is a reconciliation of the County’s cash and deposit balances as of September 30, 2018:

Cash and deposit balances consist of:

Bank deposits	\$ 2,155,095
Temporary investments - TexPool	1,390
	2,156,485
Total	\$ 2,156,485

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

Government-wide Statement of Net Position - Cash Basis:	
Unrestricted	\$ 2,096,484
Fiduciary Funds Statement of Net Position - Cash Basis	60,001
	2,156,485
Total	\$ 2,156,485

As of September 30, 2018, the County had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Governmental activities		
Certificates of deposit (interest rates at .90%)	\$ 6,532	365
	6,532	
Total fair value	\$ 6,532	
Portfolio weighted average maturity		365

Custodial credit risk – deposits. As of September 30, 2018, the carrying amount of the County's deposits with financial institutions was \$2,161,627 and the bank's balance was \$2,339,135. Of the bank balance, \$414,476 was insured through the Federal Depository Insurance Corporation (FDIC) and \$1,924,659 was collateralized with securities held by the pledging institution’s agent in the County’s name.

As of September 30, 2018, the County had \$1,390 Texas Treasury Safekeeping Trust Company (TexPool). The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool, through which political subdivisions and other entities may invest public funds. The State Comptroller of Public Accounts exercises oversight responsibility over the fund. 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 pool and other persons who do not have a business relationship with the pool. The advisory board members review the investment policy and management fee structure.

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

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3 – CASH 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, 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, 2018, .064% 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 2017 tax roll was \$.355 per \$100, which means that the County has a tax margin of \$.445 per \$100 and could raise up to \$3,676,928 additional revenue from the 2017 assessed valuation of \$826,276,009 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 and death benefits for all of its employees, except temporary employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of several nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Benefits Provided: The plan provisions are adopted by the governing body of the County (employer), within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – RETIREMENT PLAN – Continuation

Employees Covered by Benefit Terms: At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	79
Active employees	68

Contributions: The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually.

The County contributed using the actuarially determined rate of 16.02% for the months of the accounting year in 2017 and 16.26% for the months of the accounting year in 2018. The contribution rate payable by the employee members is 7.0% for fiscal year 2018 as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

Net Pension Liability: The County’s net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

The actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

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

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – RETIREMENT PLAN – Continuation

TCDRS system-wide economic assumptions:

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

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

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

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	3.25%

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

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – RETIREMENT PLAN – Continuation

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

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities - Developed	MSCI World Ex USA (net) Index	11.00%	4.55%
International Equities - Emerging	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Funds of Funds Composite Index	18.00%	4.10%

Discount Rate: The discount rate used to measure the total pension liability was 8.10%. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – RETIREMENT PLAN – Continuation

2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

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

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

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

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

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

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – RETIREMENT PLAN – Continuation

Changes in the Net Pension Liability / (Asset):

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2016	\$ 12,256,165	\$ 10,599,909	\$ 1,656,256
Changes for the year:			
Service cost	393,292	-	393,292
Interest on total pension liability (1)	997,951	-	997,951
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	(61,875)	-	(61,875)
Effect of assumptions changes or inputs	135,558	-	135,558
Refund of contributions	(56,679)	(56,679)	-
Benefit payments	(614,536)	(614,536)	-
Administrative expenses	-	(8,027)	8,027
Member contributions	-	175,349	(175,349)
Net investment income	-	1,546,135	(1,546,135)
Employer contributions	-	428,603	(428,603)
Other (3)	-	(977)	977
Balances as of December 31, 2017	<u>\$ 13,049,876</u>	<u>\$ 12,069,777</u>	<u>\$ 980,099</u>

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

(2) No plan changes valued.

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

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 14,596,823	\$ 13,049,876	\$ 11,733,293
Fiduciary net position	<u>12,069,777</u>	<u>12,069,777</u>	<u>12,069,777</u>
Net pension liability / (asset)	<u>\$ 2,527,046</u>	<u>\$ 980,099</u>	<u>\$ (336,484)</u>

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – RETIREMENT PLAN – Continuation

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued TCDRS financial report.

Pension Expense / (Income):

	January 1, 2017 to December 31, 2017
Service cost	\$ 393,292
Interest on total pension liability (1)	997,951
Effect of plan changes	-
Administrative expenses	8,027
Member contributions	(175,349)
Expected investment return net of investment expenses	(855,564)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(75,507)
Recognition of assumption changes or inputs	68,471
Recognition of investment gains or losses	76,541
Other (2)	977
Pension expense / (income)	\$ 438,839

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

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

Deferred Inflows / Outflows of Resources: As of December 31, 2017, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 53,338	\$ 10,017
Changes of assumptions	-	136,250
Net difference between projected and actual earnings	133,170	-
Contributions made subsequent to measurement date	-	323,209

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – RETIREMENT PLAN – Continuation

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$ 127,620
2019	75,267
2020	(105,014)
2021	(138,114)
2022	-
Thereafter	-

NOTE 6 – CONCENTRATION OF TAXPAYERS

As of September 30, 2018, 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	\$ 193,786	6.60 %

NOTE 7 – TAX ABATEMENTS

During the year ended September 30, 2008 Dallam County entered into a 10 year property tax abatement agreement with a business under the Texas Property Redevelopment and Tax Abatement Act. Under the Act, localities may grant tax abatement of up to 100 percent of a business’ property tax bill for the purpose of attracting or retaining business within the jurisdictions. The abatement may be granted to any business located within or promising to relocate to Dallam County. To be eligible the Company agreed that the project would add at least \$102,000,000 to the County’s tax roll of eligible property as well as creating approximately 370 local jobs. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner’s tax bill. The County has established no provision for recapture in the event the Company fails to meet its obligations. In addition to the commitments for eligibility the Company has agreed to make payments in lieu of taxes annually in the amount of \$225,000 during the abatement period.

During the year ended September 30, 2011 Dallam County entered into Phase II of the property tax abatement agreement with the same business as in 2008. This 10 year abatement was under the same Texas Property Redevelopment and Tax Abatement Act and was for the purpose of the business expanding production capabilities within Dallam County. To be eligible the Company agreed to adhere to all commitments made with Phase I and pay an additional amount of payments in lieu of taxes during the abatement period. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner’s tax bill. The County has established no provision for recapture in the event the Company fails to meet its obligations. In addition to the commitments for eligibility the Company has agreed to make payments in lieu of taxes annually in the amount of \$200,000 during the abatement period.

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 – TAX ABATEMENTS – Continuation

For the fiscal year ended September 30, 2018, Dallam County abated property taxes totaling \$767,168 under this program, including the following tax abatement agreements:

- A 100 percent tax abatement to Hilmar Cheese Company for Phase I of plant construction in the reinvestment zone. The abatement amounted to \$224,914.
- A 100 percent tax abatement to Hilmar Cheese Company for Phase II of plant construction. The abatement amounted to \$542,254.

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.

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.

Continued

DALLAM COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 9 – PROBATION DEPARTMENTS – Continuation

Juvenile Probation Department

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, 2018 is as follows:

Department revenues:	
TJPC grant revenues - audited	\$ 232,147
Local funding - unaudited	93,000
Other revenues - unaudited	<u>8,437</u>
Total revenues	<u>333,584</u>
Department expenditures:	
Grant expenditures - audited	232,147
Local expenditures - unaudited	<u>121,664</u>
Total expenditures	<u>353,811</u>
Excess of Revenues over / (under) Expenditures	<u><u>\$ (20,227)</u></u>
Total assets, net - unaudited	<u><u>\$ 66,155</u></u>
Fund balance - unaudited	<u><u>\$ 66,155</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, 2018 was \$5,911. This funding was not audited after it was sent to the CSCD by the County.

REQUIRED SUPPLEMENTARY INFORMATION

DALLAM COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BUDGETARY COMPARISON - CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ 1,604,714	\$ 1,604,714	\$ 1,604,714	\$ -
Resources (Inflows):				
Property taxes	2,933,279	2,933,279	2,938,904	5,625
Payments in lieu of taxes	425,000	425,000	425,000	-
Miscellaneous taxes	3,000	3,000	4,490	1,490
Licenses and fees	1,612,165	1,612,165	1,446,574	(165,591)
Fines and forfeitures	150,000	150,000	179,644	29,644
Intergovernmental	444,843	560,179	538,342	(21,837)
Interest	2,400	2,400	3,940	1,540
Miscellaneous	14,000	21,662	55,491	33,829
Insurance proceeds	-	-	12,571	12,571
Total resources	<u>5,584,687</u>	<u>5,707,685</u>	<u>5,604,956</u>	<u>(102,729)</u>
Amounts available for appropriation	<u>7,189,401</u>	<u>7,312,399</u>	<u>7,209,670</u>	<u>(102,729)</u>
Appropriations (Outflows):				
Administrative				
County Judge	179,354	206,954	202,485	4,469
County/District clerk	203,612	203,612	190,766	12,846
Administration expense	119,000	119,000	110,866	8,134
County treasurer	96,087	99,891	96,919	2,972
Tax-assessor collector	225,839	225,839	205,305	20,534
Appraisal district	85,000	85,000	81,079	3,921
Total Administrative	<u>908,892</u>	<u>940,296</u>	<u>887,420</u>	<u>52,876</u>
Judicial				
Court expense	106,800	106,800	100,598	6,202
District Judge	46,823	46,823	45,438	1,385
Justice of the Peace	124,040	124,040	122,825	1,215
County Attorney	154,660	154,660	154,464	196
District Attorney	82,398	82,398	81,096	1,302
Total Judicial	<u>514,721</u>	<u>514,721</u>	<u>504,421</u>	<u>10,300</u>

Continued

DALLAM COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BUDGETARY COMPARISON - CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Continuation	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Appropriations (Outflows): continued				
Public facilities				
Courthouse	251,629	251,629	304,089	(52,460)
Bi-county library	152,440	152,440	144,226	8,214
Rita Blanca Lake Park	40,000	40,000	40,000	-
Total Public facilities	<u>444,069</u>	<u>444,069</u>	<u>488,315</u>	<u>(44,246)</u>
Public safety				
County Jail	1,115,216	1,206,810	1,188,385	18,425
Dispatchers	381,389	381,389	328,584	52,805
Inmate transfer	24,000	24,000	12,536	11,464
County Sheriff	480,940	480,940	478,636	2,304
Adult probation	8,000	8,000	5,911	2,089
Juvenile probation	35,000	35,000	35,000	-
Fire protection	137,000	137,000	132,043	4,957
Constable	28,720	29,720	29,689	31
Law enforcement	3,800	3,800	3,639	161
Total Public safety	<u>2,214,065</u>	<u>2,306,659</u>	<u>2,214,423</u>	<u>92,236</u>
Road and bridge				
Precinct 1	262,201	262,201	221,070	41,131
Precinct 2	261,801	261,801	218,283	43,518
Precinct 3	158,486	158,486	136,642	21,844
Precinct 4	158,486	158,486	137,715	20,771
County wide	55,000	91,000	84,591	6,409
Total Road and bridge	<u>895,974</u>	<u>931,974</u>	<u>798,301</u>	<u>133,673</u>
Public service				
Veteran services	13,911	13,911	11,708	2,203
Health and welfare	63,090	63,090	31,875	31,215
Extension office	231,046	231,046	231,029	17
Total Public service	<u>308,047</u>	<u>308,047</u>	<u>274,612</u>	<u>33,435</u>

Continued

**DALLAM COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BUDGETARY COMPARISON - CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Continuation	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Appropriations (Outflows): continued				
Capital outlay	300,000	300,000	305,846	(5,846)
Total appropriations	5,585,768	5,745,766	5,473,338	272,428
Ending Budgetary Fund Balance	\$ 1,603,633	\$ 1,566,633	\$ 1,736,332	\$ 169,699

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

	Year Ended December 31,			
	2017	2016	2015	2014
Total Pension Liability:				
Service cost	\$ 393,292	\$ 397,491	\$ 369,203	\$ 361,459
Interest on total pension liability	997,951	922,204	862,854	821,108
Effect of plan changes	-	-	(62,254)	-
Effect of assumption changes or inputs	135,558	-	138,324	-
Effect of economic/demographic (gains) or losses	(61,875)	20,034	(27,725)	(232,459)
Benefit payments/refunds of contributions	(671,215)	(537,370)	(511,655)	(441,347)
Net change in total pension liability	793,711	802,359	768,747	508,761
Total pension liability, beginning	12,256,165	11,453,806	10,685,059	10,176,298
Total pension liability, ending (a)	<u>\$ 13,049,876</u>	<u>\$ 12,256,165</u>	<u>\$ 11,453,806</u>	<u>\$ 10,685,059</u>
Fiduciary Net Position:				
Employer contributions	\$ 428,603	\$ 414,235	\$ 408,629	\$ 516,581
Member contributions	175,349	169,471	167,160	156,705
Investment income net of investment expenses	1,546,135	722,621	(75,578)	616,210
Benefit payments/refunds of contributions	(671,215)	(537,370)	(511,655)	(441,347)
Administrative expenses	(8,027)	(7,885)	(7,039)	(7,215)
Other	(977)	59,459	51,974	(55,336)
Net change in fiduciary net position	1,469,868	820,531	33,491	785,598
Fiduciary net position, beginning	10,599,909	9,779,378	9,745,887	8,960,289
Fiduciary net position, ending (b)	<u>\$ 12,069,777</u>	<u>\$ 10,599,909</u>	<u>\$ 9,779,378</u>	<u>\$ 9,745,887</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 980,099</u>	<u>\$ 1,656,256</u>	<u>\$ 1,674,428</u>	<u>\$ 939,172</u>
Fiduciary net position as a % of total pension liability	92.49%	86.49%	85.38%	91.21%
Pensionable covered payroll	\$ 2,504,990	\$ 2,421,014	\$ 2,387,994	\$ 2,238,646
Net pension liability as a % of covered payroll	39.13%	68.41%	70.12%	41.95%

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.

JP 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.

DC 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.

Sheriff Forfeiture – The Sheriff Forfeiture Fund accounts for the assets and proceeds from the disposition of assets used in the commission of criminal activity and subsequently seized by the office of the County Sheriff. The funds are dedicated by law to be used solely for law enforcement purposes.

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, 2018

	<u>Archive</u>	<u>Courthouse Security</u>	<u>JP Technology</u>	<u>Records Management</u>	<u>Law Library</u>
RECEIPTS					
Licenses and fees	\$ 17,374	\$ 7,307	\$ 5,025	\$ 19,195	\$ -
Miscellaneous	-	-	-	-	-
Total receipts	<u>17,374</u>	<u>7,307</u>	<u>5,025</u>	<u>19,195</u>	<u>-</u>
DISBURSEMENTS					
Current:					
Administrative	17,700	-	-	6,563	-
Judicial	-	2,853	2,950	-	-
Total disbursements	<u>17,700</u>	<u>2,853</u>	<u>2,950</u>	<u>6,563</u>	<u>-</u>
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(326)	4,454	2,075	12,632	-
CASH BASIS FUND BALANCE - Beginning of Year	<u>28,494</u>	<u>21,227</u>	<u>4,997</u>	<u>46,661</u>	<u>5,859</u>
CASH BASIS FUND BALANCE - End of Year	<u>\$ 28,168</u>	<u>\$ 25,681</u>	<u>\$ 7,072</u>	<u>\$ 59,293</u>	<u>\$ 5,859</u>
CASH BASIS ASSETS - End of Year					
Cash, net of liabilities	<u>\$ 28,168</u>	<u>\$ 25,681</u>	<u>\$ 7,072</u>	<u>\$ 59,293</u>	<u>\$ 5,859</u>
CASH BASIS FUND BALANCE - End of Year					
Restricted:					
By enabling legislation for special projects	<u>28,168</u>	<u>25,681</u>	<u>7,072</u>	<u>59,293</u>	<u>5,859</u>
Total cash basis fund balance - end of year	<u>\$ 28,168</u>	<u>\$ 25,681</u>	<u>\$ 7,072</u>	<u>\$ 59,293</u>	<u>\$ 5,859</u>

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, 2018

	Records Preservation	DC Digitizing	District Clerk Technology	Sheriff Forefiture	Total Nonmajor Funds
Continuation					
RECEIPTS					
Licenses and fees	\$ -	\$ -	\$ 168	\$ -	\$ 49,069
Miscellaneous	-	-	-	-	-
Total receipts	-	-	168	-	49,069
DISBURSEMENTS					
Current:					
Administrative	-	-	865	-	25,128
Judicial	-	-	-	-	5,803
Total disbursements	-	-	865	-	30,931
EXCESS OF RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	(697)	-	18,138
CASH BASIS FUND BALANCE - Beginning of Year	5,552	862	1,553	6,162	121,367
CASH BASIS FUND BALANCE - End of Year	<u>\$ 5,552</u>	<u>\$ 862</u>	<u>\$ 856</u>	<u>\$ 6,162</u>	<u>\$ 139,505</u>
CASH BASIS ASSETS - End of Year					
Cash, net of liabilities	<u>\$ 5,552</u>	<u>\$ 862</u>	<u>\$ 856</u>	<u>\$ 6,162</u>	<u>\$ 139,505</u>
CASH BASIS FUND BALANCE - End of Year					
Restricted:					
By enabling legislation for special projects	5,552	862	856	6,162	139,505
Total cash basis fund balance - end of year	<u>\$ 5,552</u>	<u>\$ 862</u>	<u>\$ 856</u>	<u>\$ 6,162</u>	<u>\$ 139,505</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's Fund accounts for the payments of restitution and fees associated with the collection of hot checks within the County limits.

DALLAM COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2018

	<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	\$ 8,391	\$ 50,677	\$ 933	\$ 60,001
Total assets	<u>\$ 8,391</u>	<u>\$ 50,677</u>	<u>\$ 933</u>	<u>\$ 60,001</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 933	\$ 933
Due to other governments	-	1,202	-	1,202
Deposits	<u>8,391</u>	<u>49,475</u>	<u>-</u>	<u>57,866</u>
Total liabilities	<u>\$ 8,391</u>	<u>\$ 50,677</u>	<u>\$ 933</u>	<u>\$ 60,001</u>

PART III
COMPLIANCE



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Dallam County, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Dallam County, Texas' basic financial statements, and have issued our report thereon dated November 7, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dallam 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 Dallam County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Dallam County, Texas' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

DOSHIER, PICKENS & FRANCIS, LLC

November 7, 2018