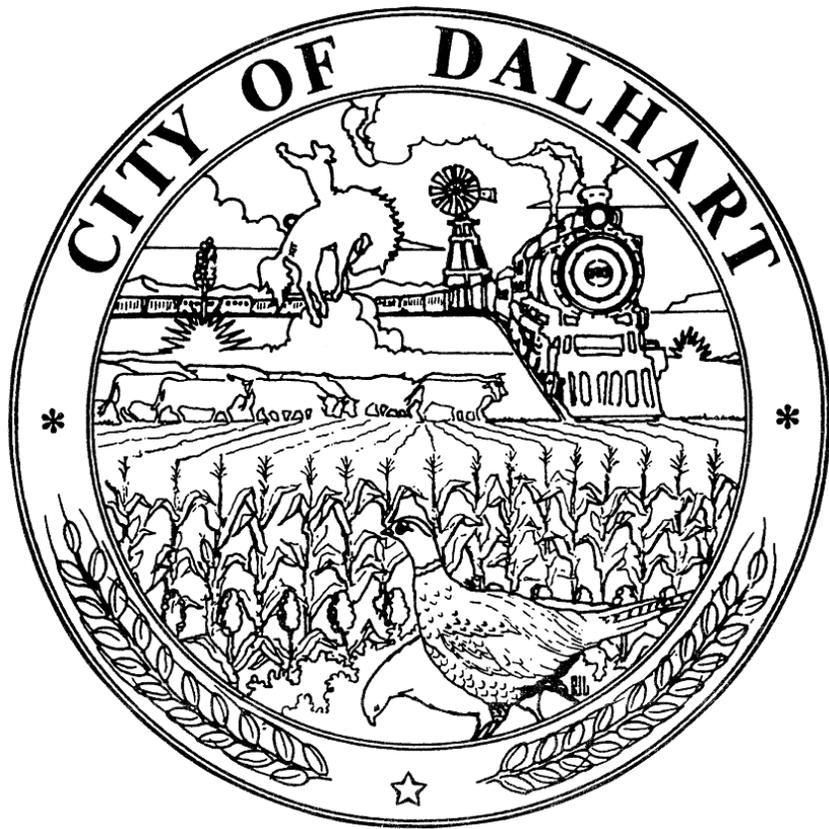


CITY OF DALHART, TEXAS

Annual Financial Report

**For the Year Ended
September 30, 2016**

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



**CITY OF DALHART, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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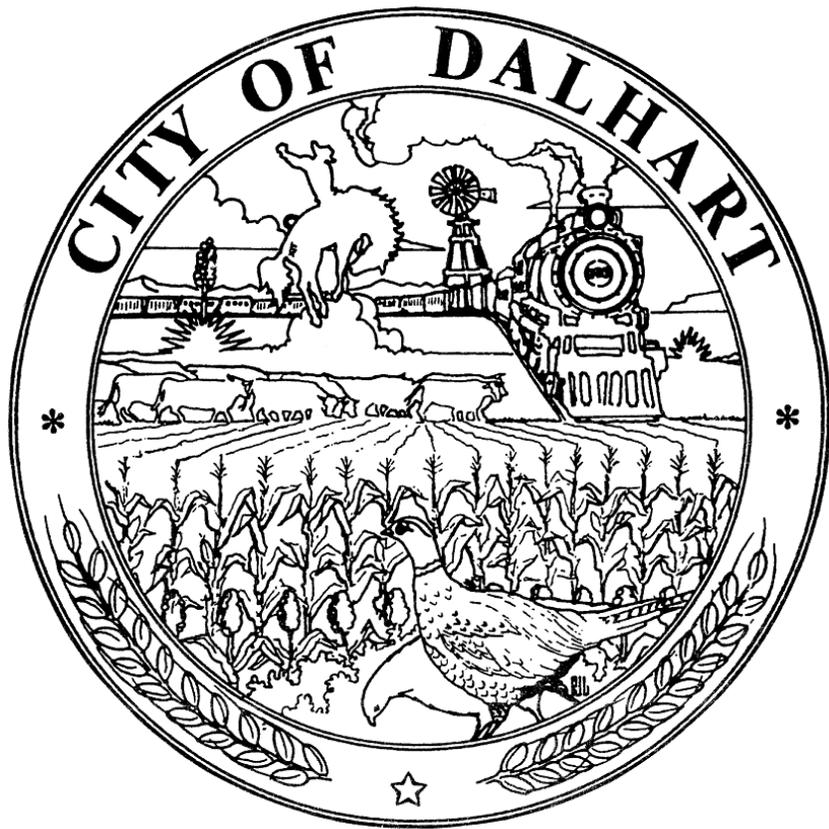
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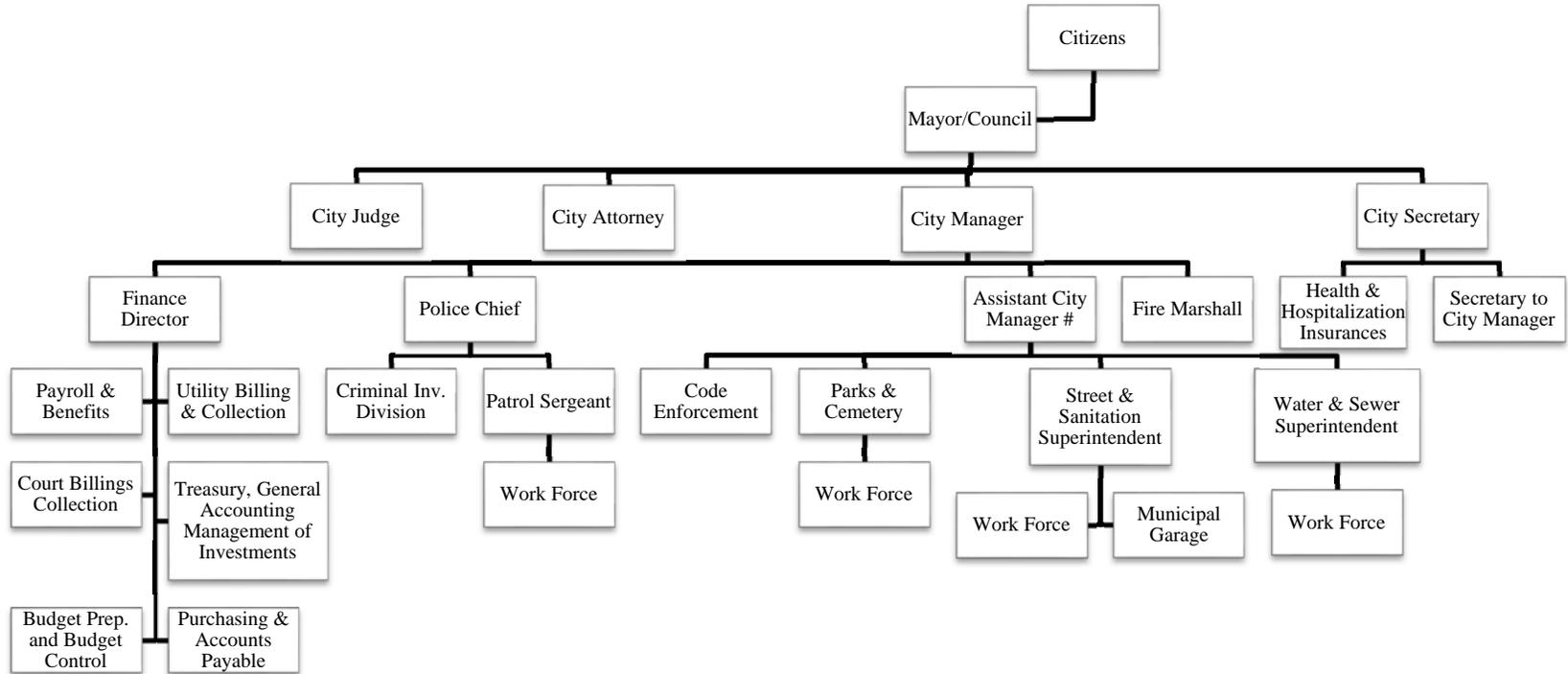
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INTRODUCTORY SECTION

CITY OF DALHART
 ORGANIZATIONAL STRUCTURE AND
 CHARTS OF AREAS OF RELATED WORK



- position is currently vacant

CITY OF DALHART, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2016

ELECTED OFFICIALS

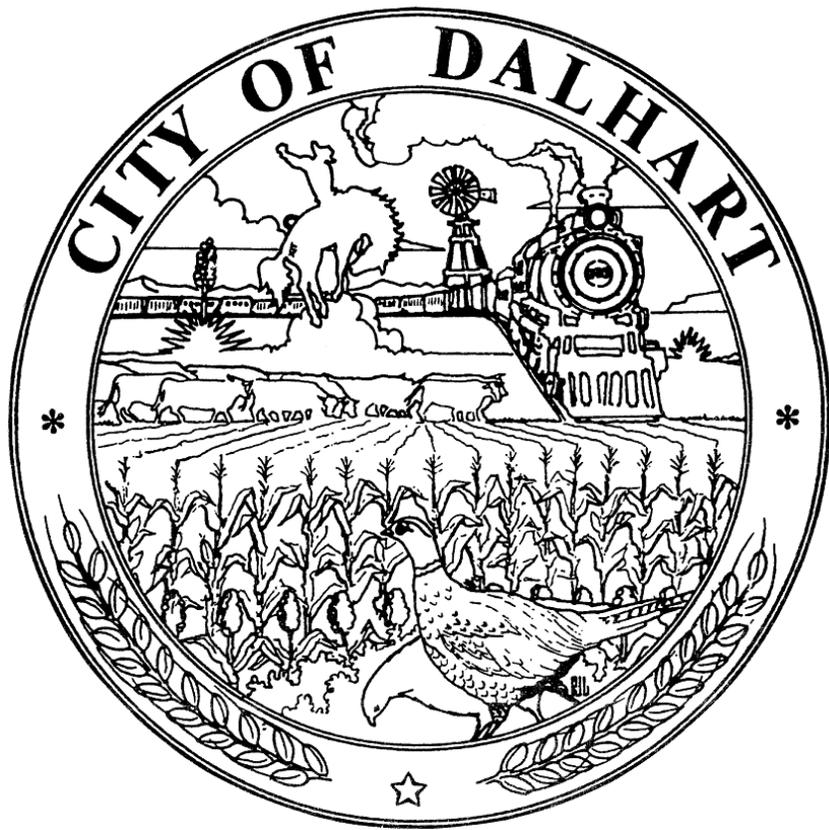
Phillip Hass
Rusty Hancock
Kerry Miller
Brian Walton
Wyatt Russell
Sherri Haschke
Bryan Brewer
Tim Yee
Clinton Hale

Mayor
Council Member
Council Member

APPOINTED OFFICIALS

James Stroud
Frances Childers
Brent Walker
David Conner
Curtis Brown
Gilbert Ramirez
Dennis Rojas
Jeff Degenhart
David Gonzales
Greg Oelke
Coy Gergen

City Manager
City Secretary
Finance Director
Police Chief
Fire Marshall
Parks & Cemetery Superintendent
Public Works Director
Water & Sewer Superintendent
Street & Sanitation Superintendent
City Attorney
Municipal Court Judge



FINANCIAL SECTION



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

INDEPENDENT AUDITORS' REPORT

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, 2016, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2016, 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 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

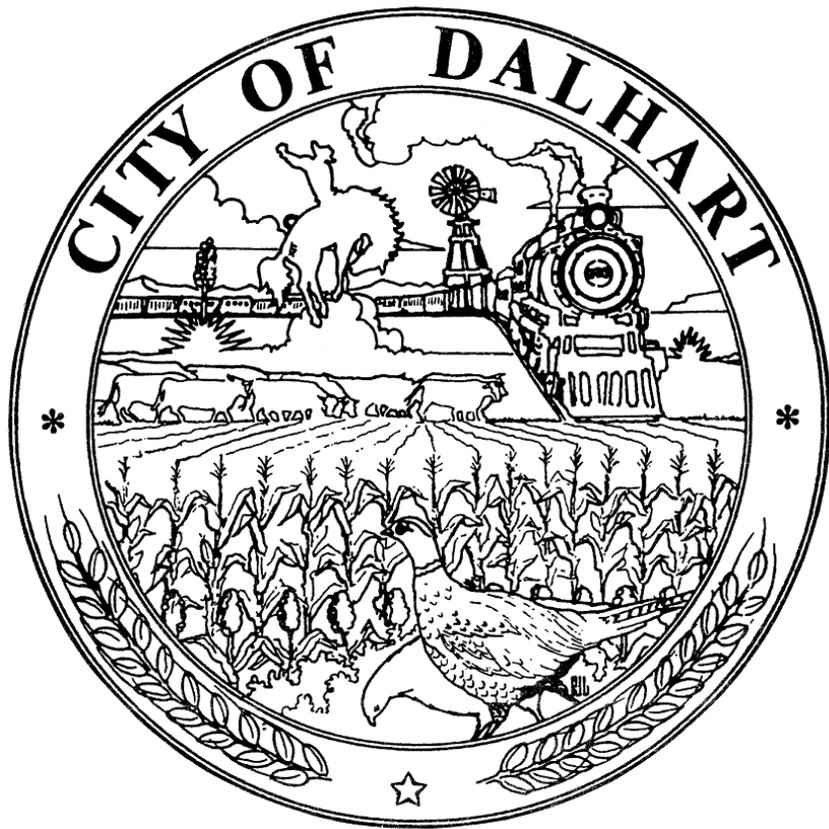
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dalhart, Texas' financial statements as a whole. The combining non-major fund financial statements listed under other supplementary information in the accompanying table of contents 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 July 24, 2017, 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.

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

DOSHIER, PICKENS & FRANCIS, LLC
July 24, 2017



BASIC FINANCIAL STATEMENTS

CITY OF DALHART, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
ASSETS				
Cash and cash equivalents	\$ 2,561,628	\$ 43,513	\$ 2,605,141	\$ 1,523,509
Investments	1,800,000	1,000,000	2,800,000	-
Receivables (net of allowances for uncollectible)	1,155,566	313,701	1,469,267	110,492
Due from other funds	250,000	-	250,000	-
Inventories	4,200	-	4,200	-
Prepaid items	16,903	-	16,903	-
Notes receivable, noncurrent	27,067	-	27,067	-
Restricted assets:				
Cash and cash equivalents	-	9,365,203	9,365,203	-
Capital assets not being depreciated:				
Land	541,457	283,969	825,426	-
Construction in progress	919,610	373,376	1,292,986	-
Capital assets, net of accumulated depreciation:				
Buildings and improvements	2,088,063	2,359,929	4,447,992	-
Vehicles	1,251,789	133,842	1,385,631	-
Machinery and equipment	716,502	1,300,319	2,016,821	-
Infrastructure	1,142,511	6,187,171	7,329,682	-
Total assets	12,475,296	21,361,023	33,836,319	1,634,001
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	31,167	31,167	-
Pension contributions	60,385	15,765	76,150	-
Pension economic/demographic losses	12,019	3,548	15,567	-
Pension deficient earnings	368,020	105,963	473,983	-
Pension assumption changes	86,227	25,451	111,678	-
Total deferred outflows of resources	526,651	181,894	708,545	-
LIABILITIES				
Accounts payable	324,233	150,889	475,122	-
Due to other funds	-	250,000	250,000	-
Accrued liabilities	54,244	8,684	62,928	-
Deposits payable	12,638	160,020	172,658	-
Accrued interest	-	30,281	30,281	-
Net pension liability	183,628	35,133	218,761	-
Noncurrent liabilities:				
Due within one year	11,893	941,394	953,287	-
Due in more than one year	553,447	10,305,548	10,858,995	-
Total liabilities	1,140,083	11,881,949	13,022,032	-
DEFERRED INFLOWS OF RESOURCES				
Pension economic/demographic gains	42,790	12,630	55,420	-
Total deferred inflows of resources	42,790	12,630	55,420	-
NET POSITION				
Net investment in capital assets	6,659,932	8,620,789	15,280,721	-
Restricted:				
Cemetery perpetual care - nonexpendable	265,657	-	265,657	-
Cemetery perpetual care - expendable	240,319	-	240,319	-
Economic development - expendable	-	-	-	1,634,001
Unrestricted	4,653,166	1,027,549	5,680,715	-
Total net position	\$ 11,819,074	\$ 9,648,338	\$ 21,467,412	\$ 1,634,001

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, 2016**

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position						
		Program Revenues			Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
Primary Government:								
Governmental activities:								
General government	\$ 888,160	\$ 58,205	\$ -	\$ -	\$ (829,955)	\$ -	\$ (829,955)	\$ -
Elections	1,080	-	-	-	(1,080)	-	(1,080)	-
Public safety:								
Police	1,589,692	83,800	-	-	(1,505,892)	-	(1,505,892)	-
Fire	381,816	233,857	-	-	(147,959)	-	(147,959)	-
Ambulance	-	-	-	-	-	-	-	-
Street	1,303,999	73,617	-	-	(1,230,382)	-	(1,230,382)	-
Sanitation	941,106	1,145,332	-	-	204,226	-	204,226	-
Culture and recreation:								
Swimming pool	77,416	31,734	-	-	(45,682)	-	(45,682)	-
Parks and cemetery	674,127	169,396	105,000	2,967	(396,764)	-	(396,764)	-
Extension services								
Promotion and tourism	536,303	-	41,502	-	(494,801)	-	(494,801)	-
Total governmental activities	6,393,699	1,795,941	146,502	2,967	(4,448,289)	-	(4,448,289)	-
Business-Type Activities:								
Water and sewer	2,695,913	2,700,957	-	-	-	5,044	5,044	-
Airport	354,991	25,338	-	-	-	(329,653)	(329,653)	-
Total business-type activities	3,050,904	2,726,295	-	-	-	(324,609)	(324,609)	-
Total primary government	\$ 9,444,603	\$ 4,522,236	\$ 146,502	\$ 2,967	(4,448,289)	(324,609)	(4,772,898)	-
Component Unit:								
Economic Development Corporation	\$ 385,357	\$ -	\$ -	\$ -				(385,357)
General revenues:								
Property taxes					1,310,158	-	1,310,158	-
Sales and use taxes					1,867,225	-	1,867,225	622,408
Franchise taxes					435,284	-	435,284	-
Hotel/Motel taxes					490,363	-	490,363	-
Alcoholic beverage taxes					8,921	-	8,921	-
Unrestricted investment earnings					29,502	34,296	63,798	3,618
Miscellaneous					454,402	-	454,402	-
Transfers					168,550	(168,550)	-	-
Total general revenues and transfers					4,770,027	(134,254)	4,635,773	626,026
Change in net position					321,738	(458,863)	(137,125)	240,669
Net position - beginning					11,497,336	10,107,201	21,604,537	1,393,332
Net position, ending					\$ 11,819,074	\$ 9,648,338	\$ 21,467,412	\$ 1,634,001

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

**CITY OF DALHART, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	<u>General</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,010,445	\$ 551,183	\$ 2,561,628
Investments	1,500,000	300,000	1,800,000
Taxes receivable, net	13,263	-	13,263
Intergovernmental receivable	331,476	-	331,476
Other receivables	753,123	57,703	810,826
Due from other funds	255,427	-	255,427
Inventories	4,200	-	4,200
Prepaid items	16,903	-	16,903
Notes receivable, noncurrent	27,067	-	27,067
	<u>4,911,904</u>	<u>908,886</u>	<u>5,820,790</u>
Total assets	<u>\$ 4,911,904</u>	<u>\$ 908,886</u>	<u>\$ 5,820,790</u>
LIABILITIES			
Accounts payable	\$ 211,824	\$ 112,410	\$ 324,234
Due to other funds	-	5,427	5,427
Accrued liabilities	51,914	2,330	54,244
Deposits payable	4,771	7,866	12,637
	<u>268,509</u>	<u>128,033</u>	<u>396,542</u>
Total liabilities	<u>268,509</u>	<u>128,033</u>	<u>396,542</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	10,262	-	10,262
Unavailable revenue-other receivables	124,744	99,181	223,925
	<u>135,006</u>	<u>99,181</u>	<u>234,187</u>
Total deferred inflows of resources	<u>135,006</u>	<u>99,181</u>	<u>234,187</u>
FUND BALANCES			
Nonspendable:			
Cemetery perpetual care	-	265,657	265,657
Inventories	4,200	-	4,200
Prepaid items	16,903	-	16,903
Restricted for:			
Cemetery perpetual care	-	256,005	256,005
Police department state training funds	4,823	1,716	6,539
Drug seizure	-	982	982
Municipal court technology	-	12,783	12,783
Committed to:			
Landfill assurance	358,629	-	358,629
Assigned to:			
Community development	-	91,359	91,359
Rita Blanca Park	-	109,842	109,842
City economic development	-	12,570	12,570
Unassigned (deficit)	4,123,834	(69,242)	4,054,592
	<u>4,508,389</u>	<u>681,672</u>	<u>5,190,061</u>
Total fund balances	<u>4,508,389</u>	<u>681,672</u>	<u>5,190,061</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,911,904</u>	<u>\$ 908,886</u>	<u>\$ 5,820,790</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, 2016

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds	\$ 5,190,061
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,659,932
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	234,187
Included in the items related to debt is the recognition of the City's proportionate share of the amounts required by GASB 68 and shown on the government-wide financial statements:	
Deferred Outflows of Resources:	
Pension contributions	60,385
Pension economic/demographic losses	12,019
Pension deficient earnings	368,020
Pension assumption changes	86,227
Deferred Inflows of Resources:	
Pension economic/demographic gain	(42,790)
Net Pension Liability	(183,628)
Long-term liabilities, including landfill closing costs, are not due and payable in the current period, and, therefore are not reported in the funds.	<u>(565,339)</u>
Net position of governmental activities	<u><u>\$ 11,819,074</u></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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>General</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Property	\$ 1,312,903	\$ -	\$ 1,312,903
Sales and use	1,867,225	-	1,867,225
Franchise	435,284	-	435,284
Mixed beverage	8,921	-	8,921
Hotel/Motel	-	467,031	467,031
Licenses and permits	43,693	97,250	140,943
Intergovernmental	228,607	106,585	335,192
Charges for services	1,239,833	-	1,239,833
Fines and forfeitures	78,508	-	78,508
Investment earnings	23,182	6,320	29,502
Miscellaneous	471,601	73,562	545,163
	<u>5,709,757</u>	<u>750,748</u>	<u>6,460,505</u>
EXPENDITURES			
Current:			
General government	767,728	4,800	772,528
Public safety:			
Police	1,391,278	660	1,391,938
Fire	326,325	-	326,325
Ambulance	-	-	-
Judicial	43,954	-	43,954
Street	897,892	-	897,892
Garage	152,260	-	152,260
Sanitation	737,423	-	737,423
Culture and recreation:			
Swimming pool	77,416	-	77,416
Parks and cemetery	203,728	269,729	473,457
Promotion and tourism	-	574,522	574,522
Capital outlay	1,518,276	-	1,518,276
	<u>6,116,280</u>	<u>849,711</u>	<u>6,965,991</u>
	<u>(406,523)</u>	<u>(98,963)</u>	<u>(505,486)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	5,622	-	5,622
Transfers in	190,250	85,000	275,250
Transfers out	(85,000)	(21,700)	(106,700)
	<u>110,872</u>	<u>63,300</u>	<u>174,172</u>
NET CHANGE IN FUND BALANCES	(295,651)	(35,663)	(331,314)
FUND BALANCES - BEGINNING	4,804,040	717,335	5,521,375
FUND BALANCES - ENDING	<u>\$ 4,508,389</u>	<u>\$ 681,672</u>	<u>\$ 5,190,061</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 BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$	(331,314)
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p> <p>This is the amount by which depreciation, \$765,355, exceeded capital outlays, \$1,518,276, in the current period.</p>		
		752,921
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		80,760
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Landfill closure and post closure costs, net change		(27,369)
Compensated absences, net change		(12,466)
Pension contributions		(21,550)
Pension economic/demographic losses		(10,420)
Pension economic/demographic gains		(42,790)
Pension assumption changes		86,227
Pension excess earnings		9,172
Net pension deficient earnings		309,355
Net pension asset		(335,678)
Net pension liability		(135,110)
		(135,110)
Change in net position of governmental activities	\$	321,738

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, 2016**

	Business-type Activities Enterprise Funds		
	Water and Sewer	Airport	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 13,121	\$ 30,392	\$ 43,513
Investments	950,000	50,000	1,000,000
Receivables (net of allowances for uncollectible)	313,662	39	313,701
Restricted cash - customer deposits	159,540	480	160,020
Restricted cash - Construction	9,205,183	-	9,205,183
	<u>10,641,506</u>	<u>80,911</u>	<u>10,722,417</u>
Noncurrent assets:			
Capital assets:			
Land	48,545	235,424	283,969
Construction in progress	373,376	-	373,376
Buildings and improvements	190,270	4,909,170	5,099,440
Vehicles	396,174	-	396,174
Machinery and equipment	2,770,421	162,510	2,932,931
Infrastructure	15,150,712	4,371,815	19,522,527
Less accumulated depreciation	(12,606,471)	(5,363,340)	(17,969,811)
	<u>6,323,027</u>	<u>4,315,579</u>	<u>10,638,606</u>
Total noncurrent assets	<u>6,323,027</u>	<u>4,315,579</u>	<u>10,638,606</u>
Total assets	<u>16,964,533</u>	<u>4,396,490</u>	<u>21,361,023</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	31,167	-	31,167
Pension contributions	15,765	-	15,765
Pension economic/demographic losses	3,548	-	3,548
Pension deficient earnings	105,963	-	105,963
Penison assumption changes	25,451	-	25,451
	<u>181,894</u>	<u>-</u>	<u>181,894</u>
Total deferred outflows of resources	<u>181,894</u>	<u>-</u>	<u>181,894</u>
LIABILITIES			
Current liabilities:			
Accounts payable	150,062	827	150,889
Due to other funds	250,000	-	250,000
Accrued liabilities	8,684	-	8,684
Accrued interest	30,281	-	30,281
Compensated absences	2,394	-	2,394
Bonds payable - current	939,000	-	939,000
Customer deposits payable - restricted assets	159,540	480	160,020
	<u>1,539,961</u>	<u>1,307</u>	<u>1,541,268</u>
Total current liabilities	<u>1,539,961</u>	<u>1,307</u>	<u>1,541,268</u>
Noncurrent liabilities:			
Net pension liability	35,133	-	35,133
Compensated absences	21,548	-	21,548
Bonds payable	10,284,000	-	10,284,000
	<u>10,340,681</u>	<u>-</u>	<u>10,340,681</u>
Total noncurrent liabilities	<u>10,340,681</u>	<u>-</u>	<u>10,340,681</u>
Total liabilities	<u>11,880,642</u>	<u>1,307</u>	<u>11,881,949</u>
DEFERRED INFLOWS OF RESOURCES			
Pension economic/demographic gain	12,630	-	12,630
	<u>12,630</u>	<u>-</u>	<u>12,630</u>
Total deferred inflows	<u>12,630</u>	<u>-</u>	<u>12,630</u>
NET POSITION			
Net investment in capital assets	4,305,210	4,315,579	8,620,789
Unrestricted	947,945	79,604	1,027,549
	<u>5,253,155</u>	<u>4,395,183</u>	<u>9,648,338</u>
Total net position	<u>\$ 5,253,155</u>	<u>\$ 4,395,183</u>	<u>\$ 9,648,338</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 FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities Enterprise Funds		
	Water and Sewer	Airport	Totals
OPERATING REVENUES			
Charges for Sales and Services:			
Water sales	\$ 1,898,044	\$ -	\$ 1,898,044
Sewer charges	700,003	-	700,003
Water service charges	27,537	-	27,537
Tap fees	19,105	-	19,105
Fuel and oil commissions	-	5,005	5,005
Lease rentals	-	20,333	20,333
Miscellaneous	56,268	-	56,268
	<u>2,700,957</u>	<u>25,338</u>	<u>2,726,295</u>
OPERATING EXPENSES			
Personnel services	673,032	-	673,032
Material and supplies	1,017,433	18,389	1,035,822
Contracted services	65,000	-	65,000
Depreciation and amortization	667,989	336,602	1,004,591
	<u>2,423,454</u>	<u>354,991</u>	<u>2,778,445</u>
	<u>277,503</u>	<u>(329,653)</u>	<u>(52,150)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	33,913	383	34,296
Interest expense	(272,459)	-	(272,459)
	<u>(238,546)</u>	<u>383</u>	<u>(238,163)</u>
INCOME (LOSS) BEFORE TRANSFERS	38,957	(329,270)	(290,313)
TRANSFERS OUT	<u>(168,550)</u>	<u>-</u>	<u>(168,550)</u>
CHANGE IN NET POSITION	(129,593)	(329,270)	(458,863)
NET POSITION - BEGINNING	<u>5,382,748</u>	<u>4,724,453</u>	<u>10,107,201</u>
NET POSITION - ENDING	<u>\$ 5,253,155</u>	<u>\$ 4,395,183</u>	<u>\$ 9,648,338</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, 2016

	Business-type Activities Enterprise Funds		Totals
	Water and Sewer	Airport	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,844,453	\$ 25,338	\$ 2,869,791
Payments to employees for salaries and benefits	(664,830)	-	(664,830)
Payments to suppliers and service providers	(1,072,688)	(17,838)	(1,090,526)
Net cash provided by operating activities	<u>1,106,935</u>	<u>7,500</u>	<u>1,114,435</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(168,550)	-	(168,550)
Advances from other funds	250,000	-	250,000
Net cash provided by noncapital financing activities	<u>81,450</u>	<u>-</u>	<u>81,450</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid on capital debt	(269,147)	-	(269,147)
Principal paid on capital debt	(920,000)	-	(920,000)
Acquisition or construction of capital assets	(917,693)	(81,601)	(999,294)
Net cash (used) for capital and related financing activities	<u>(2,106,840)</u>	<u>(81,601)</u>	<u>(2,188,441)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	3,506,093	-	3,506,093
Investment earnings	35,269	383	35,652
Net cash provided by investing activities	<u>3,541,362</u>	<u>383</u>	<u>3,541,745</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVLENTS	2,622,907	(73,718)	2,549,189
CASH AND CASH EQUIVALENTS, BEGINNING (including restricted amounts)	<u>6,754,937</u>	<u>104,590</u>	<u>6,859,527</u>
CASH AND CASH EQUIVALENTS, ENDING (including restricted amounts)	<u>\$ 9,377,844</u>	<u>\$ 30,872</u>	<u>\$ 9,408,716</u>

Continued

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, 2016**

	Business-type Activities Enterprise Funds		
	Water and Sewer	Airport	Totals

Continuation

**RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING
ACTIVITIES**

Operating income (loss)	\$ 277,502	\$ (329,653)	\$ (52,151)
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	667,989	336,602	1,004,591
Allowance for doubtful accounts	(19,500)	-	(19,500)
(Increase) decrease in operating assets			
Receivables	159,586	-	159,586
Pension deferred outflow/inflow and obligations	14,865	-	14,865
Increase (decrease) in operating liabilities			
Accounts payable	9,747	551	10,298
Accrued payroll and compensated absences	(6,664)	-	(6,664)
Customer deposits	3,410	-	3,410
	<u>\$ 1,106,935</u>	<u>\$ 7,500</u>	<u>\$ 1,114,435</u>

SCHEDULE OF NON-CASH CAPITAL ACTIVITIES:

Amortization of debt refunding charges	\$ 5,500	\$ -	\$ 5,500
	<u>\$ 5,500</u>	<u>\$ -</u>	<u>\$ 5,500</u>

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

**CITY OF DALHART, TEXAS
SCHEDULE OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016**

	Private-Purpose Trust Funds
ASSETS	
Cash and cash equivalents	\$ 976,157
Investments:	
Certificates of deposit	1,350,000
Accrued interest	4,362
Total assets	2,330,519
 NET POSITION	
Net position held in trust for scholarship benefits	\$ 2,330,019

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

CITY OF DALHART, TEXAS
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR YEAR ENDED SEPTEMBER 30, 2016

	Private-Purpose Trust Funds
ADDITIONS	
Investment earnings:	
Interest	\$ 24,567
Total investment earnings	24,567
Miscellaneous:	
Contributions	444
Total additions	25,011
DEDUCTIONS	
Scholarship grants	44,000
Bank charges	141
Total deductions	44,141
CHANGE IN NET POSITION	(19,130)
NET POSITION, BEGINNING	2,349,149
NET POSITION, ENDING	\$ 2,330,019

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

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

Discretely presented component unit - The Dalhart Economic Development Corporation (the Corporation). 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.

B. 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.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continuation

C. Basis of Presentation – Fund Financial Statements

The City reports the following major governmental fund:

The General Fund is the City's only major 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.

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. 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. 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.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Measurement Focus and Basis of Accounting

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.

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*.

E. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Hotel/Motel Occupancy Tax Fund, Community Development Fund, Rita Blanca Park, City Economic Development Fund, and the Cemetery Care Fund.

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.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

E. Budgetary Information – Continuation

For the fiscal year, expenditures exceeded appropriations for administration (\$62,573), fire (\$56,738), judicial (\$252), street (\$3,982), garage (\$21,610), swimming pool (\$481), parks and cemetery (\$5,228), and capital outlay (\$1,192,547) in the General Fund. This overspending was covered partially by underspending in various departments within the General Fund, additional revenues received in the current year, and using other accumulated fund balances.

Overspending the appropriation in the Hotel/Motel Occupancy Tax Fund by \$206,203 was covered by accumulated fund balance.

Overspending the appropriation in the Rita Blanca Park Fund by \$30,421 was covered by accumulated fund balance.

Overspending the appropriation in the Community Development Fund by \$1,219 was covered by accumulated fund balance.

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

a. 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.

b. 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 invested in Texas “Pools” which are established under the authority of the Inter-local Cooperative Act, Chapter 79 of the Texas Government Code. The City’s investments in these pooled funds are reported at an amount determined by the fair value per share of the Pool’s underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value (which approximates fair value). A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

c. 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.

d. 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 when purchased.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance - Continuation

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.

e. 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

f. 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.

g. 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.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

h. Debt Issuance Costs

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

i. 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 one type of item, which arise only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The City funds report unavailable revenues from two sources: property taxes and street assessment receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items that qualifies as a deferred inflow is related to the City's pension plan reported in the government-wide statement of net position.

j. 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 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. 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.

k. 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”.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

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.

1. 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 either constitutionally or through enabling legislation. Examples include grants, court receipt restrictions (municipal technology fund) or charter restrictions.

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.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation

1. Fund Balance – Continuation

Minimum 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 budgeted expenditures for the fiscal year, providing for approximately 90 days of estimated expenditures.

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.

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

G. Revenues and Expenditures/Expenses

a. 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.

b. 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,

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

G. Revenues and Expenditures/Expenses – Continuation

b. Property Taxes - Continuation

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.

c. Compensated Absences

The City provides for its full-time employees annual leave of two, three or four weeks, depending upon years of service with the City. Unpaid vacation leave of \$115,728, \$3,205 and \$23,942 have been recorded in the General Fund, Rita Blanca Lake Fund and the Water and Sewer Fund respectively.

d. Proprietary Funds Operating and Non-operating Revenues and Expenses

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

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 City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

H. Compliance and Accountability

a. 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:

Continued

**CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

H. Compliance and Accountability - Continuation

a. Finance-Related Legal and Contractual Provisions - Continuation

Violation

In the General Fund, actual expenditures exceeded the budget in the Administration, Fire, Judicial, Street, Garage, Swimming Pool, Parks and Cemetery, and Capital Outlay functions in the amounts of \$62,573, \$56,738, \$252, \$3,982, \$21,610, \$481, \$5,228, and \$1,192,547, respectively.

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 amendments.

NOTE 2 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the City’s cash and deposit balances as of September 30, 2016:

Cash and deposit balances consist of:

Petty cash funds	\$	925
Bank deposits		1,632,863
Temporary investments - TexPool (interest rate 0.37%)		12,733,116
Temporary investments - Texas LOGIC (interest rate 0.7248%)		84,019
Temporary investments - TexStar (interest rate 0.4123%)		19,087
		19,087
Total	\$	14,470,010

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

Government-wide Statement of Net Position:

Unrestricted	\$	2,606,841
Restricted		9,363,503
Component unit		1,523,509
Fiduciary Funds Statement of Net Position		976,157
		976,157
Total	\$	14,470,010

Custodial credit risk – deposits. As of September 30, 2016 the carrying amount of the City’s deposits with financial institutions was \$5,782,863, which includes \$4,150,000 of certificates of deposit considered to be investments, and the bank balance was \$5,865,449. Of the bank balance, \$3,246,525 was insured through the Federal Depository Insurance Corporation (FDIC) and \$2,618,924 was collateralized with securities held by the pledging institution’s agent in the City’s name

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS – Continuation

As of September 30, 2016, the City had \$12,733,116, \$84,019, and \$19,087, respectively invested with the Texas Treasury Safekeeping Trust Company (TexPool), Texas LOGIC, and TexStar. All three of these funds are public funds investment pools created pursuant to the Interlocal Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over all three funds. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally the State Comptroller has established an advisory board composed of both participants of the pools and other persons who do not have a business relationship with any pool. The advisory board members review the investment policy and management fee structure.

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

Following is a reconciliation of the City's investment balances as of September 30, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Governmental activities		
Certificates of deposit (interest rates at 0.25 - 2.30%)	\$ 4,150,000	905
Total fair value	<u>\$ 4,150,000</u>	
Portfolio weighted average maturity		<u>905</u>

Investments balances are reported in the basic financial statements as follows:

	<u>Certificates of Deposit</u>
Government-wide Statement of Net Position:	
Unrestricted	\$ 2,800,000
Fiduciary Funds Statement of Net Position	<u>1,350,000</u>
	<u>\$ 4,150,000</u>

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.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2 – DEPOSITS AND INVESTMENTS – Continuation

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, 2016, 69% of the City’s carrying value of cash was deposited in pooled investment accounts and 22% of the City’s investments were comprised of certificates of deposits that are deposited with the City’s banks and adequately secured as described above.

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 Interlocal Cooperative Act, Chapter 79 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 are reported at an amount determined by the fair value per share of the Pool’s underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

The investment pools (Texpool, TexStar, and Texas LOGIC) as shown above are 2a7-like pools and are reported by the City at share value, which equates with fair value per share. Financial statements of the pools may be obtained by calling 1-800-839-7827.

During fiscal year 2016, the City had realized losses on sales of investments in the amount of \$2,025. The calculation of realized gains and losses is independent of the calculation of the net increase or decrease in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The total investment of \$3,006,093 was sold during 2016.

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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:

Receivable	Governmental		Business-type		Total
	General	Nonmajor	Water & Sewer	Airport	
Accounts	\$ 551,640	\$ 56,909	\$ 337,994	\$ -	\$ 946,543
Property taxes	27,631	-	-	-	27,631
Sales taxes	331,476	-	-	-	331,476
Franchise taxes	101,427	-	-	-	101,427
Paving assessment	157,784	-	-	-	157,784
Interest	3,848	795	668	39	5,350
Total receivable	1,173,806	57,704	338,662	39	1,570,211
Less: Allowance for uncollectible	75,944	-	25,000	-	100,944
Net receivable	<u>\$ 1,097,862</u>	<u>\$ 57,704</u>	<u>\$ 313,662</u>	<u>\$ 39</u>	<u>\$ 1,469,267</u>

NOTE 4 – NOTES RECEIVABLE

The City has notes receivable from property owners for street paving assessments. These notes have interest rates of 3% with terms of from sixty to ninety-six months, and are collateralized by liens on the related property.

The following table shows the schedule of principal retirements on the notes:

Year Ending September 30	Principal
2017	\$ 10,457
2018	5,040
2019	4,512
2020	4,650
2021	2,408
	<u>\$ 27,067</u>

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

Governmental Activities:

	Beginning Balances	Increases	Decreases	Transfers / Reclassifications	Ending Balances
Capital assets not being depreciated:					
Land	\$ 541,457	\$ -	\$ -	\$ -	\$ 541,457
Construction in progress	-	919,610	-	-	919,610
 Total capital assets not being depreciated	 541,457	 919,610	 -	 -	 1,461,067
Capital assets being depreciated:					
Buildings and improvements	4,868,886	-	-	-	4,868,886
Vehicles	4,146,384	327,314	(153,112)	27,205	4,347,792
Machinery and equipment	2,376,126	271,352	(6,625)	-	2,640,853
Infrastructure	5,822,849	-	-	-	5,822,849
 Total capital assets being depreciated	 17,214,245	 598,667	 (159,737)	 27,205	 17,680,380
Less accumulated depreciation for:					
Buildings and improvements	(2,601,969)	(178,854)	-	-	(2,780,823)
Vehicles	(2,960,079)	(261,830)	153,112	(27,205)	(3,096,003)
Machinery and equipment	(1,763,917)	(167,060)	6,625	-	(1,924,352)
Infrastructure	(4,522,726)	(157,612)	-	-	(4,680,338)
 Total accumulated depreciation	 (11,848,691)	 (765,355)	 159,737	 (27,205)	 (12,481,515)
 Total capital assets being depreciated, net	 5,365,554	 (166,689)	 -	 -	 5,198,865
 Governmental activities capital assets, net	 \$ 5,907,011	 \$ 752,921	 \$ -	 \$ -	 \$ 6,659,932

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5 – CAPITAL ASSETS - Continuation

Governmental Activities: Continuation

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental activities:	
General government	\$ 13,484
Public safety:	
Fire	38,295
Police	139,340
Street	231,026
Sanitation	158,737
Culture and recreation:	
Parks and cemetery	<u>184,473</u>
 Total depreciation expense-governmental activities	 <u><u>\$ 765,355</u></u>

Business-Type Activities:

	Beginning Balances	Increases	Decreases	Transfers / Reclassification	Ending Balances
Capital assets not being depreciated:					
Land	\$ 277,869	\$ 6,100	\$ -	\$ -	\$ 283,969
Construction in progress	44,080	329,296	-	-	373,376
Total capital assets not being depreciated	<u>321,949</u>	<u>335,396</u>	<u>-</u>	<u>-</u>	<u>657,345</u>
Capital assets being depreciated:					
Buildings and improvements	5,017,840	81,600	-	-	5,099,440
Vehicles	373,935	49,445	-	(27,205)	396,175
Machinery and equipment	2,857,994	41,700	-	33,236	2,932,930
Infrastructure	19,064,610	491,153	-	(33,236)	19,522,527
Total capital assets being depreciated	<u>27,314,379</u>	<u>663,898</u>	<u>-</u>	<u>(27,205)</u>	<u>27,951,072</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,583,325)	(156,187)	-	-	(2,739,512)
Vehicles	(258,481)	(31,057)	-	27,205	(262,332)
Machinery and equipment	(1,470,388)	(162,223)	-	-	(1,632,612)
Infrastructure	(12,680,231)	(655,124)	-	-	(13,335,355)
Total accumulated depreciation	<u>(16,992,425)</u>	<u>(1,004,591)</u>	<u>-</u>	<u>27,205</u>	<u>(17,969,811)</u>
Total capital assets being depreciated, net	<u>10,321,954</u>	<u>(340,693)</u>	<u>-</u>	<u>-</u>	<u>9,981,261</u>
Business-type activities capital assets, net	<u><u>\$ 10,643,903</u></u>	<u><u>\$ (5,297)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,638,606</u></u>

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual Fund Inter-fund Receivables and Payables

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ 255,427	\$ -
Special Revenue Funds:		
Rita Blanca Park	-	5,427
	<u>\$ 255,427</u>	<u>\$ 5,427</u>

The primary purpose of inter-fund receivables and payables is the loaning of funds from the General Fund to Special Revenue Funds for the purpose of meeting current year expenditures.

Fund	Inter-fund Transfers In	Inter-fund Transfers Out
General Fund	\$ 190,250	\$ 85,000
Special Revenue Fund:		
Rita Blanca Park	85,000	-
Cemetery Care	-	21,700
Proprietary Fund:		
Water and Sewer	-	168,550
	<u>\$ 275,250</u>	<u>\$ 275,250</u>

The primary purpose for inter-fund transfers is to supplement the resources of the non-major funds and to reimburse the General Fund for expenditures on behalf of the non-major funds.

NOTE 7 – LONG-TERM DEBT

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.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7 – LONG-TERM DEBT – Continuation

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, 2016, no additional ad valorem taxes have been levied; the utility fund revenues will be used to repay the bond.

Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Landfill closure costs	\$ 419,038	\$ 27,369	\$ -	\$ 446,407	\$ -
Compensated absences	106,467	175,216	(162,750)	118,933	11,893
Governmental activity long-term liabilities	<u>\$ 525,505</u>	<u>\$ 202,585</u>	<u>\$ (162,750)</u>	<u>\$ 565,340</u>	<u>\$ 11,893</u>
Business-type activities:					
Bonds Payable					
General Obligation Refunding					
Bonds, Series 2012	\$ 2,470,000	\$ -	\$ (335,000)	\$ 2,135,000	\$ 340,000
Certificates of Obligation, Series 2014	9,673,000	-	(585,000)	9,088,000	599,000
Compensated absences	22,056	43,299	(41,413)	23,942	2,394
Business-type activities long-term liabilities	<u>\$ 12,165,056</u>	<u>\$ 43,299</u>	<u>\$ (961,413)</u>	<u>\$ 11,246,942</u>	<u>\$ 941,394</u>

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

Year Ending September 30	General Obligation Refunding Bonds, Series 2012		Certificates of Obligation, Series 2014		Total Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 340,000	\$ 31,138	\$ 599,000	\$ 218,834	\$ 939,000	\$ 249,972
2018	345,000	26,856	615,000	203,719	960,000	230,575
2019	355,000	22,215	630,000	188,219	985,000	210,434
2020	360,000	16,850	646,000	172,333	1,006,000	189,183
2021	365,000	10,685	662,000	156,048	1,027,000	166,733
2022-2026	370,000	3,700	3,571,000	521,169	3,941,000	524,869
2027+	-	-	2,365,000	89,304	2,365,000	89,304
Total	<u>\$ 2,135,000</u>	<u>\$ 111,444</u>	<u>\$ 9,088,000</u>	<u>\$ 1,549,626</u>	<u>\$ 11,223,000</u>	<u>\$ 1,661,070</u>

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS

A. AGENT MULTIPLE – EMPLOYER PLAN

Plan Description:

The City provides pension benefits for all of its full-time employees, other than firemen, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations for of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

Benefits Provided:

The plan provisions are adopted by the governing body of the City (employer), within the options available in the Texas state statutes governing TMRS. Members can retire at ages 60 and above with 5 or more years of service (10 years in some cities) or with 20-25 years of service regardless of age (depending on the city's plan chosen). Members are vested after 5 years of service (10 years for some cities).

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

Employees Covered by Benefit Terms:

At September 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	73
Active employees	61

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

A. AGENT MULTIPLE – EMPLOYER PLAN – Continuation

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2014 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2014 valuation will determine the contribution rate beginning January 1, 2016).

The City contributed using the actuarially determined rate of 3.98% for the months of the accounting year in 2015 and 3.86% for the months of the accounting year in 2016. The contribution rate payable by the employee members is 5.0% for fiscal year 2016 as adopted by the governing body of the City. The employee contribution rate and the employer contribution rate may be changed by the governing body of the City.

Net Pension Liability:

The City's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.5% to 10.5% including inflation
Investment rate of return	6.75%
Cost-of-living adjustments	None

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

A. AGENT MULTIPLE – EMPLOYER PLAN – Continuation

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial assumptions that determined the total pension liability as of December 31, 2015 were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68.

Discount Rate:

The discount rate used to measure the total pension liability was 6.75%. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

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

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

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

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

A. AGENT MULTIPLE – EMPLOYER PLAN – Continuation

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

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 6.75%.

Changes in the Net Pension Liability / (Asset):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2014	\$ 7,058,794	\$ 7,478,391	\$ (419,597)
Changes for the year:			
Service cost	220,984	-	220,984
Interest on total pension liability	490,089	-	490,089
Effect of economic/demographic gains or losses	(84,135)	-	(84,135)
Changes of assumptions	169,542		169,542
Benefit payments	(336,022)	(336,022)	-
Administrative expenses	-	(6,721)	6,721
Member contributions	-	124,568	(124,568)
Net investment income	-	11,030	(11,030)
Employer contributions	-	94,173	(94,173)
Other	-	(332)	332
Balances as of December 31, 2015	\$ 7,519,252	\$ 7,365,087	\$ 154,165

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

A. AGENT MULTIPLE – EMPLOYER PLAN – Continuation

Sensitivity of the Net Pension Liability / (Asset) to changes in 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 / (asset) 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)	<u>\$ 1,106,633</u>	<u>\$ 154,165</u>	<u>\$ (640,341)</u>

Pension plan fiduciary net position:

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

Pension Expense / (Income):

	January 1, 2015 to December 31, 2015
Service cost	\$ 220,984
Interest on total pension liability	490,089
Member contributions	(124,568)
Expected investment return net of investment expenses	(523,487)
Administrative expenses	6,721
Other	332
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	29,149
Recognition of investment gains or losses	102,491
Amortization of PY economic/demographic gains or losses	12,482
Amortization of PY investment gains or losses	18,333
Pension expense / (income)	<u>\$ 232,526</u>

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

A. AGENT MULTIPLE – EMPLOYER PLAN – Continuation

Deferred Inflows / Outflows of Resources:

As of September 30, 2015, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 15,567	\$ 55,420
Changes of assumptions	-	111,678
Net difference between projected and actual earnings	-	464,963
Contributions made subsequent to measurement date	N/A	69,175

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

Year ended December 31:	
2016	\$ 162,455
2017	151,018
2018	120,822
2019	102,493
2020	-
Thereafter	-
	-
Total	\$ 536,788

B. COST-SHARING MULTIPLE – EMPLOYER

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.

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, 2015 there were 197 contributing fire and/or emergency service department members participating in TESRS.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

B. COST-SHARING MULTIPLE – EMPLOYER – Continuation

Plan Description: - Continuation

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

Benefits Provided:

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified 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, 2015, the pension system membership consisted of:

Non-participating vested members	13
Active participants	30

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.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

B. COST-SHARING MULTIPLE – EMPLOYER – Continuation

Funding Policy: - Continuation

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, 2014, 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, 2015, total contributions (dues and prior service, and interest on financing of prior service) of \$11,448 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 actuarial valuation as of August 31, 2014 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 \$625,000 each year to pay for part of the System's administrative expenses.

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

B. COST-SHARING MULTIPLE – EMPLOYER – Continuation

Net Pension Liability:

The City’s net pension liability was measured as of August 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2015.

Total Pension Liability	\$ 279,561
Fiduciary Net Position	<u>214,965</u>
City's Net Pension Liability	<u>\$ 64,596</u>
 Fiduciary net position as a percentage of the total pension liability	 76.9%

Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial valuation was determined using an inflation rate of 3.50% 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 2018 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 and by adding expected inflation (3.50%). In addition, the final 7.75% assumption reflected a reduction of 0.20% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities		
Large cap domestic	32%	5.2%
Small cap domestic	10%	5.8%
Developed international	21%	5.5%
Emerging markets	6%	5.4%
Master limited partnerships	5%	7.1%
Fixed income		
Domestic	21%	1.4%
International	5%	1.6%
Cash	0%	0.0%
Total	<u>100%</u>	
Weighted average		4.45%

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

B. COST-SHARING MULTIPLE – EMPLOYER – Continuation

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, 2014 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. That UAAL was based on an actuarial value of assets that was \$7.9 million less than the plan fiduciary net position as of August 31, 2014. 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%
Net pension liability	\$ 113,024	\$ 64,596	\$ 36,689

Pension Expense:

	Year Ended August 31, 2015
Service cost	\$ 4,100
Interest	20,499
Projected earnings on investments	(17,523)
Recognition of deferred inflows/outflows of resources	
Recognition of investment gains or losses	1,988
Administrative expenses	522
Pension expense / (income)	\$ 9,586

Continued

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continuation

B. COST-SHARING MULTIPLE – EMPLOYER – Continuation

Deferred Inflows / Outflows of Resources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings	\$ 9,019	\$ -
Contributions made subsequent to measurement date	N/A	6,974

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

Year ended August 31:	
2015	\$ 3,057
2016	1,988
2017	1,987
2018	1,987
2019	-
Thereafter	-
	-
Total	\$ 9,019

All assumptions for the August 31, 2015 pension disclosure are contained in the August 31, 2015 Audited Annual Financial Report, a copy of which may be obtained at www.tesrs.texas.gov.

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.

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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. The remaining capacity of the City's landfill is estimated at 1,225,653 cubic yards. This remaining capacity will continue to be operated by the City as a Municipal Solid Waste Landfill and will subject to the subtitle D requirements and should have a life of approximately 50 years. In addition to operating expenditures related to current activities of the landfill, a related liability is being 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 \$1,206,351 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, 2016. The estimated liability for closure and post-closure cost accrued on the City's books for the year ended September 30, 2016 was \$446,407, which is based on accumulated usage of the 76.86 acre landfill area. It is estimated that an additional \$759,943 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, 2016, the City has used approximately 37% of the available landfill capacity.

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, 2016, there was one series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$2,100,000.

CITY OF DALHART, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 12 – DEFFERRED 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.



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
September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 1,240,608	\$ 1,240,608	\$ 1,312,903	\$ 72,295
Sales and use	1,669,504	1,669,504	1,867,225	197,721
Franchise	472,500	472,500	435,284	(37,216)
Mixed beverage	2,500	2,500	8,921	6,421
License and permits	21,650	21,650	43,693	22,043
Intergovernmental	200,000	200,000	228,607	28,607
Charges for services	1,056,450	1,056,450	1,239,833	183,383
Fines and forfeitures	87,300	87,300	78,508	(8,792)
Investment earnings	15,000	15,000	23,182	8,182
Miscellaneous	75,800	75,800	471,600	395,800
	<u>4,841,312</u>	<u>4,841,312</u>	<u>5,709,757</u>	<u>868,445</u>
Total revenues				
EXPENDITURES				
Current				
General government				
Personnel	439,650	439,650	350,074	89,576
Operations	170,750	170,750	198,118	(27,368)
Property and equipment	61,155	61,155	85,037	(23,882)
Miscellaneous	33,600	33,600	134,499	(100,899)
	<u>705,155</u>	<u>705,155</u>	<u>767,728</u>	<u>(62,573)</u>
Total general				
Public safety				
Police				
Personnel	1,043,100	1,043,100	980,678	62,422
Operations	312,800	312,800	275,440	37,360
Property and equipment	119,955	119,955	128,641	(8,686)
Miscellaneous	15,000	15,000	6,519	8,481
	<u>1,490,855</u>	<u>1,490,855</u>	<u>1,391,278</u>	<u>99,577</u>
Total police				
Fire				
Personnel	153,180	153,180	146,977	6,203
Operations	39,150	39,150	37,775	1,375
Property and equipment	52,607	52,607	129,062	(76,455)
Miscellaneous	24,650	24,650	12,511	12,139
	<u>269,587</u>	<u>269,587</u>	<u>326,325</u>	<u>(56,738)</u>
Total fire				

Continued

CITY OF DALHART, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES - continuation				
Ambulance				
Miscellaneous	30,000	30,000	-	30,000
Total ambulance	30,000	30,000	-	30,000
Judicial				
Personnel	27,002	27,002	28,596	(1,594)
Operations	2,750	2,750	1,991	759
Property and equipment	5,000	5,000	9,867	(4,867)
Miscellaneous	8,950	8,950	3,500	5,450
Total judicial	43,702	43,702	43,954	(252)
Street				
Personnel	384,550	384,550	337,198	47,352
Operations	106,700	106,700	131,391	(24,691)
Property and equipment	395,060	395,060	423,550	(28,490)
Miscellaneous	7,600	7,600	5,753	1,847
Total street	893,910	893,910	897,892	(3,982)
Garage				
Personnel	91,690	91,690	100,788	(9,098)
Operations	17,500	17,500	18,121	(621)
Property and equipment	13,460	13,460	13,208	252
Miscellaneous	8,000	8,000	20,143	(12,143)
Total garage	130,650	130,650	152,260	(21,610)
Sanitation				
Personnel	444,680	444,680	498,950	(54,270)
Operations	39,100	39,100	29,925	9,175
Property and equipment	253,411	253,411	194,148	59,263
Miscellaneous	7,000	7,000	14,400	(7,400)
Total sanitation	744,191	744,191	737,423	6,768

Continued

CITY OF DALHART, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
September 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES - continuation				
Culture and recreation				
Swimming pool				
Personnel	41,700	41,700	44,083	(2,383)
Operations	25,250	25,250	25,057	193
Property and equipment	8,885	8,885	6,914	1,971
Miscellaneous	1,100	1,100	1,362	(262)
Total swimming pool	<u>76,935</u>	<u>76,935</u>	<u>77,416</u>	<u>(481)</u>
Parks and cemetery				
Personnel	145,000	145,000	149,155	(4,155)
Operations	12,600	12,600	15,134	(2,534)
Property and equipment	36,900	36,900	35,239	1,661
Miscellaneous	4,000	4,000	4,200	(200)
Total parks and cemetery	<u>198,500</u>	<u>198,500</u>	<u>203,728</u>	<u>(5,228)</u>
Capital outlay				
General	5,000	5,000	919,610	(914,610)
Police	76,729	76,729	245,110	(168,381)
Judicial	6,800	6,800	4,697	2,103
Garage	3,800	3,800	3,200	600
Sanitation	233,400	233,400	302,435	(69,035)
Parks and cemetery	-	-	43,224	(43,224)
Total capital outlay	<u>325,729</u>	<u>325,729</u>	<u>1,518,276</u>	<u>(1,192,547)</u>
Total expenditures	<u>4,909,214</u>	<u>4,909,214</u>	<u>6,116,280</u>	<u>(1,207,066)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(67,902)</u>	<u>(67,902)</u>	<u>(406,523)</u>	<u>(338,621)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	5,622	5,622
Transfers in	200,000	200,000	190,250	(9,750)
Transfers out	(50,850)	(50,850)	(85,000)	(34,150)
Total other financing sources (uses)	<u>149,150</u>	<u>149,150</u>	<u>110,872</u>	<u>(38,278)</u>
NET CHANGE IN FUND BALANCE	81,248	81,248	(295,651)	(376,899)
FUND BALANCE - BEGINNING	<u>4,804,040</u>	<u>4,804,040</u>	<u>4,804,040</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 4,885,288</u>	<u>\$ 4,885,288</u>	<u>\$ 4,508,389</u>	<u>\$ (376,899)</u>

CITY OF DALHART, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years (will ultimately be displayed as available)

	Year Ended December 31,			
	2015	2014	2013	2012
Total Pension Liability:				
Service cost	\$ 220,984	\$ 182,792	\$ N/A	\$ N/A
Interest on total pension liability	490,089	462,911	N/A	N/A
Effect of plan changes	-	-	N/A	N/A
Effect of assumption changes or inputs	169,542	-	N/A	N/A
Effect of economic/demographic (gains) or losses	(84,135)	40,531	N/A	N/A
Benefit payments/refunds of contributions	(336,022)	(298,123)	N/A	N/A
Net change in total pension liability	460,458	388,111	N/A	N/A
Total pension liability, beginning	7,058,794	6,670,683	N/A	N/A
Total pension liability, ending (a)	<u>\$ 7,519,252</u>	<u>\$ 7,058,794</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Fiduciary Net Position:				
Employer contributions	\$ 94,173	\$ 99,158	\$ N/A	\$ N/A
Member contributions	124,568	113,454	N/A	N/A
Investment income net of investment expenses	11030	-	409,471	N/A
Benefit payments/refunds of contributions	(336,022)	(298,123)	N/A	N/A
Administrative expenses	(6,721)	(4,276)	N/A	N/A
Other	(332)	(352)	N/A	N/A
Net change in fiduciary net position	(113,304)	319,332	N/A	N/A
Fiduciary net position, beginning	7,478,391	7,159,059	N/A	N/A
Fiduciary net position, ending (b)	<u>\$ 7,365,087</u>	<u>\$ 7,478,391</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 154,165</u>	<u>\$ (419,597)</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Fiduciary net position as a % of total pension liability	97.95%	105.94%	N/A	N/A
Pensionable covered payroll	\$ 2,491,364	\$ 2,269,071	\$ N/A	\$ N/A
Net pension liability as a % of covered payroll	6.19%	-18.49%	N/A	N/A

Note: GASB 68 requires 10 fiscal years of data to be provided in this schedule. GRS will provide the current year results. The employer will be required to build this schedule over the next 10-year period.

CITY OF DALHART, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Fiscal 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 % of Covered Payroll
2006	Not Available	Not Available	Not Available	Not Available	Not Available
2007	Not Available	Not Available	Not Available	Not Available	Not Available
2008	Not Available	Not Available	Not Available	Not Available	Not Available
2009	Not Available	Not Available	Not Available	Not Available	Not Available
2010	Not Available	Not Available	Not Available	Not Available	Not Available
2011	Not Available	Not Available	Not Available	Not Available	Not Available
2012	Not Available	Not Available	Not Available	Not Available	Not Available
2013	Not Available	Not Available	Not Available	Not Available	Not Available
2014	\$ 99,158	\$ 99,158	\$ -	\$ 2,269,071	\$ 4.4%
2015	94,173	112,186	(18,013)	2,491,364	4.5%

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.50% to 10.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes There were no benefit changes during the year.

CITY OF DALHART, TEXAS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years (will ultimately be displayed as available)

	Year Ended August 31,			
	2015	2014	2013	2012
Total Pension Liability:				
Service cost	\$ 4,100	\$ 4,880	\$ N/A	\$ N/A
Interest	20,499	21,497	N/A	N/A
Changes in benefit terms	-	-	N/A	N/A
Differences between expected and actual Assumption changes	-	-	N/A	N/A
Benefit payments	(10,887)	(11,130)	N/A	N/A
Change in allocation percentage	(27,463)	-	N/A	N/A
Net change in total pension liability	(13,751)	15,247	N/A	N/A
Total pension liability, beginning	293,312	278,065	N/A	N/A
Total pension liability, ending (a)	<u>\$ 279,561</u>	<u>\$ 293,312</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Fiduciary Net Position:				
Employer contributions	\$ 8,508	\$ 11,153	\$ N/A	\$ N/A
State contributions	3,962	4,086	N/A	N/A
Net investment income	(7,969)	31,795	N/A	N/A
Benefit payments	(10,887)	(11,130)	N/A	N/A
Administrative expenses	(522)	(442)	N/A	N/A
Other	-	-	N/A	N/A
Change in allocation percentage	(22,921.00)	-	N/A	N/A
Net change in fiduciary net position	(29,829)	35,462	N/A	N/A
Fiduciary net position, beginning	244,794	209,332	N/A	N/A
Fiduciary net position, ending (b)	<u>\$ 214,965</u>	<u>\$ 244,794</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 64,596</u>	<u>\$ 48,518</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Fiduciary net position as a % of total pension liability	76.9%	83.5%	N/A	N/A
Number of active members	30	30	N/A	N/A
Net pension liability per active member	\$ 2,153	\$ 1,617	\$ N/A	\$ N/A

CITY OF DALHART, TEXAS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years (will ultimately be displayed as available)

<u>Year Ending August 31:</u>	<u>Annual Money- Weighted Net Real Rate of Return</u>
2006	Not Available
2007	Not Available
2008	Not Available
2009	Not Available
2010	Not Available
2011	Not Available
2012	Not Available
2013	13.84%
2014	14.92%
2015	-3.58%

Notes to Schedule:

This 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.

**COMBINING STATEMENTS INDIVIDUAL FUND
FINANCIAL STATEMENTS AND BUDGET
COMPARISONS 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.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Hotel/Motel Occupancy Tax Fund – To account for and report revenues derived from a 5% 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.

City Economic Development Fund – To account for and report financial activity used for the purpose of promotion and development of economic enterprises in and around the City of Dalhart.

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
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	Special Revenue Funds							Permanent Fund	Total
	Hotel/Motel Occupancy Tax	Community Development	Rita Blanca Park	Drug Seizure	Police Department State Training	Municipal Court Tech	City Economic Development	Cemetery Care	
ASSETS									
Cash and cash equivalents	\$ 70,362	\$ 90,880	\$ 141,023	\$ 982	\$ 1,716	\$ 12,783	\$ 12,570	\$ 220,867	\$ 551,183
Investments	-	-	-	-	-	-	-	300,000	300,000
Receivables	52,305	4,637	(34)	-	-	-	-	795	57,703
Total assets	<u>\$ 122,667</u>	<u>\$ 95,517</u>	<u>\$ 140,989</u>	<u>\$ 982</u>	<u>\$ 1,716</u>	<u>\$ 12,783</u>	<u>\$ 12,570</u>	<u>\$ 521,662</u>	<u>\$ 908,886</u>
LIABILITIES									
Accounts payable	\$ 96,886	\$ -	\$ 15,524	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,410
Due to other funds	-	-	5,427	-	-	-	-	-	5,427
Accrued liabilities	-	-	2,330	-	-	-	-	-	2,330
Deposits	-	-	7,866	-	-	-	-	-	7,866
Total liabilities	<u>96,886</u>	<u>-</u>	<u>31,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,033</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue-receivables	95,023	4,158	-	-	-	-	-	-	99,181
FUND BALANCES									
Nonspendable	-	-	-	-	-	-	-	265,657	265,657
Restricted:									
By enabling legislation	-	-	-	982	1,716	12,783	-	-	15,481
Special projects	-	-	-	-	-	-	-	256,005	256,005
Assigned	-	91,359	109,842	-	-	-	12,570	-	213,771
Unassigned (deficit)	(69,242)	-	-	-	-	-	-	-	(69,242)
Total fund balances	<u>(69,242)</u>	<u>91,359</u>	<u>109,842</u>	<u>982</u>	<u>1,716</u>	<u>12,783</u>	<u>12,570</u>	<u>521,662</u>	<u>681,672</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 122,667</u>	<u>\$ 95,517</u>	<u>\$ 140,989</u>	<u>\$ 982</u>	<u>\$ 1,716</u>	<u>\$ 12,783</u>	<u>\$ 12,570</u>	<u>\$ 521,662</u>	<u>\$ 908,886</u>

**CITY OF DALHART, TEXAS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Special Revenue Funds							Permanent Fund	Total
	Hotel/Motel Occupancy Tax	Community Development	Rita Blanca Park	Drug Seizure	Police Department State Training	Municipal Court Tech	City Economic Development	Cemetery Care	
REVENUES									
Taxes	\$ 467,031	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 467,031
Licenses and permits	-	-	93,387	-	-	3,863	-	-	97,250
Intergovernmental	-	-	105,000	-	1,585	-	-	-	106,585
Investment earnings	30	128	199	-	-	-	30	5,933	6,320
Miscellaneous	-	41,502	579	-	-	-	-	31,481	73,562
Total revenues	467,061	41,630	199,165	-	1,585	3,863	30	37,414	750,748
EXPENDITURES									
Current:									
General government	-	-	-	-	-	4,800	-	-	4,800
Public safety:									
Police	-	-	-	-	660	-	-	-	660
Culture and recreation:									
Parks and cemetery	-	-	269,701	-	-	-	-	28	269,729
Promotion and tourism	536,303	38,219	-	-	-	-	-	-	574,522
Total expenditures	536,303	38,219	269,701	-	660	4,800	-	28	849,711
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(69,242)	3,411	(70,536)	-	925	(937)	30	37,386	(98,963)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	85,000	-	-	-	-	-	85,000
Transfers out	-	-	-	-	-	-	-	(21,700)	(21,700)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	85,000	-	-	-	-	(21,700)	63,300
NET CHANGE IN FUND BALANCES	(69,242)	3,411	14,464	-	925	(937)	30	15,686	(35,663)
FUND BALANCES - BEGINNING	-	87,948	95,378	982	791	13,720	12,540	505,976	717,335
FUND BALANCES - ENDING	\$ (69,242)	\$ 91,359	\$ 109,842	\$ 982	\$ 1,716	\$ 12,783	\$ 12,570	\$ 521,662	\$ 681,672

**CITY OF DALHART, TEXAS
HOTEL/MOTEL OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Hotel/Motel occupancy tax	\$ 330,000	\$ 330,000	\$ 467,031	\$ 137,031
Investment earnings	100	100	30	(70)
Total revenues	<u>330,100</u>	<u>330,100</u>	<u>467,061</u>	<u>136,961</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Promotion and tourism	330,100	330,100	536,303	(206,203)
Total expenditures	<u>330,100</u>	<u>330,100</u>	<u>536,303</u>	<u>(206,203)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(69,242)	(69,242)
FUND BALANCE - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (69,242)</u>	<u>\$ (69,242)</u>

**CITY OF DALHART, TEXAS
COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ (75)	\$ (75)	\$ 128	\$ 203
Miscellaneous:				
Contributions	<u>(37,000)</u>	<u>(37,000)</u>	<u>41,502</u>	<u>78,502</u>
Total revenues	<u>(37,075)</u>	<u>(37,075)</u>	<u>41,630</u>	<u>78,705</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Promotion and tourism	<u>37,000</u>	<u>37,000</u>	<u>38,219</u>	<u>(1,219)</u>
Total expenditures	<u>37,000</u>	<u>37,000</u>	<u>38,219</u>	<u>(1,219)</u>
EXCESS OF REVENUES OVER EXPENDITURES	(74,075)	(74,075)	3,411	77,486
FUND BALANCE - BEGINNING	<u>87,948</u>	<u>87,948</u>	<u>87,948</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 13,873</u></u>	<u><u>\$ 13,873</u></u>	<u><u>\$ 91,359</u></u>	<u><u>\$ 77,486</u></u>

**CITY OF DALHART, TEXAS
RITA BLANCA PARK FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ 83,400	\$ 83,400	\$ 93,387	\$ 9,987
Intergovernmental	105,000	105,000	105,000	-
Investment earnings	250	250	199	(51)
Miscellaneous	-	-	579	579
	<u>188,650</u>	<u>188,650</u>	<u>199,165</u>	<u>10,515</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Parks and cemetery	232,280	232,280	269,701	(37,421)
Capital outlay	7,000	7,000	-	7,000
	<u>239,280</u>	<u>239,280</u>	<u>269,701</u>	<u>(30,421)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(50,630)</u>	<u>(50,630)</u>	<u>(70,536)</u>	<u>(19,906)</u>
OTHER FINANCING SOURCES				
Transfers, operating	50,850	50,850	85,000	34,150
	<u>50,850</u>	<u>50,850</u>	<u>85,000</u>	<u>34,150</u>
NET CHANGE IN FUND BALANCE				
	220	220	14,464	14,244
FUND BALANCE - BEGINNING				
	<u>95,378</u>	<u>95,378</u>	<u>95,378</u>	<u>-</u>
FUND BALANCE - ENDING				
	<u>\$ 95,598</u>	<u>\$ 95,598</u>	<u>\$ 109,842</u>	<u>\$ 14,244</u>

**CITY OF DALHART, TEXAS
CITY ECONOMIC DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment earnings	\$ 75	\$ 75	\$ 30	\$ (45)
Total revenues	<u>75</u>	<u>75</u>	<u>30</u>	<u>(45)</u>
EXPENDITURES				
Current:				
General government	<u>12,500</u>	<u>12,500</u>	<u>-</u>	<u>12,500</u>
Total expenditures	<u>12,500</u>	<u>12,500</u>	<u>-</u>	<u>12,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,425)	(12,425)	30	12,455
FUND BALANCE - BEGINNING	<u>12,540</u>	<u>12,540</u>	<u>12,540</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 115</u>	<u>\$ 115</u>	<u>\$ 12,570</u>	<u>\$ 12,455</u>

**CITY OF DALHART, TEXAS
CEMETERY CARE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment earnings:				
Interest earnings	\$ 3,200	\$ 3,200	\$ 5,933	\$ 2,733
Total investment earnings	3,200	3,200	5,933	2,733
Miscellaneous:				
Sales of lots	10,000	10,000	27,209	17,209
Contributions	2,500	2,500	2,967	467
Grass lease	6,100	6,100	1,305	(4,795)
Total miscellaneous	18,600	18,600	31,481	12,881
Total revenues	21,800	21,800	37,414	15,614
EXPENDITURES				
Current:				
Culture and recreation:				
Parks and cemetery	100	100	28	72
Total expenditures	100	100	28	72
EXCESS OF REVENUES OVER EXPENDITURES	21,700	21,700	37,386	15,686
OTHER FINANCING SOURCES (USES)				
Transfers out	(21,700)	(21,700)	(21,700)	-
NET CHANGE IN FUND BALANCE	-	-	15,686	15,686
FUND BALANCE - BEGINNING	505,976	505,976	505,976	-
FUND BALANCE - ENDING	\$ 505,976	\$ 505,976	\$ 521,662	\$ 15,686

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, 2016

	Private Purpose Trust		
	Cleo Jenkins Scholarship Fund	Bonnie Dejarnett Scholarship Fund	Total
ASSETS			
Cash and cash equivalents	\$ 598,561	\$ 377,596	\$ 976,157
Investments:			
Certificates of deposit	800,000	550,000	1,350,000
Accrued interest	2,928	1,434	4,362
Total assets	1,401,489	929,030	2,330,519
NET POSITION			
Net position held in trust for scholarship benefits	\$ 1,400,989	\$ 929,030	\$ 2,330,019

CITY OF DALHART, TEXAS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Private Purpose Trust</u>		<u>Total</u>
	<u>Cleo Jenkins Scholarship Fund</u>	<u>Bonnie Dejarnett Scholarship Fund</u>	
ADDITIONS			
Investment earnings:			
Interest	\$ 16,044	\$ 8,523	\$ 24,567
Total investment earnings	16,044	8,523	24,567
Miscellaneous:			
Contributions	444	-	444
Total additions	16,488	8,523	25,011
DEDUCTIONS			
Scholarship grants	40,500	3,500	44,000
Bank charges	119	22	141
Total deductions	40,619	3,522	44,141
CHANGE IN NET POSITION	(24,131)	5,001	(19,130)
NET POSITION - BEGINNING	1,425,120	924,029	2,349,149
NET POSITION - ENDING	<u>\$ 1,400,989</u>	<u>\$ 929,030</u>	<u>\$ 2,330,019</u>

COMPLIANCE AND INTERNAL CONTROL SECTION

To The Honorable Mayor and City Council
of the City of Dalhart, Texas
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, as of and for the year ended September 30, 2016, 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 July 24, 2017.

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.

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

DOSHIER, PICKENS & FRANCIS, LLC

July 24, 2017