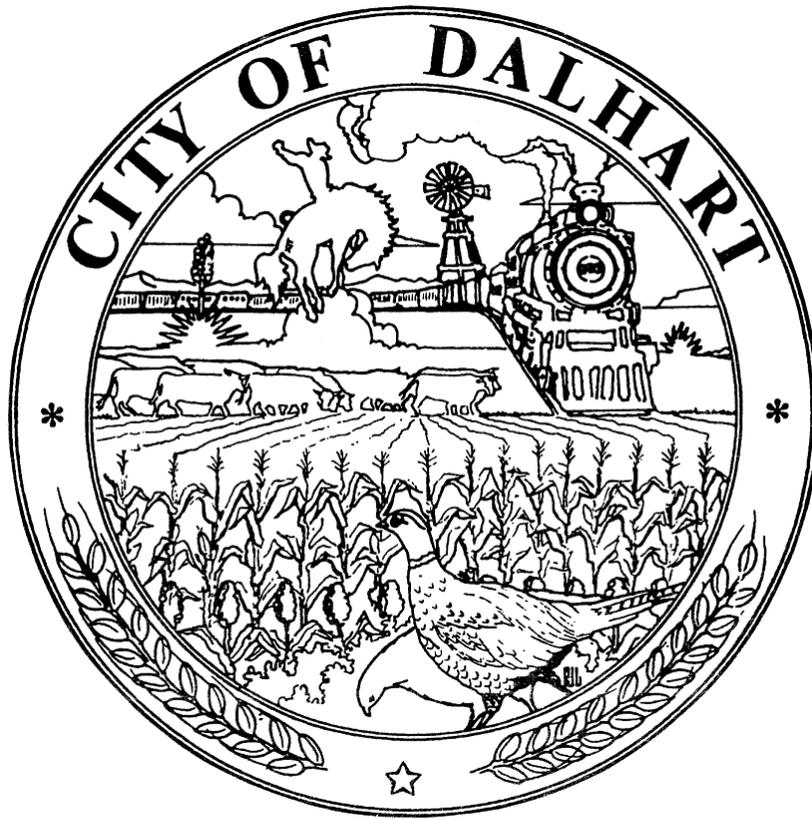


**CITY OF DALHART, TEXAS**

**Comprehensive  
Annual Financial  
Report**

**For the Year Ended  
September 30, 2020**





**Prepared by:  
The Finance Department  
Director of Finance, Brent Walker**



**CITY OF DALHART, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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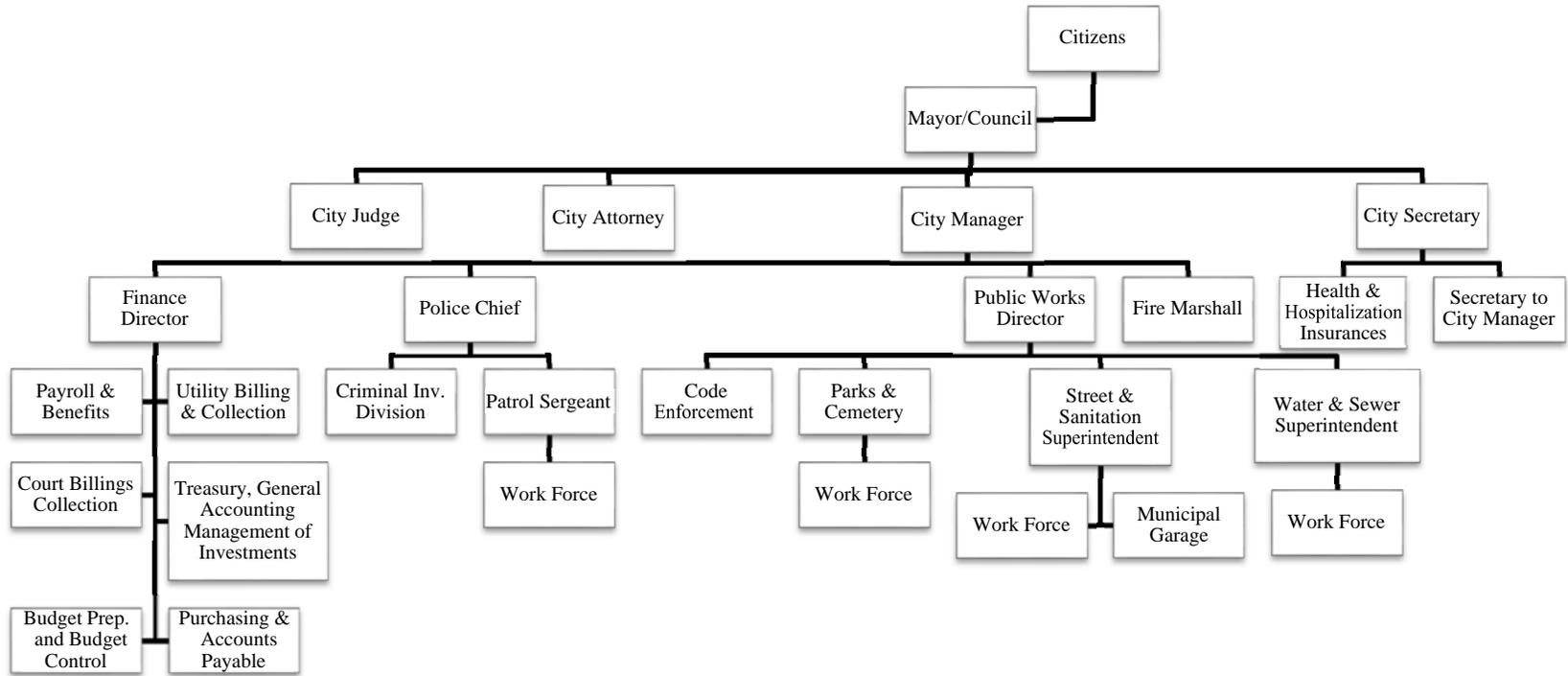
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# **INTRODUCTORY SECTION**



**CITY OF DALHART, TEXAS  
ORGANIZATIONAL STRUCTURE AND  
CHARTS OF AREAS OF RELATED WORK**





**City of Dalhart, Texas  
Principal Officials  
September 30, 2020**

ELECTED OFFICIALS

Clinton Hale	Mayor
Rusty Hancock	Council Member
Dwayne Smith	Council Member
Brian Walton	Council Member
Parker Noel	Council Member
Bryan Brewer	Council Member
John Loeppky	Council Member
Sherri Haschke	Council Member
Tim Yee	Council Member

APPOINTED OFFICIALS

James Stroud	City Manager
Wendy Kleynhans	City Secretary
Brent Walker	Finance Director
David Conner	Police Chief
Curtis Brown	Fire Marshall
Gilbert Ramirez	Parks & Cemetery Superintendent
Dennis Rojas	Public Works Director
Mike Olvera	Water & Sewer Superintendent
Curtis Green	Street & Sanitation Superintendent
James Perez	Fleet Supervisor
Ty Hancock	Landfill Supervisor
Greg Oelke	City Attorney
Rhonda Reyna	Municipal Court Judge



# **FINANCIAL SECTION**





3444 N 1<sup>st</sup>, Suite 404  
Abilene, Texas 79603  
Phone 325.268.1033

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
of the City of Dalhart, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dalhart, Texas (the "City"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Dalhart, Texas as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information, as listed in the table of contents, 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dalhart, Texas' financial statements as a whole. The combining non-major 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 fund financial statements listed under other supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated February 9, 2021, on our consideration of the City's 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* and should be considered in assessing the results of our audit.

*Fullerton & Associates, PLLC*

Fullerton & Associates, PLLC  
February 9, 2021



**CITY OF DALHART, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

As management of the City of Dalhart, we offer readers of the City of Dalhart, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Dalhart, Texas for the fiscal year ended September 30, 2020.

**FINANCIAL HIGHLIGHTS**

Government-Wide Financial Statements

- The assets of the City of Dalhart exceeded its liabilities at the close of the 2020 fiscal year by \$22,442,352 (net position).
- As of September 30, 2020, \$5,116,322 (unrestricted) may be used to meet the government's ongoing obligations to citizens. \$16,408,552 is invested in capital assets, and \$917,478 is restricted to spending for specific purposes only.
- The City's total assets increased by \$3,448,212 during the 2020 fiscal year, primarily due to the arrival of debt proceeds from the City's issuance of combination tax and revenue certificates of obligation, as well as the City's receipt of insurance proceeds for damages at the municipal airport.
- The net position of the City increased by \$2,145,752 during the 2020 fiscal year.

Fund Financial Statements

- As of the close of the current fiscal year, the City of Dalhart's General Fund reported an ending unassigned fund balance of \$6,366,055 which reflects an increase of \$3,147,150 in unassigned fund balances for the year ended September 30, 2020, again primarily due to the City's receipt of debt proceeds.
- Cumulatively, the non-major special revenue funds reported ending fund balances totaling of \$2,257,645 which reflects an increase of \$103,196 for the year ended September 30, 2020, all of which is nonspendable, restricted, committed or assigned for each special revenue funds' specific purpose.
- The City's Water & Sewer Fund had an increase of \$773,466 in its net position during the 2020 fiscal year, resulting in an ending fund balance of \$6,711,747, \$6,587,565 (98%) of which is invested in capital assets.
- The City's Airport Fund had an increase of \$114,401 in its net position during the 2020 fiscal year, resulting in an ending fund balance of \$3,684,129, \$3,050,876 (83%) of which is invested in capital assets.
- The City's Fiduciary funds hold a net position for scholarship benefits of \$971,209 as of September 30, 2020.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Dalhart's basic financial statements. The City of Dalhart's basic financial statements comprise three components:

- 1) government- wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The statement of net position presents information on all the City of Dalhart's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Dalhart is improving or deteriorating.

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

**CITY OF DALHART, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

The government-wide financial statements reflect functions of the City of Dalhart that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City of Dalhart include general government, public safety (comprised of police, fire, and ambulance activities), judicial, street, sanitation, garage, and culture and recreation (comprised of swimming pool, parks and cemetery, and promotion and tourism activities). The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Dalhart, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Dalhart can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Dalhart maintains ten governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund and the nine non-major special revenue funds which are combined on the fund financial statements but are broken out in the supplementary information found on pages 58 and 59 of this report. The governmental fund financial statements can be found on pages 13-16 of this report.

*Proprietary funds.* When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide financial statements, but the proprietary fund statements provide more detail and additional information, such as cash flows, for the proprietary fund. The City utilizes two proprietary funds, the Water & Sewer fund and the Airport fund. The proprietary fund statements can be found on pages 17-19 of this report.

*Fiduciary funds.* The City is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the City fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operation. The fiduciary fund financial statements can be found on page 20 of this report, and their combining statements on page 60.

*Notes to the financial statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-48 of this report.

**CITY OF DALHART, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Dalhart, assets exceeded liabilities by \$22,442,352 at the end of 2020. As of September 30, 2020, \$16,408,552 of the City of Dalhart's net position (73%) reflects its investment in capital assets (e.g., buildings, equipment, infrastructure, and road improvements). The City of Dalhart uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**City of Dalhart's Net Position—Comparative Schedules**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current and other assets	\$ 10,409,945	\$ 6,997,766	\$ 1,919,473	\$ 1,964,412	\$ 12,329,418	\$ 8,962,178
Capital assets (net of depreciation)	6,440,330	6,202,425	16,236,441	16,393,374	22,676,771	22,595,799
<b>Total assets</b>	<b>16,850,275</b>	<b>13,200,191</b>	<b>18,155,914</b>	<b>18,357,786</b>	<b>35,006,189</b>	<b>31,557,977</b>
Total deferred outflows	134,454	15,131	20,204	17,304	154,658	32,435
Total internal balances	(213,283)	-	213,283	-	-	-
Current and other liabilities	3,666,371	1,232,646	1,527,846	1,386,258	5,194,217	2,618,904
Long-term liabilities	595,262	655,297	6,357,713	7,354,107	6,952,975	8,009,404
<b>Total liabilities</b>	<b>4,261,633</b>	<b>1,887,943</b>	<b>7,885,559</b>	<b>8,740,365</b>	<b>12,147,192</b>	<b>10,628,308</b>
Total deferred inflows of resources	463,337	538,788	107,966	126,320	571,303	665,108
Net position:						
Net investment in capital assets	6,770,111	6,202,425	9,638,441	8,018,080	16,408,552	14,220,505
Restricted	917,478	554,911	-	-	917,478	554,911
Unrestricted	4,358,887	4,031,255	757,435	1,490,325	5,116,322	5,521,580
<b>Total net position, 2019 as restated</b>	<b>\$ 12,046,476</b>	<b>\$ 10,788,591</b>	<b>\$ 10,395,876</b>	<b>\$ 9,508,405</b>	<b>\$ 22,442,352</b>	<b>\$ 20,296,996</b>

**CITY OF DALHART, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**City of Dalhart's Changes in Net Position—Comparative Schedules**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Program Revenues						
Fees, fines, and charges for services	\$ 1,862,233	\$ 1,883,847	\$ 3,481,592	\$ 3,334,482	\$ 5,343,825	\$ 5,218,329
Operating grants and contributions	170,463	115,000	-	-	170,463	115,000
General Revenues						
Taxes	5,077,744	4,699,852	-	-	5,077,744	4,699,852
Investment earnings	71,214	110,907	12,235	45,234	83,449	156,141
Miscellaneous	95,802	157,813	2,734	44,882	98,536	202,695
<b>Total Revenues</b>	<b>7,277,456</b>	<b>6,967,419</b>	<b>3,496,561</b>	<b>3,424,598</b>	<b>10,774,017</b>	<b>10,392,017</b>
Expenditures						
General administrative	1,472,335	1,455,739	-	-	1,472,335	1,455,739
Public safety	1,792,383	2,455,422	-	-	1,792,383	2,455,422
Judicial	31,325	44,748	-	-	31,325	44,748
Street	698,269	1,070,674	-	-	698,269	1,070,674
Sanitation	856,081	994,371	-	-	856,081	994,371
Garage	238,872	277,459	-	-	238,872	277,459
Culture and recreation	993,027	1,328,583	-	-	993,027	1,328,583
Water and sewer	-	-	2,512,885	3,113,957	2,512,885	3,113,957
Airport	-	-	372,017	366,530	372,017	366,530
<b>Total expenditures</b>	<b>6,082,292</b>	<b>7,626,996</b>	<b>2,884,902</b>	<b>3,480,487</b>	<b>8,967,194</b>	<b>11,107,483</b>
Transfers In	199,000	178,550	-	-	199,000	178,550
Transfers Out	-	-	(189,000)	(168,550)	(189,000)	(168,550)
Other financing sources (uses)	(136,279)	-	465,208	-	328,929	-
<b>Total other financing sources (uses)</b>	<b>62,721</b>	<b>178,550</b>	<b>276,208</b>	<b>(168,550)</b>	<b>338,929</b>	<b>10,000</b>
Change in net position	1,257,885	(481,027)	887,867	(224,439)	2,145,752	(705,466)
Net position, beginning - as restated	10,788,591	11,269,618	9,508,009	9,732,448	20,296,600	21,002,066
Net position, ending	<b>\$ 12,046,476</b>	<b>\$ 10,788,591</b>	<b>\$ 10,395,876</b>	<b>\$ 9,508,009</b>	<b>\$ 22,442,352</b>	<b>\$ 20,296,600</b>

**CITY OF DALHART, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS**

Governmental funds. The focus of the City of Dalhart's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Dalhart's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of Fiscal Year 2020, the City of Dalhart's governmental General Fund reported an ending fund balance of \$7,058,514, \$6,366,055 of which was unassigned and available for spending at the City's discretion. This represents approximately thirteen months of operating equity based on fiscal year 2020 General fund expenditures.

**CAPITAL ASSETS**

The City of Dalhart's investment in capital assets for its governmental activities amounts to \$6,440,330 (net of accumulated depreciation) as of September 30, 2020, and its investment in capital assets for its business-type activities amounts to \$16,236,441 (net of accumulated depreciation). These investments in capital assets includes city land, buildings, water, sewer and sanitation facilities, airport facilities, as well as city vehicles and equipment. See detailed comparative schedules of the City's capital asset balances on the following page.

Additional information on the City of Dalhart's capital assets can be found in Note 4 on pages 30 and 31 of this report.

**DEBT ADMINISTRATION**

At September 30, 2020, the City had \$11,153,607 in outstanding long-term liabilities, comprised of long term debt, capital leases, compensated absence accruals, long term retirement obligations and the City's landfill remediation liability. See detailed comparative schedules of the City's long-term liabilities on the following page.

Additional information on the City of Dalhart's debt can be found in Note 6 on pages 32 through 34 of this report.

**2020 OVERVIEW**

In 2020 Dalhart has seen continued stable growth and the demand for housing has continued to increase. There were five new residential construction projects and 2 commercial real estate construction projects that began in 2020. Additionally, an annexation was approved for a land area that has the potential for approximately 500 hundred new homes if fully built out to capacity. The City Council has reviewed plans on city property for the possibility to develop affordable housing that could add single-family homes to the market. The Dalhart Economic Development Corporation continues to develop and sell lots in the Dalhart Business and Industrial Park located adjacent to the Dalhart Airport. Three lots were sold in 2020 to a variety of businesses, and additional planning for the development of road infrastructure that will accommodate traffic as this area continues to grow.

The Rita Blanca Pump Station was brought online in the 2020 fiscal year, upgrading the water infrastructure, adding four water wells and expanding storage capacity. This water infrastructure project was designed with future expansion in mind and ease of expansion to add more water wells to supply future demands.

The City issued combination tax and revenue certificates of obligation in the 2020 fiscal year to fund the construction of a transfer station at the Dalhart Landfill. The funds will also go to purchase a large metal building to store waste and a new tractor-trailer to transport waste overages so the City can remain in compliance with its landfill permit.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Dalhart's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Secretary, City of Dalhart, PO Box 2005, Dalhart, Texas 79022.

**CITY OF DALHART, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**City of Dalhart's Capital Assets—Comparative Schedules**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Land	\$ 255,694	\$ 255,694	\$ 229,507	\$ 229,507	\$ 485,201	\$ 485,201
Construction in progress	-	-	-	8,411,225	-	8,411,225
Buildings and improvements	2,778,710	3,044,023	2,887,928	3,238,258	5,666,638	6,282,281
Machinery, vehicles and equipment	2,991,519	2,403,294	1,147,739	1,099,599	4,139,258	3,502,893
Infrastructure	414,407	499,414	11,971,267	3,414,390	12,385,674	3,913,804
	<u>\$ 6,440,330</u>	<u>\$ 6,202,425</u>	<u>\$ 16,236,441</u>	<u>\$ 16,392,979</u>	<u>\$ 22,676,771</u>	<u>\$ 22,595,404</u>

**City of Dalhart's Long-Term Liabilities—Comparative Schedules**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Landfill remediation liability	\$ 595,262	\$ 541,269	\$ -	\$ -	\$ 595,262	\$ 541,269
Compensated absences	101,226	126,698	16,506	21,107	117,732	147,805
Total OPEB liability	157,742	-	35,207	-	192,949	-
Net pension liability	83,336	440,457	-	87,625	83,336	528,082
Capital leases payable	265,481	-	-	-	265,481	-
Unamortized premium on debt	115,847	-	-	-	115,847	-
Certificates and bond obligations	2,450,000	-	7,333,000	8,339,000	9,783,000	8,339,000
	<u>\$ 3,768,894</u>	<u>\$ 1,108,424</u>	<u>\$ 7,384,713</u>	<u>\$ 8,447,732</u>	<u>\$ 11,153,607</u>	<u>\$ 9,556,156</u>

# **BASIC FINANCIAL STATEMENTS**



**CITY OF DALHART, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2020**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
<b>ASSETS</b>				
Pooled cash and cash equivalents	\$ 1,229,903	\$ 475,566	\$ 1,705,469	\$ 576,118
Investments	7,465,032	824,140	8,289,172	2,327,718
Receivables (net of allowance for uncollectible)	1,447,342	404,308	1,851,650	118,338
Prepaid expenses	34,947	-	34,947	-
Inventories	62,250	-	62,250	-
Notes receivable, current	-	-	-	-
Notes receivable, noncurrent	-	-	-	-
Restricted assets: Cash and equivalents	15,740	170,220	185,960	-
Capital assets:				
Land	255,694	229,507	485,201	48,379
Infrastructure	5,272,604	22,199,925	27,472,529	-
Buildings and improvements	6,261,190	9,819,389	16,080,579	-
Machinery, vehicles, and equipment	9,619,009	5,151,365	14,770,374	-
Less: accumulated depreciation	(14,968,167)	(21,163,745)	(36,131,912)	-
Intangible assets:				
Deferred charge on bond refunding, (net of accumulated amortization)	-	9,167	9,167	-
Net pension asset (TMRS)	154,731	36,072	190,803	-
Total assets	<u>16,850,275</u>	<u>18,155,914</u>	<u>35,006,189</u>	<u>3,070,553</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - OPEB	19,526	4,358	23,884	-
Deferred outflows - pension	114,928	15,846	130,774	-
Total deferred outflows of resources	<u>134,454</u>	<u>20,204</u>	<u>154,658</u>	<u>-</u>
<b>INTERNAL BALANCES</b>				
Due (to)/from other funds	(213,283)	213,283	-	-
<b>LIABILITIES</b>				
Accounts payable	305,592	276,411	582,003	-
Accrued wages and payroll expenses	132,177	26,585	158,762	-
Deposits payable	15,740	170,220	185,960	-
Accrued interest	39,230	27,630	66,860	-
Current portion of long-term liabilities	100,883	1,027,000	1,127,883	-
Noncurrent liabilities				
Compensated absences payable	101,226	16,506	117,732	-
Total OPEB liability	157,742	35,207	192,949	-
Net pension liability (TESRS)	83,336	-	83,336	-
Certificates of obligation and bonds payable	2,425,000	6,306,000	8,731,000	-
Unamortized premium on certificates of obligation	115,847	-	115,847	-
Capital leases payable	189,598	-	189,598	-
Landfill remediation liability	595,262	-	595,262	-
Total liabilities	<u>4,261,633</u>	<u>7,885,559</u>	<u>12,147,192</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - OPEB	2,724	608	3,332	-
Deferred inflows - pension	460,613	107,358	567,971	-
Total deferred inflows of resources	<u>463,337</u>	<u>107,966</u>	<u>571,303</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	6,770,111	9,638,441	16,408,552	-
Restricted for public safety	35,672	-	35,672	-
Restricted for tourism and community development	342,079	-	342,079	-
Restricted for Cemetery - expendable	274,070	-	274,070	-
Restricted for Cemetery - non-expendable	265,657	-	265,657	-
Unrestricted	4,358,887	757,435	5,116,322	3,070,553
Total net position	<u>\$ 12,046,476</u>	<u>\$ 10,395,876</u>	<u>\$ 22,442,352</u>	<u>\$ 3,070,553</u>

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

**CITY OF DALHART, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

PRIMARY GOVERNMENT FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit Economic Development Corporation
		Charges for Services	Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
<b>GOVERNMENTAL ACTIVITIES</b>							
General administrative	\$ 1,472,335	\$ 64,007	\$ 121,429	\$ (1,286,899)	\$ -	\$ (1,286,899)	\$ -
Judicial	31,325	61,795	-	30,470	-	30,470	-
Public safety: Police	1,367,908	1,843	-	(1,366,065)	-	(1,366,065)	-
Fire	386,311	301,610	-	(84,701)	-	(84,701)	-
Ambulance	38,164	-	-	(38,164)	-	(38,164)	-
Street	698,269	34,612	-	(663,657)	-	(663,657)	-
Sanitation	856,081	1,185,392	-	329,311	-	329,311	-
Garage	238,872	-	-	(238,872)	-	(238,872)	-
Culture and recreation: Swimming pool	46,615	128	-	(46,487)	-	(46,487)	-
Parks and cemetery	581,524	211,690	1,108	(368,726)	-	(368,726)	-
Promotion and tourism	364,888	1,156	47,926	(315,806)	-	(315,806)	-
Total governmental activities	<u>6,082,292</u>	<u>1,862,233</u>	<u>170,463</u>	<u>(4,049,596)</u>	<u>-</u>	<u>(4,049,596)</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water and sewer	2,512,885	3,460,520	-	-	947,635	947,635	-
Airport	372,017	21,072	-	-	(350,945)	(350,945)	-
Total business-type activities	<u>2,884,902</u>	<u>3,481,592</u>	<u>-</u>	<u>-</u>	<u>596,690</u>	<u>596,690</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 8,967,194</u>	<u>\$ 5,343,825</u>	<u>\$ 170,463</u>	<u>(4,049,596)</u>	<u>596,690</u>	<u>(3,452,906)</u>	<u>\$ -</u>
<b>COMPONENT UNIT</b>							
Economic Development Corporation	<u>\$ 433,817</u>	<u>\$ -</u>	<u>\$ 36,000</u>				<u>\$ (397,817)</u>
General revenues:							
Property taxes				2,091,803	-	2,091,803	-
Sales and use taxes				2,017,585	-	2,017,585	671,502
Franchise taxes				387,845	-	387,845	-
Hotel/motel occupancy taxes				574,761	-	574,761	-
Alcoholic beverage taxes				5,750	-	5,750	-
Investment earnings				71,214	12,235	83,449	26,168
Insurance proceeds				-	465,208	465,208	-
Miscellaneous				95,802	2,734	98,536	-
Gain/(Loss) on disposal of fixed assets				(136,279)	-	(136,279)	88,079
Transfers				199,000	(189,000)	10,000	(10,000)
Total general revenues and transfers				<u>5,307,481</u>	<u>291,177</u>	<u>5,598,658</u>	<u>775,749</u>
CHANGE IN NET POSITION				1,257,885	887,867	2,145,752	377,932
BEGINNING NET POSITION				<u>10,788,591</u>	<u>9,560,621</u>	<u>20,349,212</u>	<u>2,640,009</u>
PRIOR PERIOD ADJUSTMENT				<u>-</u>	<u>(52,612)</u>	<u>(52,612)</u>	<u>52,612</u>
BEGINNING NET POSITION, AS RESTATED				10,788,591	9,508,009	20,296,600	2,692,621
NET POSITION AT END OF YEAR				<u>\$ 12,046,476</u>	<u>\$ 10,395,876</u>	<u>\$ 22,442,352</u>	<u>\$ 3,070,553</u>

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

**CITY OF DALHART, TEXAS**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2020**

	General Fund	Total Non-major Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,526	\$ 1,243,117	\$ 1,245,643
Investments	7,019,954	445,078	7,465,032
Taxes receivables (net of allowances)	483,388	74,955	558,343
Intergovernmental receivable	577,681	-	577,681
Interest receivable	3,951	-	3,951
Other receivables (net of allowances)	302,102	5,265	307,367
Due from other funds	-	754,923	754,923
Prepaid expenditures	34,947	-	34,947
Inventories	62,250	-	62,250
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 8,486,799</u>	<u>\$ 2,523,338</u>	<u>\$ 11,010,137</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 262,475	\$ 43,117	\$ 305,592
Accrued payroll liabilities	124,173	8,004	132,177
Deposits payable	4,926	10,814	15,740
Due to other funds	966,579	1,627	968,206
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	1,358,153	63,562	1,421,715
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue - community development	-	202,131	202,131
Unavailable revenue - property taxes	46,327	-	46,327
Unavailable revenue - other receivables	23,805	-	23,805
	<u>          </u>	<u>          </u>	<u>          </u>
Total deferred inflows of resources	70,132	202,131	272,263
<b>FUND BALANCES</b>			
Nonspendable fund balance:			
Cemetery perpetual care	-	265,657	265,657
Prepaid expenditures	34,947	-	34,947
Inventories	62,250	-	62,250
Restricted fund balance:			
Cemetery perpetual care	-	274,070	274,070
Police department state training funds	-	3,096	3,096
Drug seizure	-	6,430	6,430
Municipal court technology	-	26,146	26,146
Tourism advertising and promotion	-	139,948	139,948
Committed fund balance:			
Landfill assurance	595,262	-	595,262
Assigned fund balance:			
Community development	-	140,923	140,923
Rita Blanca Park	-	(30,783)	(30,783)
Fleet	-	1,432,158	1,432,158
Unassigned fund balance	6,366,055	-	6,366,055
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>7,058,514</u>	<u>2,257,645</u>	<u>9,316,159</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
	<u>\$ 8,486,799</u>	<u>\$ 2,523,338</u>	<u>\$ 11,010,137</u>

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

**CITY OF DALHART, TEXAS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020**

Total Fund Balances - Governmental Funds Balance Sheet	\$ 9,316,159
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. The net effect is to increase net position.	6,440,330
Long-term liabilities, including debt, compensated absences, the City's net pension and total OPEB liabilities, and landfill remediation liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds. The net effect is a decrease in net position.	(3,567,046)
Certain assets, such as taxes receivable and imposed fines receivable, are not available to pay for current-period expenditures and are not recognized as revenue in the governmental funds. Deferred inflows of resources recognized in the government-wide financial statements results in a net increase to net position.	272,263
Included in the items related to long-term liabilities is the recognition of the County's deferred outflow of resources, and deferred inflow of resources relating to its pension liability.	<u>(415,230)</u>
Net Position of Governmental Activities - Statement of Net Position	<u>\$ 12,046,476</u>

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

**CITY OF DALHART, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	General Fund	Total Non-major Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes			
Property	\$ 2,058,665	\$ -	\$ 2,058,665
Sales and use	2,017,585	-	2,017,585
Franchise	387,845	-	387,845
Mixed beverage	5,750	-	5,750
Hotel/motel occupancy	-	487,759	487,759
Licenses and permits	19,128	-	19,128
Fines and forfeitures	58,725	4,913	63,638
Intergovernmental	301,610	842,921	1,144,531
Charges for services	1,275,185	75,425	1,350,610
Investment earnings	59,837	11,377	71,214
Grants and contributions	121,429	49,034	170,463
Miscellaneous	52,129	43,673	95,802
	<u>6,357,888</u>	<u>1,515,102</u>	<u>7,872,990</u>
<b>Total revenues</b>			
<b>EXPENDITURES</b>			
Current:			
General administrative	1,026,307	6,685	1,032,992
Judicial	33,038	-	33,038
Public safety:			
Police	1,672,027	1,441	1,673,468
Fire	384,195	-	384,195
Ambulance	38,164	-	38,164
Street	803,063	-	803,063
Garage	281,311	-	281,311
Sanitation	1,056,794	-	1,056,794
Culture and recreation:			
Swimming pool	18,076	-	18,076
Parks and cemetery	277,219	322,588	599,807
Promotion and tourism	-	364,888	364,888
Capital Outlay	165,365	1,057,071	1,222,436
Debt service:			
Principal	-	85,169	85,169
Interest and fiscal charges	63,428	-	63,428
	<u>5,818,987</u>	<u>1,837,842</u>	<u>7,656,829</u>
<b>Total expenditures</b>			
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>			
	<u>538,901</u>	<u>(322,740)</u>	<u>216,161</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from issuance of debt	2,565,847	-	2,565,847
Proceeds from capital lease	-	350,650	350,650
Transfers in (out)	123,714	75,286	199,000
	<u>2,689,561</u>	<u>425,936</u>	<u>3,115,497</u>
<b>Total other financing sources (uses)</b>			
<b>NET CHANGE IN FUND BALANCES</b>	3,228,462	103,196	3,331,658
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>3,830,052</u>	<u>2,154,449</u>	<u>5,984,501</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 7,058,514</u>	<u>\$ 2,257,645</u>	<u>\$ 9,316,159</u>

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

**CITY OF DALHART, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net Change in Fund Balances - Total Governmental Funds	\$ 3,331,658
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net position.	1,222,436
Depreciation expense is not reflected in the governmental funds but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of recording current year depreciation expense is to decrease net position.	(848,252)
Gains or losses on disposal of fixed assets are not reflected in the fund financial statements but are recorded in the government-wide financial statements as the difference between the net book value of assets disposed off and any compensation received for the assets. The current year's loss is a decrease to net position.	(136,279)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. The current year increase in revenue recognized in the government-wide financial statements results in a increase in net position.	38,517
Proceeds from long-term debt and capital leases are recorded as revenues in the fund financial statements, but are reflected as liabilities in the government-wide financial statements. The effect is a decrease to net position.	(2,916,497)
Current year long-term debt principal payments on long-term debt are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements. This results in an increase in net position.	85,169
The net decrease in compensated absences payable results in an increase to net position.	25,472
Governmental funds report the effect of increasing the landfill remediation liability when the estimate is first adjusted. These amounts are deferred and amortized in the statement of activities which results in a decrease in net position.	(53,993)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas, in the fund financial statements, interest expense is reported when due. This is a net decrease in accrual and an increase to net position.	(39,230)
Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase. The City's unrecognized deferred inflows and outflows for TMRS and TESRS as of the measurement date must be amortized and the City's share of pension expense must be recognized.	548,884
Change in Net Position of Governmental Activities - Statement of Activities	\$ <u>1,257,885</u>

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

**CITY OF DALHART, TEXAS**  
**STATEMENT OF NET POSITION—PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2020**

	Water and Sewer Fund	Airport Fund	Total Enterprise Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 5,510	\$ 470,056	\$ 475,566
Investments	816,411	7,729	824,140
Receivables (net of allowances)	404,308		404,308
Due from other funds	57,627	155,656	213,283
Restricted assets:			
Restricted cash- deposits	<u>169,740</u>	<u>480</u>	<u>170,220</u>
Total current assets	<u>1,453,596</u>	<u>633,921</u>	<u>2,087,517</u>
Noncurrent assets:			
Capital assets:			
Land	46,695	182,812	229,507
Buildings and improvements	361,642	9,457,747	9,819,389
Machinery, vehicles and equipment	4,999,646	151,719	5,151,365
Infrastructure	22,199,925	-	22,199,925
Less accumulated depreciation	<u>#####</u>	<u>(6,741,402)</u>	<u>#####</u>
Capital assets, net of depreciation	13,185,565	3,050,876	16,236,441
Intangible assets:			
Deferred charge on bond refunding	55,000	-	55,000
Less accumulated amortization	<u>(45,833)</u>	<u>-</u>	<u>(45,833)</u>
Intangible assets, net of amortization	9,167	-	9,167
Net pension asset	<u>36,072</u>	<u>-</u>	<u>36,072</u>
Total noncurrent assets	<u>13,230,804</u>	<u>3,050,876</u>	<u>16,281,680</u>
Total assets	<u>14,684,400</u>	<u>3,684,797</u>	<u>18,369,197</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to OPEB	4,358	-	4,358
Deferred outflows related to pensions	<u>15,846</u>	<u>-</u>	<u>15,846</u>
Total deferred outflows of resources	<u>20,204</u>	<u>-</u>	<u>20,204</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	276,223	188	276,411
Accrued payroll liabilities	26,585	-	26,585
Accrued interest payable	27,630	-	27,630
Bonds payable- current	1,027,000	-	1,027,000
Deposits payable- restricted assets	<u>169,740</u>	<u>480</u>	<u>170,220</u>
Total current liabilities	<u>1,527,178</u>	<u>668</u>	<u>1,527,846</u>
Noncurrent liabilities:			
Total OPEB liability	35,207	-	35,207
Compensated absences	16,506	-	16,506
Bonds payable	<u>6,306,000</u>	<u>-</u>	<u>6,306,000</u>
Total noncurrent liabilities	<u>6,357,713</u>	<u>-</u>	<u>6,357,713</u>
Total liabilities	<u>7,884,891</u>	<u>668</u>	<u>7,885,559</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to OPEB	608	-	608
Deferred inflows related to pensions	<u>107,358</u>	<u>-</u>	<u>107,358</u>
Total deferred inflows of resources	107,966	-	107,966
<b>NET POSITION</b>			
Net invested in capital assets	6,587,565	3,050,876	9,638,441
Unrestricted	<u>124,182</u>	<u>633,253</u>	<u>757,435</u>
<b>TOTAL NET POSITION</b>	<u>\$ 6,711,747</u>	<u>\$ 3,684,129</u>	<u>\$ 10,395,876</u>

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

**CITY OF DALHART, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION—PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Water and Sewer Fund</u>	<u>Airport Fund</u>	<u>Total Enterprise Funds</u>
<b>OPERATING REVENUES</b>			
Charges for Sales and Services			
Water sales	\$ 2,705,145	\$ -	\$ 2,705,145
Sewer charges	687,517	-	687,517
Water service charges	18,726	-	18,726
Tap fees and penalties	49,132	-	49,132
Fuel and oil commissions	-	14,570	14,570
Lease rentals	-	6,502	6,502
Total operating revenues	<u>3,460,520</u>	<u>21,072</u>	<u>3,481,592</u>
<b>OPERATING EXPENSES</b>			
Personnel services	545,279	-	545,279
Material and supplies	1,090,607	24,333	1,114,940
Contracted services	62,500	-	62,500
Amortization	5,500	-	5,500
Depreciation	627,980	347,684	975,664
Total operating expenses	<u>2,331,866</u>	<u>372,017</u>	<u>2,703,883</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,128,654</u>	<u>(350,945)</u>	<u>777,709</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment earnings	12,097	138	12,235
Miscellaneous revenues	2,734	-	2,734
Insurance proceeds	-	465,208	465,208
Interest expense	(181,019)	-	(181,019)
Net non- operating revenues (expenses)	<u>(166,188)</u>	<u>465,346</u>	<u>299,158</u>
<b>INCOME BEFORE TRANSFERS</b>	962,466	114,401	1,076,867
<b>TRANSFERS OUT</b>	<u>(189,000)</u>	<u>-</u>	<u>(189,000)</u>
<b>CHANGE IN NET POSITION</b>	<u>773,466</u>	<u>114,401</u>	<u>887,867</u>
<b>BEGINNING NET POSITION</b>	5,938,281	3,622,340	9,560,621
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>(52,612)</u>	<u>(52,612)</u>
<b>BEGINNING NET POSITION, AS RESTATED</b>	<u>5,938,281</u>	<u>3,569,728</u>	<u>9,508,009</u>
<b>ENDING NET POSITION</b>	<u>\$ 6,711,747</u>	<u>\$ 3,684,129</u>	<u>\$ 10,395,876</u>

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

**CITY OF DALHART, TEXAS**  
**STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Water and Sewer	Airport	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 3,455,480	\$ 21,072	\$ 3,476,552
Payments to employees for salaries and benefits	(666,038)	-	(666,038)
Payments to suppliers and service providers	<u>(954,023)</u>	<u>(24,383)</u>	<u>(978,406)</u>
Net cash provided by (used in) operating activities	<u>1,835,419</u>	<u>(3,311)</u>	<u>1,832,108</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds	(189,000)	-	(189,000)
Advances to other funds	<u>(57,627)</u>	<u>(155,656)</u>	<u>(213,283)</u>
Net cash used in non-capital financing activities	<u>(246,627)</u>	<u>(155,656)</u>	<u>(402,283)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest paid on capital debt	(184,183)	-	(184,183)
Principal paid on capital debt	(1,006,000)	-	(1,006,000)
Acquisition or construction of capital assets	(812,613)	(6,513)	(819,126)
Cash received from insurance recoveries	<u>-</u>	<u>465,208</u>	<u>465,208</u>
Net cash provided by (used in) capital and related financing activities	<u>(2,002,796)</u>	<u>458,695</u>	<u>(1,544,101)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment earnings	12,097	67	12,164
Proceeds from sale of investments	355,112	-	-
Miscellaneous revenues	<u>2,734</u>	<u>-</u>	<u>2,734</u>
Net cash provided by investing activities	<u>369,943</u>	<u>67</u>	<u>370,010</u>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(44,061)	299,795	255,734
<b>CASH AND EQUIVALENTS, BEGINNING</b>	<u>219,311</u>	<u>170,741</u>	<u>390,052</u>
<b>CASH AND EQUIVALENTS, ENDING</b>	<u>\$ 175,250</u>	<u>\$ 470,536</u>	<u>\$ 645,786</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 1,128,654	\$ (350,945)	\$ 777,709
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	627,980	347,684	975,664
Changes in operating assets			
Receivables and due from other funds	(9,130)	-	(9,130)
Pension deferred outflow/inflow and obligations	(124,411)	-	(124,411)
Changes in operating liabilities			
Accounts payable	204,584	(50)	204,534
Accrued liabilities and payroll	3,652	-	3,652
Customer deposits	<u>4,090</u>	<u>-</u>	<u>4,090</u>
Net cash provided by operating activities	<u>\$ 1,835,419</u>	<u>\$ (3,311)</u>	<u>\$ 1,832,108</u>

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

**CITY OF DALHART, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2020**

	Private-Purpose Trust Funds
<b>ASSETS</b>	
Pooled cash and cash equivalents	\$ 327,801
Investments	641,270
Interest receivable	2,138
Total assets	\$ 971,209
<b>NET POSITION</b>	
Net position held for scholarship benefits	\$ 971,209
Total net position	\$ 971,209

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

**CITY OF DALHART, TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2020**

	Private-Purpose Trust Funds
<b>ADDITIONS</b>	
Contributions	\$ 67
Investment earnings	
Interest	13,925
Total additions	13,992
<b>DEDUCTIONS</b>	
Scholarship grants	3,000
Bank charges	3,460
Total deductions	6,460
<b>CHANGE IN NET POSITION</b>	7,532
<b>NET POSITION, BEGINNING</b>	963,677
<b>NET POSITION, ENDING</b>	\$ 971,209

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

**CITY OF DALHART, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Description of Reporting Entity**

The City of Dalhart (the "City") operates under a charter adopted May 17, 1960, and it prescribes the "Council - Manager" form of government. The City is governed by a mayor, mayor pro-tem, and an eight-member council. The principle services accounted for as primary governmental functions include public safety, streets, sanitation, cultural and recreation, tourism, and general administrative services. In addition, the City maintains the water and sewer system and the airport facility, the operations of which are accounted for as enterprise funds.

The Dalhart Economic Development Corporation (the Corporation) is a "discretely presented component unit," of the City. The Corporation was organized to act on behalf of the City for the purpose of promotion, and development of industrial, manufacturing, and other economic enterprises in and around the City. Since the City has significant influence over the Corporation, it is discretely presented in the City's Annual Financial Report. Examples of significant influence are as follows: 1) The governing body of the Corporation is appointed by the City's Council; 2) The assets of the Corporation are managed by City employees; and 3) The Corporation's budget is approved by the City's Council. Complete financial statements for the Corporation may be obtained at the City's administrative offices.

**Basis of Presentation – Government-wide Financial Statements**

The statement of net position and the statement of activities include the financial activities of the overall government. The government activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has one discretely presented component unit. While it is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect on inter-fund activity has been eliminated from the government-wide financial statements. An exception to this general rule would be charges between the enterprise funds and the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, inter-governmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, fees, fines, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The fund financial statements provide information about the City's funds. Separate statements are presented for each fund category; governmental, proprietary, and fiduciary. The emphasis of governmental fund financial statements is on the major governmental fund. All remaining governmental funds are aggregated and reported as non-major funds. The City reports the following major governmental fund:

The General Fund is the City's only major governmental fund and is its primary operating fund. It accounts for and reports all financial resources of the City except those required to be accounted for and reported in another fund.

**CITY OF DALHART, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Basis of Presentation – Government-wide Financial Statements—Continued**

The City reports the following enterprise funds:

The Water and Sewer Fund is to account for the provisions of water and sewer services to residents and commercial enterprises of the City and approximate area and is considered a major fund. The City maintains this fund to account for water and sewer billing and collection, maintenance and operations, extension and improvements, consumer deposits and debt service, all of which are intended to be self-supporting through user charges.

The Airport Fund is to account for the operation of the Dalhart Airport, and is considered a major fund. In addition to providing runways and related facilities, the Airport includes improvements built by the Federal government for an Air Force Base, which were returned to the City during the 1940's. These facilities, together with later additions, are leased to commercial tenants for warehousing.

In addition, the City reports the following fund types:

Special Revenue Funds: These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Permanent Fund: The Cemetery Care Fund accounts for and reports sales of lots and contributions received and held in trust for perpetual care of the cemetery grounds.

Private Purpose Trust Funds: The Cleo Jenkins Scholarship Fund and the Bonnie Dejarnett Scholarship Fund account for and report funds received from the Cleo Jenkins Estate and Bonnie Dejarnett Estate that are being held in trust to be used for advancing higher education for the citizens of Dallam and Hartley Counties.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in government activities are eliminated so that only the net amount is included as transfers in the government activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants, entitlements, and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF DALHART, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Basis of Presentation – Government-wide Financial Statements—Continued**

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they are both measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they generally are not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures are recorded when the related liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

The proprietary, permanent trust, and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting.

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. The appropriated budget is prepared by fund and department, which is the legal level of budgetary control.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

For the fiscal year, the budgeted change in General Fund Balance for the year was an increase of \$1,799,560, and actual results were an increase of \$3,228,462. This was primarily the result of significantly less expenditures than was budgeted for, especially in capital outlay which was under budget by \$474,235.

The following departments' expenditures did exceed appropriations: garage (\$54,753), parks and cemetery (\$9,992), and debt service (\$63,428). This overspending was covered by the underspending of most other departments within the General Fund.

The Water and sewer fund also had significantly favorable budget to actual results, where the fund's increase in net position was \$773,466 when it was only budgeted to be \$430,911. The only departments over expense budgets were Amortization and Depreciation which the City typically does not budget for, as these are non-cash expenditures.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

**CITY OF DALHART, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued**

Investments

Investments in certificate of deposit are valued at cost as they are nonparticipating investments in which the value does not vary with market interest rate changes. City funds are invested in external pools which are established under the authority of the Inter-local Cooperative Act, Chapter 791 of the Texas Government Code. The City's investments in these pooled funds use amortized cost to value portfolio assets and follow the criteria for GASB Statement NO. 79.

Receivables and Payables

Amounts are aggregated into a single receivable (net of allowances for uncollectible) line for certain funds and aggregated columns. The allowance is based on historical experiences.

Payables consist of vendor obligations for goods and services.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies, vehicle repair parts, and fuel. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Vehicles and machinery and equipment related assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Buildings and improvements are defined by the government as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of two years. Infrastructure assets are defined by the government as assets with an initial, individual cost of more than \$50,000 and an estimated useful life in excess of two years.

Land is not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	6-50 years
Vehicles	3-15 years
Machinery and other equipment	3-20 years
Infrastructure	10-50 years

Inter-fund activity

Inter-fund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation in the government wide statements. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on government-wide statement of activities. Similarly, inter-fund receivables and payables are netted and presented as a single "Internal Balances" line of government-wide statement of net position.

**CITY OF DALHART, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—  
Continued**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Debt Issuance Costs

The costs of issuing bonded debt or certificates of obligation for proprietary fund types are expensed as incurred.

Deferred Outflows/Inflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports a deferred charge on refunding as well as the applicable amounts related to the implementation of GASB 68 on the statement of net position.

The statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has several types of receivables that are not typically collected within sixty days after fiscal yearend and are therefore unavailable. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet.

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 City's Texas Municipal Retirement System (TMRS) 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. The same goes for the Texas Emergency Services Retirement System (TESRS) Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

In government-wide financial statements, net position is classified and displayed in three categories:

Net Investment in Capital Assets – this amount consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

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

Unrestricted – this amount includes all amounts that comprise net position that do not meet the definition of “net investment in capital assets” or “restricted”.

At times, the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**CITY OF DALHART, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—  
Continued**

Fund Balance

Fund balance is reported in five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable fund balance – (inherently not spendable)

Includes amounts that will never convert to cash or will not convert to cash in the current period, such as inventory, supplies, long-term portion of loans and non-financial assets held for resale or principal of an endowment.

Restricted fund balance – (externally enforceable limitations on use)

Includes amounts that can be spent only for specific purposes stipulated by external resource providers such as grantors, contributors, laws and regulations of other governments, enabling legislation or constitutional provisions.

Committed fund balance – (self-imposed limitations)

Includes amounts that can be used for the specific purposes determined by a formal action of the City Council in form of a resolution. Commitments may be changed or lifted only by taking the same formal action that imposed the constraints originally.

Assigned fund balance – (limitation resulting from management's intended use)

Comprises amounts intended to be used for a specific purpose, as expressed by City Council, by a designated official or committee. By adopting this policy, the City Council has hereby authorized the City Manager as the official to assign fund balance to a specific purpose. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed, as it is intended to be used for the purpose of that fund.

Unassigned fund balance – (residual net resources)

This is the excess of total fund balance over non-spendable, restricted, committed, and assigned fund balance. Unassigned amounts are technically available for any purpose.

*Order of Expenditure of Funds:* When multiple categories of fund balances are available for expenditure (for example, a construction project is funded partly by grant money, funds set aside by the City Council, and unassigned fund balance) the City will start with the most restricted category first until depleted before moving to the next category with available funds. Spendable fund categories in order of most restricted to least restricted are: Restricted, Committed, Assigned, and Unassigned.

*Unassigned Fund Balance:* It is the goal of the City of Dalhart to achieve and maintain a minimum unassigned fund balance in the General Fund to ensure that there will be adequate liquid resources in the event of unanticipated circumstances and events. The minimum unassigned fund balance is set at 25% of

**Designated Circumstances:**

The minimum unassigned fund balance may be spent under these extreme circumstances:

1. Natural disasters, including but not limited to tornados, fire or flood.
2. Opportunities for a grant in which the matching portion may require a portion of the minimum unassigned fund balance.
3. Shortfall in the budgeted revenue in excess of 20%
4. Unforeseeable expenditures in excess of 20% over budget.
5. When unforeseen circumstances or emergencies in another fund require a fund transfer from the general fund.

**CITY OF DALHART, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued**

Fund Balance—Continued

Replenishment of Minimum Unassigned Fund Balance:

1. When designated circumstances have reduced the unassigned fund balance below the targeted minimum level, the replenishment is to occur within 12 months.
2. Depending on the severity of the reduction of the minimum unassigned fund balance the following measures will be taken to replenish the minimum unassigned fund balance:
  - a. Should calculations reveal that the minimum unassigned fund balance will be replenished through normal activity within the next 12 months no action is necessary
  - b. Reduction of expenditures
  - c. Delay of capital purchases
  - d. Increase in fees and/or taxes
  - e. Salary freeze
  - f. Hiring freeze

**Revenues and Expenditures/Expenses**

Program Revenues

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 or program and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or program. All taxes are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund and the Airport Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administration, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Compensated Absences

The City provides its full-time employees paid vacation, sick days, and other personal days off, depending on length of service and other factors. Employees with one to nine years of service receive annual leave of two weeks; more than ten year, three weeks, and more than twenty year, four weeks. Only forty hours maybe carried over from one calendar year to the next. Additional vacation hours maybe granted for accumulated sick leave hours over sixty-four hours. Full-time employees may accumulate sick leave of ninety-six hours per year, and may accumulate up to seven hundred and twenty hours.

**CITY OF DALHART, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Compliance and Accountability**

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation: As noted in the Budgetary Information section above, several general fund departments had actual expenditures exceed the budget.

Action Taken: The over expenditures were covered by additional revenues received and using accumulated fund balance. The city council will monitor expenditures to make necessary budget amendment.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

The following is a reconciliation of the City's cash and investment balances as of September 30, 2020:

Cash and deposit balances consist of:

Petty cash funds	\$	1,675
Bank deposits (interest rate 0.1%)		2,793,672
Certificates of deposit (interest rates 1-1.75%)		750,000
Temporary investments - TexPool (interest rate 1.0151%)		1,388,488
Temporary investments - Texas LOGIC (interest rate 1.2827%)		9,099,522
Temporary investments - TexSTAR (interest rate 1.0384%)		20,151
Total	\$	14,053,508

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

Government-wide Statement of Net Position:

Unrestricted	\$	9,263,123
Restricted		917,478
Total primary government		10,180,601
Component unit		2,903,836
Fiduciary Funds Statement of Net Position		969,071
Total	\$	14,053,508

**Custodial Credit Risk – Deposits**

During the normal course of operations, with the City's routine deposit and check writing structure, the City may, at times, carry bank balances that exceed federally insured limits. City management does not consider this to be a significant risk to the City

**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 City manages its exposure to interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less.

**Credit risk** is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law and City policy limit investments in local government pools to those rated no lower than AAA or an equivalent rating by at least on 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, 2020, 75% of the City's carrying value of cash was deposited in pooled investment accounts and 5% of the City's investments were comprised of certificates of deposits that are deposited with the City's banks and financial institutions.

**CITY OF DALHART, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 2 – DEPOSITS AND INVESTMENTS—Continued**

Investment Accounting Policy

All investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short- term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Inter-local Cooperative Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the **Public Funds Investment Act** (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the fair value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City’s investments in Pools use amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. These Pools do not place any limitations or restrictions such as notice periods or maximum transaction amounts on withdrawals. The Pools have a credit rating of AAAM 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 principle. The Pools each invest in a quality portfolio of debt securities that are legally permissible for local governments in the state.

**NOTE 3 – RECEIVABLES**

Receivables for the governmental (general and non-major funds) and business-type activities (water and sewer, airport funds) in the aggregate including the applicable allowance for uncollectible accounts as follows:

	Governmental		Business-type		Total
	General	Non-major	Water & Sewer		
Receivables					
Accounts	\$ 228,717	\$ 5,265	\$ 436,153	\$	670,135
Fire services agreements	577,681	-	-		577,681
Property taxes	46,382	-	-		46,382
Sales taxes	355,013	-	-		355,013
Franchise taxes	92,962	-	-		92,962
Hotel/motel occupancy taxes	-	74,955			74,955
Paving assessment	117,313	-	-		117,313
Interest	3,951	-	-		3,951
Total gross receivables	1,422,019	80,220	436,153		1,938,392
Less: Allowance for uncollectibles					
Utility services accounts	(16,421)	-	(31,845)		(48,266)
Taxes	(10,969)	-	-		(10,969)
Paving assessment	(27,507)				(27,507)
Net total receivables	\$ 1,367,122	\$ 80,220	\$ 404,308	\$	1,851,650

**CITY OF DALHART, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended September 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 255,694	\$ -	\$ -	\$ 255,694
Total capital assets not being depreciated	255,694	-	-	255,694
Capital assets being depreciated				
Buildings and improvements	6,318,412	61,073	(118,295)	6,261,190
Machinery, vehicles and equipment	8,944,835	1,161,363	(487,189)	9,619,009
Infrastructure	5,272,604	-	-	5,272,604
Total capital assets being depreciated	20,535,851	1,222,436	(605,484)	21,152,803
Less accumulated depreciation for:				
Buildings and improvements	(3,274,389)	(208,091)	-	(3,482,480)
Machinery, vehicles and equipment	(6,541,541)	(555,154)	469,205	(6,627,490)
Infrastructure	(4,773,190)	(85,007)	-	(4,858,197)
Total accumulated depreciation	(14,589,120)	(848,252)	469,205	(14,968,167)
Total capital assets being depreciated, net	5,946,731	374,184	(136,279)	6,184,636
Governmental activities capital assets, net	\$ 6,202,425	\$ 374,184	\$ (136,279)	\$ 6,440,330

Depreciation expense was charged to the departments of the governmental activities of the primary government as follows:

Governmental activities:	
General	\$ 35,025
Judicial	1,847
Public safety:	
Fire	9,075
Police	54,117
Street	129,736
Sanitation	62,206
Garage	1,057
Culture and recreation:	
Parks and cemetery	12,488
Swimming pool	28,539
Special revenue funds:	
Rita Blanca Park	89,020
Fleet	425,142
	<u>\$ 848,252</u>

**CITY OF DALHART, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 4 – CAPITAL ASSETS—Continued**

Capital asset activity for business-type activities for the year ended September 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Reclassifications/ Transfers	Ending Balances
<b>Business-type</b>					
Capital assets not being depreciated:					
Land	\$ 229,507	\$ -	\$ -	\$ -	\$ 229,507
Construction in progress	8,411,225	628,346	-	(9,039,571)	-
Total capital assets not being depreciated	8,640,732	628,346	-	(9,039,571)	229,507
Capital assets being depreciated					
Buildings and improvements	9,819,389	-	-		9,819,389
Machinery, vehicles and equipment	5,295,009	190,780	(334,424)		5,151,365
Infrastructure	13,160,354	-	-	9,039,571	22,199,925
Total capital assets being depreciated	28,274,752	190,780	(334,424)	9,039,571	37,170,679
Less accumulated depreciation for:					
Buildings and improvements	(6,581,131)	(350,330)	-	-	(6,931,461)
Machinery, vehicles and equipment	(4,195,410)	(142,640)	334,424	-	(4,003,626)
Infrastructure	(9,745,964)	(482,694)	-	-	(10,228,658)
Total accumulated depreciation	(20,522,505)	(975,664)	334,424	-	(21,163,745)
Total capital assets being depreciated, net	7,752,247	(784,884)	-	9,039,571	16,006,934
Governmental activities capital assets, net	\$ 16,392,979	\$ (156,538)	\$ -	\$ -	\$ 16,236,441

Depreciation expense was charged to the Enterprise funds as follows:

Business-type activities:	
Water- Administrative	\$ 26,058
Water- Distribution	177,705
Sewer	424,217
Airport	347,684
	<u>\$ 975,664</u>

**NOTE 5 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS**

The primary purpose of inter-fund receivables and payables is the loaning of resources between various funds for the purpose of meeting current year expenditures. Additionally, because the City utilizes pooled cash for its operations, individual funds' "cash equity" balances can sometimes be negative. To avoid a negative cash position on the face of the financial statements, interfund receivables and payables are established to essentially cover the negative fund's cash balance.

Details of the interfund receivables and payables as of September 30, 2020 are as follows:

Fund	Interfund Receivables	Interfund Payables	Net due (to)/from
General fund	\$ 5,427	\$ 972,006	\$ (966,579)
Special Revenue funds:			
Motel Occupancy	68,624	-	68,624
Community Development	25,059	-	25,059
Rita Blanca Park	3,800	5,427	(1,627)
Fleet	661,240	-	661,240
Proprietary funds:			
Airport	155,656	-	155,656
Water and Sewer	57,627	-	57,627
Total	<u>\$ 977,433</u>	<u>\$ 977,433</u>	<u>\$ -</u>

**CITY OF DALHART, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 5 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS—Continued**

The primary purpose for inter-fund transfers is to supplement various funds' resources depending on the budgeted goals of the City and the current need. Details of the interfund transfers from the year ended September 30, 2020 are as follows:

Fund	Interfund Transfers In	Interfund Transfers Out	Net transfer in/(out)
General fund	\$ 222,200	\$ 98,486	\$ 123,714
Proprietary Funds:			
Water and Sewer	-	189,000	(189,000)
Special Revenue Funds:			
Rita Blanca Park	96,986	-	96,986
Permament Fund:			
Cemetery	-	21,700	(21,700)
Discretely presented component unit:			
EDC		10,000	(10,000)
	<u>\$ 319,186</u>	<u>\$ 319,186</u>	<u>\$ -</u>

**NOTE 6 – LONG-TERM LIABILITIES**

Changes to Governmental type long-term liabilities balances for the year ended September 30, 2020 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Certificates of Obligation, Series 2020	\$ -	\$ 2,450,000	\$ -	\$ 2,450,000	\$ 25,000
Capital Lease Payable	-	350,650	(85,169)	265,481	75,883
Governmental activity long-term liabilities	<u>\$ -</u>	<u>\$ 2,800,650</u>	<u>\$ (85,169)</u>	<u>\$ 2,715,481</u>	<u>\$ 100,883</u>

**Certificates of Obligation, Series 2020**

In 2020, the City issued \$2,450,000 in Combination Tax and Revenue Certificates of Obligation, Series 2020 with an interest rate of 5%. The proceeds will be used for construction of a transfer station at the municipal solid waste landfill, and for a new tractor-trailer to transport waste overages to nearby landfills. The certificates will be repaid from ad valorem tax levied and revenue from the utility fund. For fiscal year ended September 30, 2020, there were no debt service payments required on this obligation.

Upon the issuance of this obligation, the City recognized a premium on the issuance of debt in the amount of \$115,847, where they were given \$115,847 more proceeds than the \$2,450,000 face value of the certificates. This is equal to the present value of the excess interest expense, or "premium" the City will pay to the certificate holder for the first eight years after issuance. The City will recognize this premium on a straight-line amortization method over the eight years.

Future debt service requirements for the 2020 Certificates of obligation fall on the following page:

**CITY OF DALHART, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 6 – LONG-TERM LIABILITIES—Continued**

Year Ending September 30,	Combination Tax and Revenue Certificates of Obligation Series 2020		
	Principal	Interest	Total
	2021	\$ 25,000	\$ 103,765
2022	45,000	82,075	127,075
2023	50,000	79,700	129,700
2024	50,000	77,200	127,200
2025	55,000	74,575	129,575
2026-2030	315,000	331,025	646,025
2031-2035	370,000	271,501	641,501
2036-2040	435,000	207,735	642,735
2041-2045	510,000	133,907	643,907
2046-2050	595,000	47,734	642,734
Totals	\$ 2,450,000	\$ 1,409,217	\$ 3,859,217

**Capital Lease Payable**

Also in 2020, the City's Fleet fund entered into a three year capital lease agreement for a piece of heavy equipment from John Deere. The lease obligation bears interest at 3.45%, and matures October 23, 2022, when the City will have the option to buy the equipment out right for a final payment of \$115,000.

Future minimum lease payments to John Deere are as follows:

Year Ending September 30,	John Deere Capital Lease Payable		
	Principal	Interest	Total
	2021	\$ 75,883	\$ 9,306
2022	78,522	6,647	85,169
2023	111,076	3,924	115,000
Totals	\$ 265,481	\$ 19,877	\$ 285,358

Changes to the business-type long term liabilities for the year ended September 30, 2020 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-type activities</b>					
Bonds payable					
General Obligation					
Refunding Bonds, Series 2012	\$ 1,095,000	\$ -	\$ (360,000)	\$ 735,000	\$ 365,000
Certificates of Obligation, Series 2014	7,244,000	-	(646,000)	6,598,000	662,000
Businesses-type activities long-term liabilities	\$ 8,339,000	\$ -	\$ (1,006,000)	\$ 7,333,000	\$ 1,027,000

**CITY OF DALHART, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 6 – LONG-TERM LIABILITIES—Continued**

**General Obligation Refunding Bonds, Series 2012**

In 2012, the City issued \$3,455,000 in General Obligation Refunding Bonds with interest rates ranging from 1.0% to 2.0%. The proceeds were used to advance refund \$3,370,000 of outstanding Certificates of Obligation, Series 2002 which had an interest rate at 3.07%. The net proceeds of \$3,425,000 (after payment of \$65,000 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. The refunding charge of \$55,000 is being amortized over the life of the bond and is reported as a deferred outflow of resources on the statement of net position.

The debt service requirements for the City's general obligation bonds are as follows:

Year Ending September 30,	General Obligation Refunding Bonds Series 2012		
	Principal	Interest	Total
2021	\$ 365,000	\$ 10,685	\$ 375,685
2022	370,000	3,700	373,700
Totals	\$ 735,000	\$ 14,385	\$ 749,385

The City advance refunded the Certificates of Obligation, Series 2002 obligations to reduce its total debt service payments over eleven years by \$610,473 and to obtain an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$211,687.

**Certificates of Obligation, Series 2014**

In 2014, the City issued \$9,673,000 in Combination Tax and Revenue Certificates of Obligation, Series 2014 with an interest rate of 2.49%. The proceeds will be used for construction improvements to the water and sewer infrastructure. The certificates will be repaid from ad valorem tax levied and revenue from the utility fund. For fiscal year ended September 30, 2020, no additional ad valorem taxes have been levied; the utility fund revenues will be used to repay the bond.

The debt service requirements for the City's certificates of obligation are as follows:

Year Ending September 30,	Combination Tax and Revenue Certificates of Obligation Series 2014		
	Principal	Interest	Total
2021	\$ 662,000	\$ 156,048	\$ 818,048
2022	679,000	139,353	818,353
2023	696,000	122,279	818,279
2024	714,000	104,680	818,680
2025	732,000	86,677	818,677
2026-2027	1,519,000	88,096	1,607,096
2028-2029	1,596,000	39,989	1,635,989
Totals	\$ 6,598,000	\$ 737,122	\$ 7,335,122

**CITY OF DALHART, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 7 – PENSION PLANS**

**Texas Municipal Retirement System (TMRS)**

All eligible non-fire department employees of the City must participate in the TMRS Plan. Disclosures regarding the City's liabilities, deferred inflows, and deferred outflows related to the plan required by GASB Statement No. 68 – Pension Reporting Requirements, are as follows:

Plan Description. The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

Benefits Provided. TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms. At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	75
Active employees	66
Total	176

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the 2020 fiscal year. The City's required matching contributions were calculated as 200% of the employees' contributions in fiscal year 2020. The City's contributions to TMRS for the year ended September 30, 2020 were \$136,056 and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%

**CITY OF DALHART, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 7 – PENSION PLANS—Continued**

**Texas Municipal Retirement System (TMRS)—Continued**

Actuarial assumptions—Continued

These actuarial assumptions used in the December 31, 2019 valuation were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. Economic assumptions used in the actuarial valuations are as follows.

*Discount/Crediting Rates, System-wide Investment Return Assumption:* 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers.

*Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts:* an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.

*Overall Payroll Growth – 2.75%* per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2008 to 2018, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%.

*Individual Salary Increases:* Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

*Annuity Increase:* The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the City of Dalhart annual annuity increases of 0.00% are assumed when calculating the TPL.

*Load for Updated Service Credit:* To reflect the asymmetric nature of the credits due to the USC provision, there is a load on the final average earnings used in the calculation of 0.1% per year into the future that the calculation is performed.

Demographic assumptions used in the actuarial valuations are as follows:

*Termination rates:* For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Dalhart the base table is then multiplied by a factor of 75.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 68%, 2) Police – 86%, or 3) Other – 108%. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For City of Dalhart the base table is then multiplied by a factor of 75.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 54%, 2) Police – 83%, or 3) Other – 113%.

*Forfeiture Rates:* (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates described above. The withdrawal rates for cities with a 2-to-1 match, like Dalhart, range between 20.7% and 40.2% based on age of the withdrawing member.

*Service Retirees and Beneficiary Mortality Rates:* For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100%.

**CITY OF DALHART, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 7 – PENSION PLANS—Continued**

**Texas Municipal Retirement System (TMRS)—Continued**

Actuarial assumptions—Continued

*Disabled Annuitant Mortality Rates:* For calculating the actuarial liability and the retirement contribution rates, the mortality tables for healthy retirees is used with a 4 year set -forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*Pre-Retirement Mortality:* For calculating the actuarial liability and the retirement contribution rates, the PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements.

*Annuity Purchase Rates:* For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) until 2027 are based on a mortality study performed in 2013, with the factors phasing into being based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. The current table of APRs is explicitly valued through 2032 and then it is assumed the APRs and the valuation mortality assumptions will be consistent over time. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries.

The following table summarizes changes in the Total Pension Liability and Plan Fiduciary Net Position (the difference of which is the Net Pension Liability) between the December 31, 2018 and December 31, 2019 measurement dates:

Changes in Net Pension Liability / (Asset)	Increase (Decrease)		Net Pension Liability / (Asset) (a) - (b)
	Total Pension Liability (a)	Fiduciary Net Position (b)	
Balances as of December 31, 2018	\$ 8,621,269	8,160,087	461,182
Changes for the year:			
Service cost	277,667	-	277,667
Interest on total pension liability	568,610	-	568,610
Change in benefit terms	-	-	-
Difference between expected and actual experience	(3,081)	-	(3,081)
Change in assumptions	35,077	-	35,077
Benefit payments, including refunds of employee contributions	(672,505)	(672,505)	-
Contributions- employer	-	135,222	(135,222)
Contributions- employee	-	144,468	(144,468)
Net investment income	-	1,257,909	(1,257,909)
Administrative expenses	-	(7,128)	7,128
Other	-	(213)	213
Balances as of December 31, 2019	<u>\$ 8,827,037</u>	<u>9,017,840</u>	<u>(190,803)</u>
Plan fiduciary net position as a percentage of the total pension liability			102.16%
Covered payroll		\$ 2,889,357	
Net pension liability/ (asset) as a percentage of covered payroll			-6.60%

**CITY OF DALHART, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 7 – PENSION PLANS—Continued**

**Texas Municipal Retirement System (TMRS)—Continued**

Sensitivity of the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ 917,842	\$ (190,803)	\$ (1,111,412)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the internet at [www.TMRS.com](http://www.TMRS.com).

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the City recognized pension expense of \$203,174. At September 30, 2020, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference in expected and actual experience	\$ (2,188)	\$ -
Change in assumptions	-	24,910
Difference in projected and actual earnings	(565,682)	-
Contributions made to TMRS subsequent to the measurement date	-	95,132
Total	\$ (567,870)	\$ 120,042

\$95,132 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2020	\$ (63,671)
2021	(7,167)
2022	28,963
2023	(141,419)
2024	-
Thereafter	-
Total	\$ (183,294)

Required Supplementary Information

The City is required to present its Schedule of Changes in its Net Pension Liability and Related Ratios which shows the changes in the Total Pension Liability and the Fiduciary Net Position, resulting in the Net Pension Asset as of September 30, 2020. This supplementary information beginning on page 39 includes further details regarding the actuarial assumptions for the December 31, 2019 valuation date.

**CITY OF DALHART, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued**

**Texas Emergency Services Retirement System (TESRS)**

Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. The System issues a stand-alone financial report that is available to the public at [www.tesrs.org](http://www.tesrs.org).

Of the nine-member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2019 there were 237 contributing fire and/or emergency service department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

Benefits Provided

Senate Bill 411, 65<sup>th</sup> Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79<sup>th</sup> Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

Covered Membership

On August 31, 2019, the pension system membership consisted of 13 non-participating vested members and 11 active participants.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

**CITY OF DALHART, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued**

**Texas Emergency Services Retirement System (TESRS)—Continued**

Funding Policy—Continued

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2019, the Part Two contribution rate was 0%, since the first actuarial valuation report after adoption of the rules showed in the System to have an adequate contribution arrangement without any Part Two contributions.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to the benefit payments paid by the System.

Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2019, total contributions (dues and prior service, and interest on financing of prior service) of \$13,154 were paid into TESRS by the City.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed below.

The most recently completed biennial actuarial valuation as of August 31, 2019 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one- third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$725,000 each year to pay for part of the System's administrative expenses.

Net Pension Liability

The City's net pension liability was measured as of August 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2019. Changes to the net pension liability for the year ended August 31, 2019 fall on the following page:

**CITY OF DALHART, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued**

**Texas Emergency Services Retirement System (TESRS)—Continued**

Net Pension Liability—Continued

Changes in Net Pension Liability / (Asset)	Increase (Decrease)		Net Pension (a) - (b)
	Total Pension Liability (a)	Fiduciary Net Position (b)	
Balances as of August 31, 2018	\$ 381,274	\$ 314,374	\$ 66,900
Changes for the year:			
Service cost	5,486	-	5,486
Interest on total pension liability	31,025	-	31,025
Change in benefit terms	-	-	-
Difference between expected and actual	-	-	-
Change in assumptions	-	-	-
Benefit payments, including refunds of	(18,910)	(18,910)	-
Employer contributions	-	10,233	(10,233)
State contributions	-	3,908	(3,908)
Net investment income	-	3,353	(3,353)
Administrative expenses	-	(667)	667
Other	-	3,248	(3,248)
Balances as of August 31, 2019	\$ <u>398,875</u>	\$ <u>315,539</u>	\$ <u>83,336</u>
Plan fiduciary net position as a percentage of the total pension liability			79.11%
Covered payroll			\$ 98,597
Net pension liability as a percentage of covered payroll			84.52%

Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using an inflation rate of 3.00% and an investment rate of return rate of 7.75%, net of pension plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 5.01%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption reflected a reduction of 0.22% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in table on the following page:

**CITY OF DALHART, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued**

**Texas Emergency Services Retirement System (TESRS)—Continued**

Actuarial Assumptions—Continued

Asset Class	Target Allocation (1)	Geometric Real Rate of Return (2)
US Equities		
Large cap domestic	32.00%	5.81%
Small cap domestic	15.00%	5.92%
Developed international	15.00%	6.21%
Emerging markets	5.00%	7.18%
Master limited partnership	5.00%	7.61%
Fixed income		
Domestic	23.00%	1.61%
Cash	0.00%	0.00%
Total	95.00%	
Weighted average		5.01%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2019 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
System's net pension liability	\$ 148,117	\$ 83,336	\$ 39,973

**CITY OF DALHART, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued**

**Texas Emergency Services Retirement System (TESRS)—Continued**

Pension Expense/ (Income)

The following shows a schedule of the pension expense recognized by the City through its adjustments to net pension liability and deferred inflows and outflows:

	<u>Year Ended August 31, 2019</u>
Service cost	\$ 5,486
Interest	31,025
Projected earnings on pension plan investments	(26,076)
Amortization of differences between projected and actual earnings on plan investments	8,473
Amortization of changes of assumptions	238
Amortization of differences between expected and actual experience	(65)
Pension plan administrative expense	<u>667</u>
Pension expense (income)	<u>\$ 19,747</u>

Deferred Inflows/ Outflows of Resources

Deferred inflows and outflows on the accompanying financial statements related to TESRS plan are made up of the following:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$ (101)	\$ -
Net difference between projected and actual investment earnings on pension plan investments	<u>-</u>	<u>10,732</u>
	<u>\$ (101)</u>	<u>\$ 10,732</u>

Net Inflow/Outflow for future years

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:

	<u>Net Deferred Outflows of Resources</u>
<u>Fiscal Year ended August 31,</u>	
2020	\$ 2,263
2021	1,186
2022	2,637
2023	<u>4,545</u>
	<u>\$ 10,631</u>

All assumptions for the August 31, 2019 pension disclosure are contained in the August 31, 2019 Audited Annual Financial Reports of Texas Emergency Services Retirement System, copies of which may be obtained at [www.tesrs.texas.gov](http://www.tesrs.texas.gov).

**CITY OF DALHART, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 8: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

Plan Description

The City of Dalhart voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a defined benefit group-term life insurance Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this system via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st. Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

Employees Covered by Benefit Terms

In the December 31, 2019 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive employees currently receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	8
Active employees	66
Total	98

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all the death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers.

Actuarial Methods and Assumptions

The SDBF OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases:	3.50% to 11.5% including inflation
Discount rate:	3.71%

Salary increases were based on a service-related table

*Discount Rate:* Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.

The SDBF's actuarial assumptions for Individual Salary Increases, Termination Rates, Forfeiture Rates, Service Retirees and Beneficiary Mortality Rates, Disabled Annuitant Mortality Rates, Pre-Retirement Mortality, Disability Rates, and Service Retirement Rates, applied to both Active and Inactive Members are the same as those described for the TMRS Pension Plan, in Note 7.

**CITY OF DALHART, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 8: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)—Continued**

Discount Rate

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 2.75% was used to measure the SDBF OPEB Liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2019.

Sensitivity of the SDBF OPEB Liability to Changes in the Discount Rate. The following schedule shows the impact of the SDBF OPEB liability if the discount rate used was 1% less than (1.75%) and 1% greater than (3.75%) the discount rate that was used (2.75%) in measuring the OPEB liability:

	1% Decrease <u>(1.75%)</u>	Current Discount Rate <u>(2.75%)</u>	1% Increase <u>(3.75%)</u>
Net pension liability	\$ <u>229,880</u>	\$ <u>192,949</u>	\$ <u>163,856</u>

OPEB Liability

At September 30, 2020, the City reported a liability of \$192,949 for its total SDBF OPEB liability. The total SDBF OPEB liability was determined by an actuarial valuation as of December 31, 2019. There were no changes of benefit terms that affected measurement of the Total SDBF Liability during the measurement period.

The total OPEB Liability was effected by the following changes between the December 31, 2018 and 2019 valuation dates is as follows:

<u>Changes in Total OPEB Liability</u>	
Balances as of December 31, 2018	\$ 154,507
Changes for the year:	
Service cost	6,357
Interest on total pension liability	5,823
Change in benefit terms	-
Difference between expected and actual experience	(1,688)
Change in assumptions	29,395
Benefit payments*	<u>(1,445)</u>
Balances as of December 31, 2019	\$ <u>192,949</u>
Covered payroll	2,889,357
Total OPEB Liability as a percentage of covered payroll	6.68%

\* Because the SDBF is considered an unfunded OPEB plan under GASB 75, benefit payments are equal to the employer's yearly contributions for retirees.

**CITY OF DALHART, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 8: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)—Continued**

OPEB Liability—Continued

At September 30, 2020, the City reported deferred outflows of resources related to the SDBF OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	
Difference in expected and actual experience	\$ (3,332)	\$ -	
Change in assumptions	-	23,884	
Totals	\$ (3,332)	\$ 23,884	

These deferred outflows of resources related to SDBF OPEB will be recognized in OPEB expense as follows:

<u>Year ended December 31:</u>		
2020	\$	4,169
2021		4,169
2022		4,169
2023		2,734
2024		3,908
Thereafter		1,403
Total	\$	20,552

**NOTE 9 – RISK OF LOSS**

The City is exposed to risks of loss from destruction of City property and from general liability incurred as a part of performing the City’s normal operations. The City is protected from these risks through insurance through the Texas Municipal Intergovernmental Risk Pool. The City’s loss exposure is limited to deductibles of \$1,000 to \$5,000 within specified aggregate limits. All claims exceeding the specified deductibles are the responsibility of Texas Municipal Intergovernmental Risk Pool and not the City. There have been no reductions in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City’s employees are covered under the Texas Municipal Intergovernmental Risk Pool. The City has no liability under the plan over and above normal premium contributions.

Health insurance is provided for City employees under a traditional plan through the Texas Municipal League. Any portion of health insurance premiums for employee’s spouses or dependents are paid for by the employee.

**NOTE 10 – ACCOUNTING FOR MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS**

State and federal laws and regulations require that most cities place a final cover on their landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure as required under subtitle D.

The Texas Natural Resource Conservation Commission and the EPA granted an Arid Exemption to qualifying landfills that extended the deadline for compliance with subtitle D until October 9, 1997. Arid exempt landfills were encouraged to cease operations prior to the October 9, 1997 deadline, therefore avoiding the costly requirements of subtitle D relating to the 30-year post-closure monitoring and maintenance. The City of Dalhart is a qualified Arid exempt landfill and by September 30, 1997, had designated the portion of their landfill used to that date closed and placed the final cover over that area. The City believes that the closed area of their landfill is not subject to the subtitle D post-closure requirements.

**CITY OF DALHART, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 10 – ACCOUNTING FOR MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS—Continued**

The remaining capacity of the City's landfill is estimated at 1,090,463.3 cubic yards. This remaining capacity will continue to be operated by the City as a Municipal Solid Waste Landfill and will be subject to the subtitle D requirements and should have a life of approximately 34.6 years. In addition to operating expenditures related to current activities of the landfill, a related liability is recognized based on estimated future closure and post-closure care costs that will be incurred near or after the date that the landfill no longer accepts solid waste. The estimated total current cost of the landfill closure and post-closure care of \$1,332,550 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2020. The estimated liability for closure and post-closure cost accrued on the City's books for the year ended September 30, 2020 was \$595,262, which is based on accumulated usage of the 76.86-acre landfill area. It is estimated that an additional \$753,278 will be recognized as closure and post-closure costs between the balance sheet date and the date that the landfill is filled to capacity. However, the actual cost of closure and post-closure care is subject to change due to inflation, change in technology, or changes in landfill laws and regulations. As of September 30, 2020, the City has used approximately 44% of the available landfill capacity. It is estimated that the landfill has a remaining life of 34.6 years.

The City recognized \$60,012 in Landfill remediation expense through the Sanitation department of the General fund for the year ended September 30, 2020, based on adjusting the total closure and post closure costs for inflation.

The City of Dalhart demonstrates financial assurance for closure and post-closure care cost associated with the landfill by using the financial test specified in Subchapter K of 31 Texas Administrative Code 330.285(g). The City believes that it meets all of the objectives of the financial test, and that no further action will be necessary to prove financial assurance.

**NOTE 11 – CONDUIT DEBT OBLIGATIONS**

During prior years, the City issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2020, there was one series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$2,950,000.

**NOTE 12 – DEFERRED COMPENSATION PLAN**

The City offers its employees an option to participate in a Deferred Compensation Program (Plan) created in accordance with Internal Revenue Code (IRC Section 457). Previously, IRC Section 457 had required that all amounts deferred by the Plan's participants remain solely the property and rights of the sponsoring municipality, subject only to the claims of the municipality's general creditors. As such, the assets of the Plan were reflected at market value within an agency fund.

IRC Section 457 was amended in 1996. The amendments require that in order to be considered an eligible plan, all assets and income of the Plan must be held in trust for the exclusive benefit of the participants and their beneficiaries. To comply with this requirement, the Plan entered into a trust and custody agreement with a third party to provide custodial services with respect to the assets of the Plan. Pursuant to GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, the assets of the Plan are no longer required to be reflected within an agency fund of the participating municipality. Accordingly, these assets are not reflected in the financial statements.

**CITY OF DALHART, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 13 – RESTRICTED NET POSITION**

Net Position is restricted for the following purposes in these amounts as of September 30, 2020:

• Public Safety:	<u>\$35,672</u>	
○ Police department state training funds:		\$3,096
○ Drug seizure funds:		\$6,430
○ Municipal court technology funds:		\$26,146
• Tourism and community development:	<u>\$342,079</u>	
○ Hotel/Motel Occupancy tax funds:		\$342,079
• Cemetery endowment fund:	<u>\$539,727</u>	
○ Non-expendable (original investment):		\$265,657
○ Expendable:		\$174,070

**NOTE 14—PRIOR PERIOD ADJUSTMENT**

It was discovered during the audit of the year ended September 30, 2020 that several years prior, the City's Airport fund conveyed ownership of 377.676 acres of land adjacent to the airport to the Dalhart Economic Development Corporation (the EDC), the City's discretely presented component unit. A prior period adjustment was made to remove the land from the Airport's books and establish it on the EDC's in the amount of \$52,612.

**NOTE 15—RECLASSIFICATIONS**

Certain line items in the financial statements as of and for the year ended September 30, 2020 have been reclassified as compared to the year ended September 30, 2019. Other than the prior period adjustment described in the preceding note, these reclassifications had no effect on the change in net position or fund balances of the City in either fiscal year.

**NOTE 16—NEW ACCOUNTING PRONOUNCEMENTS**

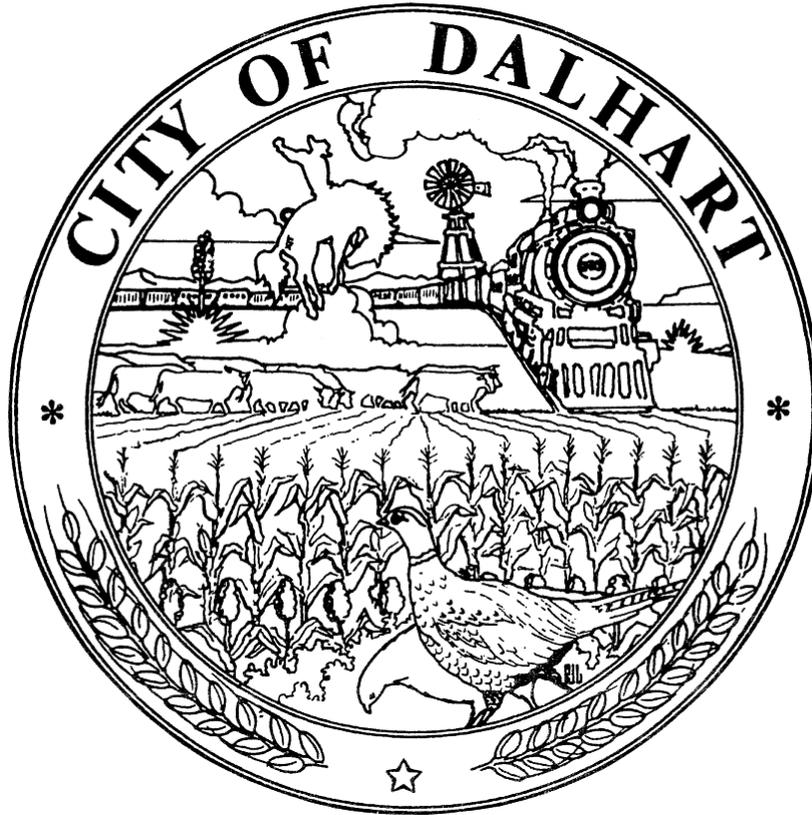
The Governmental Accounting Standards Board (GASB) issued the following statements effective for future fiscal periods as described below. The City is in the process of reviewing and evaluating these statements and their potential impact on the City's financial statements:

- Statement No. 87 "*Leases*" – This Statement is to improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the City in fiscal year 2021.
- Statement No. 89 "*Accounting for Interest Cost Incurred before the End of a Construction Period*" – This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires these interest costs be recognized as an expense in the period in which the cost is incurred instead of being included in the cost of capital assets reported in a business-type activity or enterprise fund. This Statement will become effective for the City in fiscal year 2021.

**NOTE 17– SUBSEQUENT EVENTS**

We have considered all events and transactions between the fiscal yearend of September 30, 2020 and the date this report was available to be issued, February 9, 2021, and found the following noteworthy:

- The Covid-19 pandemic has made an impact on the City of Dalhart, most notably the closure of City Hall since April 2020. Because the City has a drive-up window for business or utility bills, the negative effects have been limited. The public use of the Dalhart Coliseum has declined due to the limitations on large gatherings.





## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.



**CITY OF DALHART, TEXAS**  
**GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted	Actual	Variance
	Results	Results	From Budget
			Favorable/ (Unfavorable)
<b>REVENUES</b>			
Taxes			
Property	\$ 2,104,026	\$ 2,058,665	\$ (45,361)
Sales and use	1,865,000	2,017,585	152,585
Franchise	451,000	387,845	(63,155)
Mixed beverage	8,500	5,750	(2,750)
Licenses and permits	29,900	19,128	(10,772)
Fines and forfeitures	80,800	58,725	(22,075)
Intergovernmental	204,800	301,610	96,810
Charges for services	1,197,550	1,275,185	77,635
Investment earnings	60,000	59,837	(163)
Grants and contributions	97,581	121,429	23,848
Miscellaneous	34,000	52,129	18,129
Total revenues	<u>6,133,157</u>	<u>6,357,888</u>	<u>224,731</u>
<b>EXPENDITURES</b>			
Current:			
General administrative	1,084,808	1,026,307	58,501
Judicial	42,969	33,038	9,931
Public safety:			
Police	1,873,014	1,672,027	200,987
Fire	486,561	384,195	102,366
Ambulance	38,500	38,164	336
Street	1,144,776	803,063	341,713
Garage	226,558	281,311	(54,753)
Sanitation	1,068,452	1,056,794	11,658
Culture and recreation:			
Swimming pool	87,265	18,076	69,189
Parks and cemetery	267,227	277,219	(9,992)
Promotion and tourism	-	-	
Capital Outlay	639,600	165,365	474,235
Interest and fiscal charges	-	63,428	(63,428)
Total expenditures	<u>6,959,730</u>	<u>5,818,987</u>	<u>1,140,743</u>
<b>EXCESS (DEFICIENCY) OF REVENUE</b>			
<b>OVER EXPENDITURES</b>	<u>(826,573)</u>	<u>538,901</u>	<u>1,365,474</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from issuance of debt	2,502,419	2,565,847	63,428
Transfers in	123,714	123,714	-
Total other financing sources (uses)	<u>2,626,133</u>	<u>2,689,561</u>	<u>63,428</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 1,799,560</u>	<u>\$ 3,228,462</u>	<u>\$ 1,428,902</u>

**CITY OF DALHART, TEXAS**  
**WATER AND SEWER FUND SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Budgeted</u> <u>Results</u>	<u>Actual</u> <u>Results</u>	Variance From Budget Favorable/ (Unfavorable)
<b>OPERATING REVENUES</b>			
Charges for Sales and Services			
Water sales	\$ 2,610,000	\$ 2,705,145	\$ 95,145
Sewer charges	760,000	687,517	(72,483)
Water service charges	25,000	18,726	(6,274)
Tap fees and penalties	40,000	49,132	9,132
Total operating revenues	<u>3,435,000</u>	<u>3,460,520</u>	<u>25,520</u>
<b>OPERATING EXPENSES</b>			
Personnel services	784,321	545,279	239,042
Material and supplies	1,284,044	1,090,607	193,437
Contracted services	65,000	62,500	2,500
Amortization	-	5,500	(5,500)
Depreciation	-	627,980	(627,980)
Capital Outlay	518,841	-	518,841
Total operating expenses	<u>2,652,206</u>	<u>2,331,866</u>	<u>320,340</u>
<b>OPERATING INCOME (LOSS)</b>	<u>782,794</u>	<u>1,128,654</u>	<u>345,860</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment earnings	21,300	12,097	(9,203)
Miscellaneous revenues	5,000	2,734	(2,266)
Insurance proceeds	-	-	-
Interest expense	(189,183)	(181,019)	8,164
Net non- operating revenues (expenses)	<u>(162,883)</u>	<u>(166,188)</u>	<u>(3,305)</u>
<b>INCOME BEFORE TRANSFERS</b>	619,911	962,466	342,555
<b>TRANSFERS OUT</b>	<u>(189,000)</u>	<u>(189,000)</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 430,911</u>	<u>\$ 773,466</u>	<u>\$ 342,555</u>

**CITY OF DALHART, TEXAS**  
**AIRPORT FUND SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Budgeted</u> <u>Results</u>	<u>Actual</u> <u>Results</u>	Variance From Budget Favorable/ (Unfavorable)
<b>OPERATING REVENUES</b>			
Charges for Sales and Services			
Fuel and oil commissions	\$ 21,316	\$ 14,570	\$ (6,746)
Lease rentals	<u>12,300</u>	<u>6,502</u>	<u>(5,798)</u>
Total operating revenues	<u>33,616</u>	<u>21,072</u>	<u>(12,544)</u>
<b>OPERATING EXPENSES</b>			
Material and supplies	33,866	24,333	9,533
Depreciation	<u>-</u>	<u>347,684</u>	<u>(347,684)</u>
Total operating expenses	<u>33,866</u>	<u>372,017</u>	<u>(338,151)</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(250)</u>	<u>(350,945)</u>	<u>350,695</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Investment earnings	250	138	(112)
Insurance proceeds	<u>-</u>	<u>465,208</u>	<u>465,208</u>
Net non- operating revenues (expenses)	<u>250</u>	<u>465,346</u>	<u>465,096</u>
<b>INCOME BEFORE TRANSFERS</b>	-	114,401	114,401
<b>TRANSFERS IN</b>	<u>23,000</u>	<u>-</u>	<u>(23,000)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 23,000</u>	<u>\$ 114,401</u>	<u>\$ 91,401</u>

**CITY OF DALHART, TEXAS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED, AS AVAILABLE)**

	For the Years Ended December 31,					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 277,667	\$ 269,758	\$ 261,179	\$ 247,878	\$ 220,984	\$ 182,792
Interest on total pension liability	568,610	547,554	518,460	500,833	490,089	462,911
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(3,081)	19,429	48,237	(62,125)	169,542	-
Change in assumptions	35,077	-	-	-	(84,135)	40,531
Benefit payments/refunds of contributions	(672,505)	(385,018)	(417,268)	(446,900)	(336,022)	(298,123)
Net change in total pension liability	205,768	451,723	410,608	239,686	460,458	388,111
Total pension liability, beginning	8,621,269	8,169,546	7,758,938	7,519,252	7,058,794	6,670,683
Total pension liability, ending (a)	\$ 8,827,037	\$ 8,621,269	\$ 8,169,546	\$ 7,758,938	\$ 7,519,252	\$ 7,058,794
Fiduciary Net Position						
Employer contributions	\$ 135,222	\$ 129,997	\$ 127,351	\$ 97,495	\$ 94,173	\$ 99,158
Member contributions	144,468	139,482	134,906	133,555	124,568	113,454
Investment income net of investment expenses	1,257,909	(254,889)	1,056,246	496,933	11,030	409,471
Benefit payments/refunds of contributions	(672,505)	(385,018)	(417,268)	(446,900)	(336,022)	(298,123)
Administrative expenses	(7,128)	(4,942)	(5,488)	(5,621)	(6,721)	(4,276)
Other	(213)	(258)	(278)	(303)	(332)	(352)
Net change in fiduciary net position	857,753	(375,628)	895,469	275,159	(113,304)	319,332
Fiduciary net position, beginning	8,160,087	8,535,715	7,640,246	7,365,087	7,478,391	7,159,059
Fiduciary net position, ending (b)	\$ 9,017,840	\$ 8,160,087	\$ 8,535,715	\$ 7,640,246	\$ 7,365,087	\$ 7,478,391
Net pension liability / (asset), ending = (a) - (b)	\$ (190,803)	\$ 461,182	\$ (366,169)	\$ 118,692	\$ 154,165	\$ (419,597)
Fiduciary net position as a percentage of total pension liability	102.16%	94.65%	104.48%	98.47%	97.95%	105.94%
Pensionable covered payroll	\$ 2,889,357	\$ 2,789,643	\$ 2,698,125	\$ 2,555,448	\$ 2,491,364	\$ 2,269,071
Net pension liability as a percentage of covered payroll	-6.60%	16.53%	-13.57%	4.64%	6.19%	-18.49%

**CITY OF DALHART, TEXAS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED, AS AVAILABLE)**

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a percentage of Covered Payroll
2014 \$	99,158	\$ 99,158	-	\$ 2,269,071	4.37%
2015	94,173	94,173	-	2,491,364	3.78%
2016	97,495	97,495	-	2,555,448	3.82%
2017	127,351	127,351	-	2,698,125	4.72%
2018	129,997	129,997	-	2,789,643	4.66%
2019	135,222	135,222	-	2,889,357	4.68%

**NOTES TO THE SCHEDULE OF CONTRIBUTIONS**

<b>Valuation Date</b>	Actuarially determined contribution rates are calculated as of December 31, and become effective in January, 13 months later.
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	Level percentage of payroll, closed
<b>Asset Valuation Method</b>	10 year smoothed market; 12% soft corridor
<b>Inflation</b>	2.5%
<b>Investment Rate of Return</b>	6.75%
<b>Salary Increases</b>	3.50% to 11.5% including inflation
<b>Retirement Age</b>	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
<b>Mortality</b>	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**CITY OF DALHART, TEXAS**  
**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED, AS AVAILABLE)**

	For the Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability:</b>						
Service Cost	\$ 5,486	\$ 4,924	\$ 3,968	\$ 4,829	\$ 4,100	\$ 4,880
Interest on total pension liability	31,025	30,604	23,576	25,371	20,499	21,497
Effect of plan changes	-	8,730	-	2,058	-	-
Effect of assumption changes or inputs	-	(280)	-	184	-	-
Effect of economic/demographic (gains) or losses	-	-	-	2,537	-	-
Benefit payments/ refunds of contributions	(18,910)	(18,044)	(12,530)	(13,400)	(10,887)	(11,130)
Change in allocation percentage	-	-	(10,488)	49,674	(27,463)	-
Net change in total pension liability	17,601	25,934	4,526	71,253	(13,751)	15,247
Total pension liability, beginning	381,274	355,340	350,814	279,561	293,312	278,065
Total pension liability, ending (a)	<u>\$ 398,875</u>	<u>\$ 381,274</u>	<u>\$ 355,340</u>	<u>\$ 350,814</u>	<u>\$ 279,561</u>	<u>\$ 293,312</u>
<b>Fiduciary Net Position:</b>						
Employer contributions	10,233	12,665	12,480	9,871	8,508	11,153
State contributions	3,908	4,107	3,944	4,514	3,962	4,086
Investment income net of investment expenses	3,353	34,960	24,343	14,127	(7,969)	31,795
Benefit payments/ refunds of contributions	(18,910)	(18,044)	(12,530)	(13,400)	(10,887)	(11,130)
Administrative expenses	(667)	(489)	(459)	(475)	(522)	(442)
Other	3,248	-	-	-	-	-
Change in allocation percentage	-	(14,401)	-	38,196	(22,921)	-
Net change in fiduciary net position	1,165	18,798	27,778	52,833	(29,829)	35,462
Fiduciary net position, beginning	314,374	295,576	267,798	214,965	244,794	209,332
Fiduciary net position, ending (b)	<u>\$ 315,539</u>	<u>\$ 314,374</u>	<u>\$ 295,576</u>	<u>\$ 267,798</u>	<u>\$ 214,965</u>	<u>\$ 244,794</u>
<b>Net pension liability (asset) ending (a) - (b)</b>	<u>\$ 83,336</u>	<u>\$ 66,900</u>	<u>\$ 59,764</u>	<u>\$ 83,016</u>	<u>\$ 64,596</u>	<u>\$ 48,518</u>
<b>Fiduciary net position as a % of total pension liability</b>	79.11%	82.45%	83.18%	76.34%	76.89%	83.46%
<b>Number of active members</b>	11	11	31	31	30	30
<b>Net pension liability per active member</b>	\$ 7,576	\$ 6,082	\$ 1,928	\$ 2,678	\$ 2,153	\$ 1,617

**CITY OF DALHART, TEXAS  
 TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED, AS AVAILABLE)**

Year Ending August 31,	Determined Contribution	Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 18,444	\$ 18,444	\$ -	\$ 82,414	22.4%
2015	6,974	6,974	-	88,067	7.9%
2016	13,250	13,250	-	88,798	14.9%
2017	22,823	22,823	-	93,302	24.5%
2018	18,122	18,122	-	93,302	19.4%
2019	13,154	13,154	-	98,597	13.3%

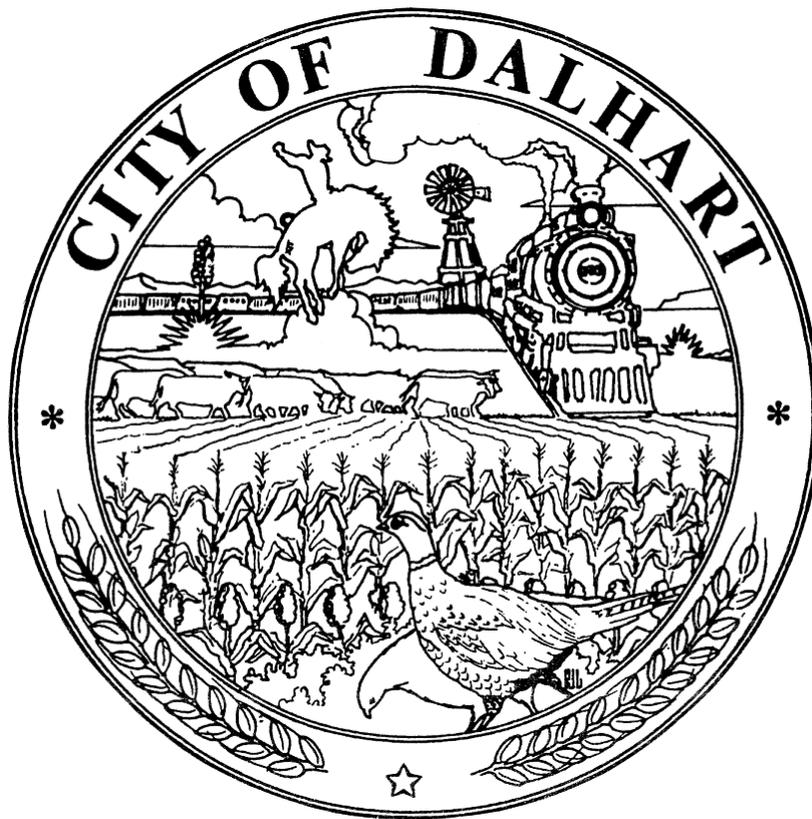
**NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS**

The schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown. The money-weighted rate of return expresses investment performance, net of investment expenses, reflecting the changing amounts actually invested during the year.

**CITY OF DALHART, TEXAS  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS  
LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED, AS AVAILABLE)**

	For the Years Ended December 31,		
	2019	2018	2017
Changes in the Total OPEB Liability			
Total OPEB Liability-- Beginning of year	\$ 154,507	\$ 156,608	\$ 135,469
Changes for the year:			
Service cost	6,357	6,695	5,666
Interest on total OPEB liability	5,823	5,276	5,202
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(1,688)	(2,815)	-
Change in assumptions or other inputs	29,395	(10,141)	11,620
Benefit payments*	<u>(1,445)</u>	<u>(1,116)</u>	<u>(1,349)</u>
Net changes	<u>38,442</u>	<u>(2,101)</u>	<u>21,139</u>
Total OPEB Liability-- End of year	<u>\$ 192,949</u>	<u>\$ 154,507</u>	<u>\$ 156,608</u>
 Covered Payroll	 2,889,357	 2,789,643	 2,698,125
 Total OPEB Liability as a Percentage of Covered Payroll	 6.68%	 5.54%	 5.80%

\* Because the SDBF is considered an unfunded OPEB plan under GASB 75, benefit payments are equal to the employer's yearly contributions for retirees.





# **COMBINING STATEMENTS INDIVIDUAL FUND FINANCIAL STATEMENTS AS SUPPLEMENTARY INFORMATION**

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standard Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.



## **NON-MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Hotel/Motel Occupancy Tax Fund – To account for and report revenues derived from a 5% tax levied on gross hotel/motel receipts. Under City policy, such funds are used for the purposes of advertising and promoting tourist travel conventions to the City of Dalhart.

Community Development Fund – To account for and report revenues derived from a voluntary \$1.00 Community Development fee per water customer. Under City policy, such funds are used for the purpose of promoting community activities and assisting with community projects.

Rita Blanca Park Fund – To account for and report operations of the Rita Blanca Lake area. This area was contributed to the City by Hartley and Dallam Counties.

Drug Seizure Fund – To account for assets confiscated in drug related cases. The assets are to be used for law enforcement purposes such as equipment and training.

Police Department State Training Fund – To account for and report revenue derived from state grants.

Municipal Court Technology Fund – To account for and report revenues from technology fees collected by the court from defendants convicted of a misdemeanor offense. The revenues may be used only to finance the purchase of technology enhancements for a municipal court.

Fleet Fund – To account for and report financial activity for the purchase and maintenance of all vehicles and heavy equipment of the City. Ownership of such assets, and the related depreciation expenses for Government Wide financial reporting purpose, belong to the Fleet fund.

### **PERMANENT FUND**

Cemetery Fund – This fund is used to account for and report principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

**CITY OF DALHART, TEXAS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020**

	Hotel/Motel Occupancy Tax	Community Development	Rita Blanca Park	Drug Seizure	Police Department State Training	Municipal Court Tech	Fleet	Total Nonmajor Special Revenue Funds	Cemetery Care	Total Nonmajor Governmental Funds
<b>ASSETS</b>										
Cash and cash equivalents	\$ 207,444	\$ 75,752	\$ 20,429	\$ 6,430	\$ 3,096	\$ 26,146	\$ 487,416	\$ 826,713	\$ 416,404	\$ 1,243,117
Investments	-	36,003	2,250	-	-	-	283,502	321,755	123,323	445,078
Accounts Receivable	74,955	5,265	-	-	-	-	-	80,220	-	80,220
Due from other funds	68,624	25,059	-	-	-	-	661,240	754,923	-	754,923
Total assets	<u>\$ 351,023</u>	<u>\$ 142,079</u>	<u>\$ 22,679</u>	<u>\$ 6,430</u>	<u>\$ 3,096</u>	<u>\$ 26,146</u>	<u>\$ 1,432,158</u>	<u>\$ 1,983,611</u>	<u>\$ 539,727</u>	<u>\$ 2,523,338</u>
<b>LIABILITIES</b>										
Accounts payable	\$ 10,100	-	\$ 33,017	-	-	-	-	\$ 43,117	-	\$ 43,117
Accrued payroll liabilities	-	-	8,004	-	-	-	-	8,004	-	8,004
Customer deposits	-	-	10,814	-	-	-	-	10,814	-	10,814
Due to other funds	-	-	1,627	-	-	-	-	1,627	-	1,627
Unearned revenue	200,975	1,156	-	-	-	-	-	202,131	-	202,131
Total liabilities	211,075	1,156	53,462	-	-	-	-	265,693	-	265,693
<b>FUND BALANCES</b>										
Restricted	139,948	-	-	6,430	3,096	26,146	-	175,620	539,727	715,347
Assigned	-	140,923	(30,783)	-	-	-	1,432,158	1,542,298	-	1,542,298
Total fund balance	139,948	140,923	(30,783)	6,430	3,096	26,146	1,432,158	1,717,918	539,727	2,257,645
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 351,023</u>	<u>\$ 142,079</u>	<u>\$ 22,679</u>	<u>\$ 6,430</u>	<u>\$ 3,096</u>	<u>\$ 26,146</u>	<u>\$ 1,432,158</u>	<u>\$ 1,983,611</u>	<u>\$ 539,727</u>	<u>\$ 2,523,338</u>

**CITY OF DALHART, TEXAS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Hotel/Motel Occupancy Tax	Community Development	Rita Blanca Park	Drug Seizure	Police Department State Training	Municipal Court Tech	Fleet	Total Nonmajor Special Revenue Funds	Cemetery Care	Total Nonmajor Governmental Funds
<b>REVENUES</b>										
Taxes	\$ 487,759	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 487,759	\$ -	\$ 487,759
Charges for services	-	-	56,715	-	-	-	-	56,715	18,710	75,425
Fines and forfeitures	-	-	-	-	-	4,913	-	4,913	-	4,913
Intergovernmental	-	-	115,000	-	-	-	727,921	842,921	-	842,921
Investment earnings	135	460	289	-	4	-	3,338	4,226	7,151	11,377
Grants and contributions	-	47,926	-	-	-	-	-	47,926	1,108	49,034
Miscellaneous	-	-	35,755	6,399	1,519	-	-	43,673	-	43,673
<b>Total revenues</b>	<b>487,894</b>	<b>48,386</b>	<b>207,759</b>	<b>6,399</b>	<b>1,523</b>	<b>4,913</b>	<b>731,259</b>	<b>1,488,133</b>	<b>26,969</b>	<b>1,515,102</b>
<b>EXPENDITURES</b>										
Police	-	-	-	1,441	-	-	-	1,441	-	1,441
Culture and recreation										
Parks and cemetery	-	-	322,588	-	-	-	-	322,588	-	322,588
Promotion and tourism	344,060	20,828	-	-	-	-	-	364,888	-	364,888
Capital outlay	-	-	-	-	-	-	1,057,071	1,057,071	-	1,057,071
Debt service	-	-	-	-	-	-	85,169	85,169	-	85,169
Miscellaneous	-	-	-	-	-	-	6,624	6,624	61	6,685
<b>Total expenditures</b>	<b>344,060</b>	<b>20,828</b>	<b>322,588</b>	<b>1,441</b>	<b>-</b>	<b>-</b>	<b>1,148,864</b>	<b>1,837,781</b>	<b>61</b>	<b>1,837,842</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>143,834</b>	<b>27,558</b>	<b>(114,829)</b>	<b>4,958</b>	<b>1,523</b>	<b>4,913</b>	<b>(417,605)</b>	<b>(349,648)</b>	<b>26,908</b>	<b>(322,740)</b>
<b>OTHER FINANCING SOURCES</b>										
Proceeds from capital lease	-	-	-	-	-	-	350,650	350,650	-	350,650
Transfers in (out)	-	-	96,986	-	-	-	-	96,986	(21,700)	75,286
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>96,986</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>350,650</b>	<b>447,636</b>	<b>(21,700)</b>	<b>425,936</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>143,834</b>	<b>27,558</b>	<b>(17,843)</b>	<b>4,958</b>	<b>1,523</b>	<b>4,913</b>	<b>(66,955)</b>	<b>97,988</b>	<b>5,208</b>	<b>103,196</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>(3,886)</b>	<b>113,365</b>	<b>(12,940)</b>	<b>1,472</b>	<b>1,573</b>	<b>21,233</b>	<b>1,499,113</b>	<b>1,619,930</b>	<b>534,519</b>	<b>2,154,449</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 139,948</b>	<b>\$ 140,923</b>	<b>\$ (30,783)</b>	<b>\$ 6,430</b>	<b>\$ 3,096</b>	<b>\$ 26,146</b>	<b>\$ 1,432,158</b>	<b>\$ 1,717,918</b>	<b>\$ 539,727</b>	<b>\$ 2,257,645</b>

**FIDUCIARY FUNDS**

**PRIVATE-PURPOSE TRUST FUNDS**

Cleo Jenkins Scholarship Fund—To account for a bequest of funds and for additional contributions to provide scholarships for higher education for young people in Dallam and Hartley Counties, Texas.

Bonnie Dejarnett Scholarship Fund—To account for a bequest of funds and for additional contributions to provide scholarships for higher education for young people in Dallam and Hartley Counties, Texas.

**CITY OF DALHART, TEXAS  
COMBINING SCHEDULE OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS  
SEPTEMBER 30, 2020**

	<u>Cleo Jenkins Scholarship Fund</u>	<u>Bonnie Dejarnett Scholarship Fund</u>	<u>Total Private-Purpose Trust Funds</u>
<b>ASSETS</b>			
Pooled cash and cash equivalents	\$ -	\$ 327,801	\$ 327,801
Investments	-	641,270	641,270
Interest receivable	-	2,138	2,138
Total assets	<u>\$ -</u>	<u>\$ 971,209</u>	<u>\$ 971,209</u>
<b>NET POSITION</b>			
Net position held for scholarship benefits	<u>\$ -</u>	<u>\$ 971,209</u>	<u>\$ 971,209</u>
Total net position	<u>\$ -</u>	<u>\$ 971,209</u>	<u>\$ 971,209</u>

**CITY OF DALHART, TEXAS  
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Cleo Jenkins Scholarship Fund</u>	<u>Bonnie Dejarnett Scholarship Fund</u>	<u>Total Private-Purpose Trust Funds</u>
<b>ADDITIONS</b>			
Contributions	\$ 67	\$ -	\$ 67
Investment earnings			
Interest	-	13,925	13,925
Total additions	<u>67</u>	<u>13,925</u>	<u>13,992</u>
<b>DEDUCTIONS</b>			
Scholarship grants	-	3,000	3,000
Administrative services and charges	3,447	13	3,460
Total deductions	<u>3,447</u>	<u>3,013</u>	<u>6,460</u>
CHANGE IN NET POSITION	(3,380)	10,912	7,532
NET POSITION, BEGINNING	<u>3,380</u>	<u>960,297</u>	<u>963,677</u>
NET POSITION, ENDING	<u>\$ -</u>	<u>\$ 971,209</u>	<u>\$ 971,209</u>

# **COMPLIANCE AND INTERNAL CONTROL SECTION**





3444 North First Street, Suite 404  
Abilene, Texas 79603  
325-268-1033

To the Honorable Mayor and City  
Council of the City of Dalhart, 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 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 business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Dalhart, Texas (The City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Dalhart, Texas' basic financial statements, and have issued our report thereon dated February 9, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Dalhart, Texas' internal control over financial reporting 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 the City of Dalhart, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dalhart, 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 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 the 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 City of Dalhart, 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 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 City of Dalhart, Texas' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dalhart, Texas' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Fullerton & Associates, PLLC*

Fullerton & Associates, PLLC  
February 9, 2021