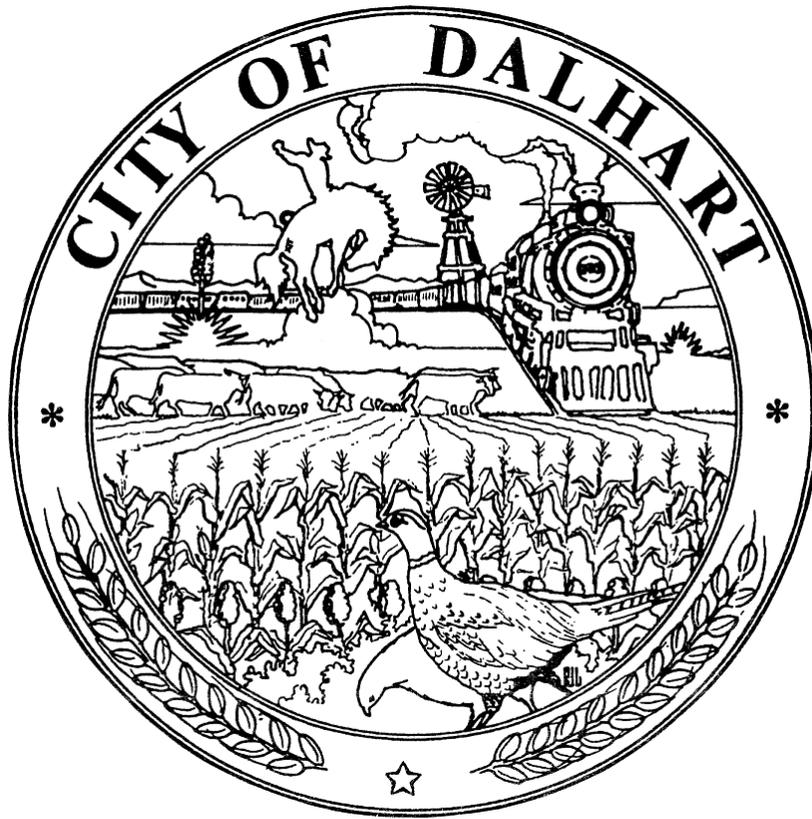


CITY OF DALHART, TEXAS

**Comprehensive
Annual Financial
Report**

**For the Year Ended
September 30, 2019**



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

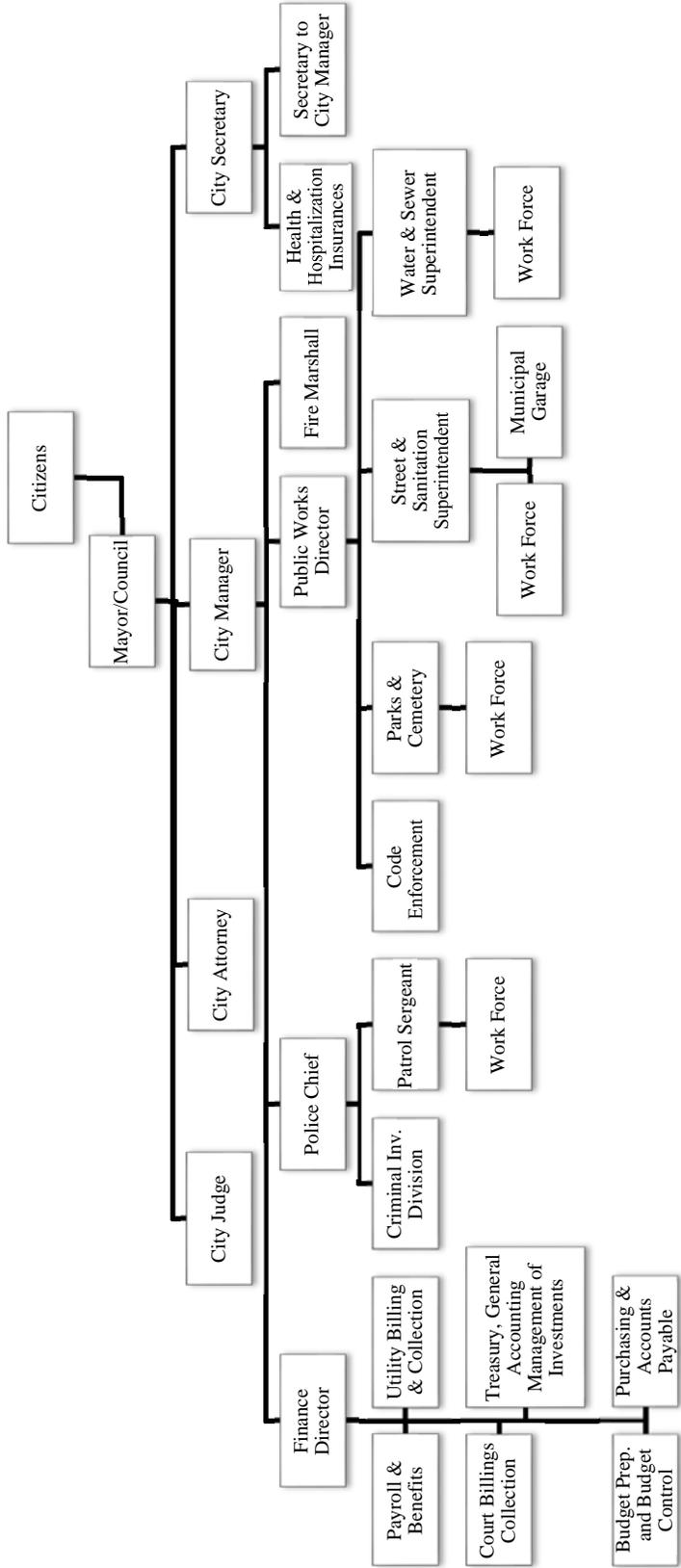
**CITY OF DALHART, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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INTRODUCTORY SECTION

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



**City of Dalhart, Texas
Principal Officials
September 30, 2019**

ELECTED OFFICIALS

Phillip Hass	Mayor
Rusty Hancock	Council Member
Troy Ferguson	Council Member
Brian Walton	Council Member
Clinton Hale	Council Member
Bryan Brewer	Council Member
Billy Sisco	Council Member
Sherri Haschke	Council Member
Tim Yee	Council Member

APPOINTED OFFICIALS

James Stroud	City Manager
Frances Childers	City Secretary
Brent Walker	Finance Director
David Conner	Police Chief
Curtis Brown	Fire Marshall
Gilbert Ramirez	Parks & Cemetery Superintendent
Dennis Rojas	Public Works Director
Mike Olvera	Water & Sewer Superintendent
Curtis Green	Street & Sanitation Superintendent
Greg Oelke	City Attorney
Coy Gergen	Municipal Court Judge

FINANCIAL SECTION



3444 N 1st, Suite 404
Abilene, Texas 79603
Phone 325.268.1033

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dalhart, Texas (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Dalhart, Texas as of September 30, 2019, 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 January 14, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Fullerton & Associates, PLLC

Fullerton & Associates, PLLC
January 14, 2020

City of Dalhart, Texas
Management's Discussion and Analysis
As of and for the year ended September 30, 2019

As management of the City of Dalhart, we offer readers of the City of Dalhart, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Dalhart, Texas for the fiscal year ended September 30, 2019.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

- The assets of the City of Dalhart exceeded its liabilities at the close of the 2019 fiscal year by \$20,349,212 (net position).
- As of September 30, 2019, \$5,521,580 (unrestricted) may be used to meet the government's ongoing obligations to citizens. \$14,272,721 of the City's equity is invested in capital assets, \$20,392 of the City's equity is restricted for enabling legislation and \$534,519 is restricted for Cemetery care.
- The City's total assets decreased by \$541,147 during the 2019 fiscal year.
- The net position (equity) of the City decreased by \$705,466 during the 2019 fiscal year.

Fund Financial Statements

- As of the close of the current fiscal year, the City of Dalhart's General Fund reported an ending unassigned fund balance of \$3,218,905 which reflects an increase of \$291,896 for the year ended September 30, 2019.
- Cumulatively, the non-major special revenue funds reported ending fund balances totaling of \$2,154,449 which reflects an increase of \$141,589 for the year ended September 30, 2019, all of which is nonspendable, restricted, committed or assigned for each special revenue funds' specific purpose.
- The City's Water & Sewer Fund had an increase of \$82,694 in its net position during the 2019 fiscal year, resulting in an ending fund balance of \$5,938,281, \$4,625,638 (78%) of which is invested in capital assets.
- The City's Airport Fund had a decrease of \$307,133 in its net position during the 2019 fiscal year, resulting in an ending fund balance of \$3,622,340, \$3,44,658 (95%) of which is invested in capital assets.
- The City's Fiduciary funds hold a net position held for scholarship benefits of \$963,677 as of September 30, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements

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

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

City of Dalhart, Texas
Management's Discussion and Analysis
As of and for the year ended September 30, 2019

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

Fund Financial Statements

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

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

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

The City of Dalhart maintains ten governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund and the nine non-major special revenue funds which are combined on the fund financial statements, but are broken out in the supplementary information found on pages 57 and 58 of this report. The governmental fund financial statements can be found on pages 13-16 of this report.

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

Fiduciary funds. The City is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the City fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operation. The fiduciary fund financial statements can be found on page 20 of this report, and their combining statements on page 59.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-49 of this report.

City of Dalhart, Texas
Management's Discussion and Analysis
As of and for the year ended September 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Dalhart, assets exceeded liabilities by \$20,349,212 at the end of 2019. As of September 30, 2019, \$14,272,721 of the City of Dalhart's net position (70%) reflects its investment in capital assets (e.g., buildings, and road improvements). The City of Dalhart uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

City of Dalhart's Net Position—Comparative Schedules

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 6,997,766	\$ 6,366,090	\$ 1,964,412	\$ 3,645,360	\$ 8,962,178	\$ 10,011,450
Capital assets (net of depreciation)	6,202,425	6,294,125	16,445,590	15,845,765	22,648,015	22,139,890
Total assets	<u>13,200,191</u>	<u>12,660,215</u>	<u>18,410,002</u>	<u>19,491,125</u>	<u>31,610,193</u>	<u>32,151,340</u>
Deferred charge on refunding	-	-	14,667	20,167	14,667	20,167
Deferred outflows related to pensions	15,131	33,848	2,637	6,413	17,768	40,261
Total deferred outflows	<u>15,131</u>	<u>33,848</u>	<u>17,304</u>	<u>26,580</u>	<u>32,435</u>	<u>60,428</u>
Current and other liabilities	1,232,646	442,312	1,386,258	1,289,941	2,618,904	1,732,253
Long-term liabilities	655,297	631,870	7,354,107	8,360,543	8,009,404	8,992,413
Total liabilities	<u>1,887,943</u>	<u>1,074,182</u>	<u>8,740,365</u>	<u>9,650,484</u>	<u>10,628,308</u>	<u>10,724,666</u>
Deferred inflows related to pensions	538,788	350,263	126,320	82,161	665,108	432,424
Net position:						
Net investment in capital assets	6,202,425	6,294,125	8,070,296	6,555,043	14,272,721	12,849,168
Restricted for enabling legislation	20,392	50,532	-	-	20,392	50,532
Restricted for Cemetery - expendable	268,862	265,892	-	-	268,862	265,892
Restricted for Cemetery - non-expendable	265,657	265,657	-	-	265,657	265,657
Unrestricted	4,031,255	4,393,412	1,490,325	3,230,017	5,521,580	7,623,429
	<u>\$ 10,788,591</u>	<u>\$ 11,269,618</u>	<u>\$ 9,560,621</u>	<u>\$ 9,785,060</u>	<u>\$ 20,349,212</u>	<u>\$ 21,054,678</u>

City of Dalhart, Texas
Management's Discussion and Analysis
As of and for the year ended September 30, 2019

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

	Governmental Activities			Business-Type Activities			Total
	2019	2018	2019	2019	2018	2019	
Program Revenues							
Fees, fines, and charges for services	\$ 1,883,847	\$ 1,814,488	\$ 3,334,482	\$ 3,304,499	\$ 5,218,329	\$ 5,118,987	\$ 110,000
Operating grants and contributions	115,000	110,000	-	-	-	115,000	-
General Revenues							
Property taxes	1,779,433	1,643,623	-	-	-	1,779,433	1,643,623
Sales and use taxes	1,926,857	1,865,280	-	-	-	1,926,857	1,865,280
Franchise taxes	418,887	444,647	-	-	-	418,887	444,647
Hotel/motel taxes	453,145	358,196	-	-	-	453,145	358,196
Alcoholic beverage taxes	121,530	36,423	-	-	-	121,530	36,423
Investment earnings	110,907	65,548	45,234	64,963	156,141	130,511	130,511
Miscellaneous	157,813	242,768	44,882	48,777	202,695	291,545	291,545
Total Revenues	6,967,419	6,580,973	3,424,598	3,418,239	10,392,017	9,999,212	9,999,212
Expenditures							
General administrative	1,102,440	1,362,722	-	-	-	1,102,440	1,362,722
Fleet	353,299	-	-	-	-	353,299	-
Public safety:							
Police	2,032,927	1,695,354	-	-	-	2,032,927	1,695,354
Fire	391,789	387,008	-	-	-	391,789	387,008
Ambulance	30,706	8,206	-	-	-	30,706	8,206
Judicial	44,748	47,257	-	-	-	44,748	47,257
Street	1,070,674	987,205	-	-	-	1,070,674	987,205
Sanitation and garage	1,271,830	1,131,232	-	-	-	1,271,830	1,131,232
Culture and recreation:							
Swimming pool	114,276	75,378	-	-	-	114,276	75,378
Parks and cemetery	591,519	568,564	-	-	-	591,519	568,564
Promotion and tourism	622,788	372,043	-	-	-	622,788	372,043
Water and sewer	-	-	3,113,957	2,980,011	3,113,957	2,980,011	2,980,011
Airport	-	-	366,530	367,189	366,530	367,189	367,189
Total expenditures	7,626,996	6,634,969	3,480,487	3,347,200	11,107,483	9,982,169	9,982,169
Transfers In	178,550	19,093	-	-	-	178,550	19,093
Transfers Out	-	-	(168,550)	(19,093)	(168,550)	(168,550)	(19,093)
Total other financing sources (uses)	178,550	19,093	(168,550)	(19,093)	10,000	-	-
Change in net position	(481,027)	(34,903)	(224,439)	51,946	(705,466)	17,043	17,043
Net position, beginning	11,269,618	11,304,521	9,785,060	9,733,114	21,054,678	21,037,635	21,037,635
Net position, ending	\$ 10,788,591	\$ 11,269,618	\$ 9,560,621	\$ 9,785,060	\$ 20,349,212	\$ 21,054,678	\$ 21,054,678

City of Dalhart, Texas
Management's Discussion and Analysis
As of and for the year ended September 30, 2019

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

As noted earlier, the City of Dalhart uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of Fiscal Year 2019, the City of Dalhart's governmental General Fund reported an ending fund balance of \$3,830,052, \$3,218,905 of which was unassigned and available for spending at the City's discretion. This represents almost seven months of operating equity based on fiscal year 2019 General fund expenditures.

CAPITAL ASSETS

The City of Dalhart's investment in capital assets for its governmental activities amounts to \$6,202,425 (net of accumulated depreciation) as of September 30, 2019, and its investment in capital assets for its business-type activities amounts to \$16,445,590 (net of accumulated depreciation). These investments in capital assets includes city land, buildings, water, sewer and sanitation facilities, airport facilities, as well as city vehicles and equipment.

See detailed comparative schedules of the City's capital asset balances on the following page.

Additional information on the City of Dalhart's capital assets can be found in Note 4 on pages 32 through 34 of this report.

DEBT ADMINISTRATION

At September 30, 2019, the City had \$9,556,156 in outstanding long-term liabilities, comprised of the following:

See detailed comparative schedules of the City's long-term liabilities on the following page.

Additional information on the City of Dalhart's debt can be found in Note 6 on pages 35 and 36 of this report.

REQUESTS FOR INFORMATION

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

City of Dalhart, Texas
Management's Discussion and Analysis
As of and for the year ended September 30, 2019

City of Dalhart's Capital Assets—Comparative Schedules

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 255,694	\$ 215,501	\$ 282,119	\$ 282,119	\$ 537,813	\$ 497,620
Construction in progress	-	-	8,411,225	6,846,570	8,411,225	6,846,570
Buildings and improvements	3,044,023	3,196,431	3,238,257	3,588,909	6,282,280	6,785,340
Machinery, vehicles and equipment	2,403,294	2,297,772	1,099,599	1,253,257	3,502,893	3,551,029
Infrastructure	499,414	584,421	3,414,390	3,874,910	3,913,804	4,459,331
	<u>\$ 6,202,425</u>	<u>\$ 6,294,125</u>	<u>\$ 16,445,590</u>	<u>\$ 15,845,765</u>	<u>\$ 22,648,015</u>	<u>\$ 22,139,890</u>

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Landfill closure costs	\$ 541,269	\$ 517,842	\$ -	\$ -	\$ 541,269	\$ 517,842
Compensated absences	126,698	126,698	21,107	23,933	147,805	150,631
Net pension liability	440,457	-	87,625	-	528,082	-
General Obligation Refunding Bonds, Series 2012	-	-	1,095,000	1,450,000	1,095,000	1,450,000
Certificates of Obligation, Series 2014	-	-	7,244,000	7,874,000	7,244,000	7,874,000
	<u>\$ 1,108,424</u>	<u>\$ 644,540</u>	<u>\$ 8,447,732</u>	<u>\$ 9,347,933</u>	<u>\$ 9,556,156</u>	<u>\$ 9,992,473</u>

BASIC FINANCIAL STATEMENTS

**CITY OF DALHART, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	Primary Government			Component Unit
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Economic Development Corporation</u>
ASSETS				
Pooled cash and cash equivalents	\$ 1,125,650	\$ 223,922	\$ 1,349,572	\$ 381,230
Investments	4,510,919	1,179,182	5,690,101	2,152,725
Receivables (net of allowance for uncollectibles)	1,274,730	395,178	1,669,908	106,054
Due from other governments				
Inventories	69,877	-	69,877	-
Notes receivable, current	-	-		-
Notes receivable, noncurrent	-	-		-
Restricted assets: Cash and equivalents	16,590	166,130	182,720	-
Capital assets:				
Land	255,694	282,119	537,813	-
Construction in progress	-	8,411,225	8,411,225	-
Infrastructure	5,272,604	13,160,354	18,432,958	-
Buildings and improvements	6,318,412	9,819,389	16,137,801	-
Machinery, vehicles, and equipment	9,085,126	5,295,009	14,380,135	-
Less: accumulated depreciation	<u>(14,729,411)</u>	<u>(20,522,506)</u>	<u>(35,251,917)</u>	<u>-</u>
Total assets	<u>13,200,191</u>	<u>18,410,002</u>	<u>31,610,193</u>	<u>2,640,009</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	14,667	14,667	-
Deferred outflows - pension	<u>15,131</u>	<u>2,637</u>	<u>17,768</u>	<u>-</u>
Total deferred outflows of resources	<u>15,131</u>	<u>17,304</u>	<u>32,435</u>	<u>-</u>
LIABILITIES				
Accounts payable	685,950	71,877	757,827	-
Accrued liabilities	76,979	18,332	95,311	-
Deposits payable	16,590	166,130	182,720	-
Accrued interest	-	36,294	36,294	-
Noncurrent liabilities				
Net pension liability	440,457	87,625	528,082	-
Due within one year	12,670	1,006,000	1,018,670	-
Due in more than one year	<u>655,297</u>	<u>7,354,107</u>	<u>8,009,404</u>	<u>-</u>
Total liabilities	<u>1,887,943</u>	<u>8,740,365</u>	<u>10,628,308</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	<u>538,788</u>	<u>126,320</u>	<u>665,108</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	6,202,425	8,070,296	14,272,721	-
Restricted for enabling legislation	20,392	-	20,392	-
Restricted for Cemetery - expendable	268,862	-	268,862	-
Restricted for Cemetery - non-expendable	265,657	-	265,657	-
Unrestricted	<u>4,031,255</u>	<u>1,490,325</u>	<u>5,521,580</u>	<u>2,640,009</u>
Total net position	<u>\$ 10,788,591</u>	<u>\$ 9,560,621</u>	<u>\$ 20,349,212</u>	<u>\$ 2,640,009</u>

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

**CITY OF DALHART, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Economic Development Corporation
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Total	
PRIMARY GOVERNMENT								
Governmental activities	\$ 1,102,440	\$ 149,641	-	(952,799)	-	(952,799)	\$ -	-
General administrative	353,299	-	-	(353,299)	-	(353,299)	-	-
Fleet								
Public safety:								
Police	2,032,927	5,849	-	(2,027,078)	-	(2,027,078)	-	-
Fire	391,789	293,747	-	(98,042)	-	(98,042)	-	-
Ambulance	30,706	-	-	(30,706)	-	(30,706)	-	-
Judicial	44,748	101,685	-	56,937	-	56,937	-	-
Street	1,070,674	93,983	-	(976,691)	-	(976,691)	-	-
Sanitation and garage	1,271,830	1,106,376	-	(165,454)	-	(165,454)	-	-
Culture and recreation:								
Swimming pool	114,276	22,342	-	(91,934)	-	(91,934)	-	-
Parks and cemetery	591,519	110,224	115,000	(366,295)	-	(366,295)	-	-
Promotion and tourism	622,788	-	-	(622,788)	-	(622,788)	-	-
Total governmental activities	7,626,996	1,883,847	115,000	(5,628,149)	-	(5,628,149)	-	-
BUSINESS-TYPE ACTIVITIES								
Water and sewer	3,113,957	3,275,625	-	-	161,668	161,668	-	-
Airport	366,530	58,857	-	-	(307,673)	(307,673)	-	-
Total business-type activities	3,480,487	3,334,482	-	-	(146,005)	(146,005)	-	-
TOTAL PRIMARY GOVERNMENT	\$ 11,107,483	\$ 5,218,329	115,000	(5,628,149)	(146,005)	(5,774,154)	\$ -	-
COMPONENT UNIT								
Economic Development Corporation	\$ 100,187	\$ -	\$ 36,000				\$ (64,187)	
General revenues:								
Property taxes				1,779,433		1,779,433		-
Sales and use taxes				1,926,857		1,926,857		642,286
Franchise taxes				418,887		418,887		-
Hotel/motel taxes				453,145		453,145		-
Alcoholic beverage taxes				121,530		121,530		-
Investment earnings				110,907	45,234	156,141		48,090
Miscellaneous				157,813	44,882	202,695		-
Transfers				178,550	(168,550)	10,000		(10,000)
Total general revenues and transfers				5,147,122	(78,434)	5,068,688		680,376
CHANGE IN NET POSITION				(481,027)	(224,439)	(705,466)		616,189
NET POSITION AT BEGINNING OF YEAR				11,269,618	9,785,060	21,054,678		2,023,820
NET POSITION AT END OF YEAR				\$ 10,788,591	\$ 9,560,621	\$ 20,349,212		2,640,009

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

**CITY OF DALHART, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	General Fund	Total Non-major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 48,081	\$ 1,094,159	\$ 1,142,240
Investments	3,720,637	790,282	4,510,919
Taxes receivables (net of allowances)	15,307	-	15,307
Intergovernmental receivable	318,161	-	318,161
Interest receivable	4,523	1,440	5,963
Other receivables	880,401	54,898	935,299
Due (to)/from other funds	(494,573)	494,573	-
Inventories	69,877	-	69,877
Total assets	<u>\$ 4,562,414</u>	<u>\$ 2,435,352</u>	<u>\$ 6,997,766</u>
LIABILITIES			
Accounts payable	\$ 534,842	\$ 151,108	\$ 685,950
Due to other funds	-	-	-
Accrued liabilities	76,979	-	76,979
Deposits payable	4,926	11,664	16,590
Total liabilities	616,747	162,772	779,519
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	13,189	-	13,189
Unavailable revenue - other receivables	102,426	118,131	220,557
Total deferred inflows of resources	115,615	118,131	233,746
FUND BALANCES			
Nonspendable fund balance:			
Cemetery perpetual care	-	265,657	265,657
Inventories	69,877	-	69,877
Restricted fund balance:			
Cemetery perpetual care	-	268,862	268,862
Police department state training funds	-	1,573	1,573
Drug seizure	-	1,472	1,472
Municipal court technology	-	21,233	21,233
Tourism advertising and promotion	-	(3,886)	(3,886)
Committed fund balance:			
Landfill assurance	541,270	-	541,270
Assigned fund balance:			
Community development	-	113,365	113,365
Rita Blanca Park	-	(12,940)	(12,940)
Fleet	-	1,499,113	1,499,113
Unassigned fund balance	3,218,905	-	3,218,905
Total fund balances	<u>3,830,052</u>	<u>2,154,449</u>	<u>5,984,501</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 4,562,414</u>	<u>\$ 2,435,352</u>	<u>\$ 6,997,766</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, 2019**

Total Fund Balances - Governmental Funds Balance Sheet	\$	5,984,501
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. The net effect is to increase net position.</p>		6,202,425
<p>Certain assets, such as property taxes receivable and imposed fines receivable, are not available to pay for current-period expenditures and are not recognized as revenue in the governmental funds. Deferred inflows of resources recognized in the government-wide financial statements results in a net increase to net position.</p>		233,746
<p>Long-term liabilities, including compensated absences and the City's net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds. The net effect is a decrease in net position.</p>		(644,540)
<p>Landfill closure and post closure costs are reported in the Statement of Activities, but do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.</p>		(23,427)
<p>Included in the items related to long-term liabilities is the recognition of the City's deferred outflow of resources, and deferred inflow of resources relating to its pension liability.</p>		<u>(964,114)</u>
Net Position of Governmental Activities - Statement of Net Position	\$	<u>10,788,591</u>

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

CITY OF DALHART, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Total Non-major Funds	Total Governmental Funds
REVENUES			
Taxes			
Property	\$ 1,855,079	\$ -	\$ 1,855,079
Sales and use	1,926,857	-	1,926,857
Franchise	418,887	-	418,887
Mixed beverage	7,557	-	7,557
Hotel/motel	-	453,145	453,145
Licenses and permits	27,931	98,164	126,095
Fines and forfeitures	98,062	2,872	100,934
Intergovernmental	287,747	826,521	1,114,268
Charges for services	1,181,218	-	1,181,218
Investment earnings	82,223	28,684	110,907
Miscellaneous	83,842	61,370	145,212
Total revenues	<u>5,969,403</u>	<u>1,470,756</u>	<u>7,440,159</u>
EXPENDITURES			
Current:			
General administrative	884,315	-	884,315
Judicial	42,901	-	42,901
Fleet	-	16,806	16,806
Public safety:			
Police	1,742,850	11,671	1,754,521
Fire	366,694	-	366,694
Ambulance	30,706	-	30,706
Street	981,034	-	981,034
Garage	211,940	-	211,940
Sanitation	1,006,081	-	1,006,081
Culture and recreation:			
Swimming pool	84,912	-	84,912
Parks and cemetery	265,662	303,808	569,470
Promotion and tourism	-	524,473	524,473
Capital Outlay	168,755	542,616	711,371
Total expenditures	<u>5,785,850</u>	<u>1,399,374</u>	<u>7,185,224</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>183,553</u>	<u>71,382</u>	<u>254,935</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>108,343</u>	<u>70,207</u>	<u>178,550</u>
Total other financing sources (uses)	<u>108,343</u>	<u>70,207</u>	<u>178,550</u>
NET CHANGE IN FUND BALANCES	291,896	141,589	433,485
FUND BALANCES AT BEGINNING OF YEAR	<u>3,538,156</u>	<u>2,012,860</u>	<u>5,551,016</u>
FUND BALANCES AT END OF YEAR	<u>\$ 3,830,052</u>	<u>\$ 2,154,449</u>	<u>\$ 5,984,501</u>

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

**CITY OF DALHART, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net Change in Fund Balances - Total Governmental Funds	\$	433,485
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net position.</p>		711,371
<p>Depreciation expense is not reflected in the governmental funds but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of recording current year depreciation expense is to decrease net position.</p>		(803,071)
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. The current year increase in revenue recognized in the government-wide financial statements results in a</p>		144,911
<p>Governmental funds report the effect of increasing the landfill remediation liability when the estimate is first adjusted. These amounts are deferred and amortized in the statement of activities which results in a decrease in net position.</p>		(23,427)
<p>Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase. The City's unrecognized deferred inflows and outflows for TMRS and TESRS as of the measurement date must be amortized and the City's share of pension expense</p>		<u>(944,296)</u>
Change in Net Position of Governmental Activities - Statement of Activities	\$	<u>(481,027)</u>

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

CITY OF DALHART, TEXAS
STATEMENT OF NET POSITION—PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Water and Sewer	Airport	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 53,661	\$ 170,261	\$ 223,922
Investments	1,171,523	7,659	1,179,182
Receivables (net of allowances)	395,178	-	395,178
Restricted cash- customer and lease deposits	165,650	480	166,130
Total current assets	<u>\$ 1,786,012</u>	<u>\$ 178,400</u>	<u>\$ 1,964,412</u>
Noncurrent assets:			
Capital assets:			
Land	46,695	235,424	282,119
Construction in progress	8,411,225	-	8,411,225
Buildings and improvements	361,642	9,457,747	9,819,389
Machinery, vehicles and equipment	5,149,804	145,205	5,295,009
Infrastructure	13,160,354	-	13,160,354
Less accumulated depreciation	<u>(14,128,788)</u>	<u>(6,393,718)</u>	<u>(20,522,506)</u>
Total noncurrent assets	<u>13,000,932</u>	<u>3,444,658</u>	<u>16,445,590</u>
Total assets	<u>14,786,944</u>	<u>3,623,058</u>	<u>18,410,002</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	14,667	-	14,667
Deferred outflows related to pensions	<u>2,637</u>	<u>-</u>	<u>2,637</u>
Total deferred outflows of resources	<u>17,304</u>	<u>-</u>	<u>17,304</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 71,639	\$ 238	\$ 71,877
Accrued liabilities	18,332	-	18,332
Accrued interest	36,294	-	36,294
Bonds payable- current	1,006,000	-	1,006,000
Customer or lease deposits payable- restricted assets	<u>165,650</u>	<u>480</u>	<u>166,130</u>
Total current liabilities	<u>1,297,915</u>	<u>718</u>	<u>1,298,633</u>
Noncurrent liabilities:			
Net pension liability	87,625	-	87,625
Compensated absences	21,107	-	21,107
Bonds payable	<u>7,333,000</u>	<u>-</u>	<u>7,333,000</u>
Total noncurrent liabilities	<u>7,441,732</u>	<u>-</u>	<u>7,441,732</u>
Total liabilities	<u>8,739,647</u>	<u>718</u>	<u>8,740,365</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>126,320</u>	<u>-</u>	<u>126,320</u>
Total deferred inflows of resources	<u>126,320</u>	<u>-</u>	<u>126,320</u>
NET POSITION			
Net invested in capital assets	4,625,638	3,444,658	8,070,296
Unrestricted	<u>1,312,643</u>	<u>177,682</u>	<u>1,490,325</u>
Total fund balances	<u>5,938,281</u>	<u>3,622,340</u>	<u>9,560,621</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 14,804,248</u>	<u>\$ 3,623,058</u>	<u>\$ 18,427,306</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 NET POSITION—PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Water and Sewer	Airport	Total Enterprise Funds
OPERATING REVENUES			
Charges for Sales and Services			
Water sales	\$ 2,539,071	\$ -	\$ 2,539,071
Sewer charges	697,714	-	697,714
Water service charges	23,386	-	23,386
Tap fees	15,454	-	15,454
Fuel and oil commissions	-	50,729	50,729
Lease rentals	-	8,128	8,128
Total operating revenues	<u>3,275,625</u>	<u>58,857</u>	<u>3,334,482</u>
OPERATING EXPENSES			
Personnel services	968,247	-	968,247
Material and supplies	1,246,927	18,847	1,265,774
Contracted services	65,627	-	65,627
Depreciation and amortization	617,147	347,683	964,830
Total operating expenses	<u>2,897,948</u>	<u>366,530</u>	<u>3,264,478</u>
OPERATING INCOME (LOSS)	<u>377,677</u>	<u>(307,673)</u>	<u>70,004</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	44,874	360	45,234
Miscellaneous revenues	44,702	180	44,882
Interest expense	(216,009)	-	(216,009)
Total non- operating revenues (expenses)	<u>(126,433)</u>	<u>540</u>	<u>(125,893)</u>
INCOME (LOSS) BEFORE TRANSFERS	251,244	(307,133)	(55,889)
TRANSFERS IN (OUT)	<u>(168,550)</u>	<u>-</u>	<u>(168,550)</u>
CHANGE IN NET POSITION	82,694	(307,133)	(224,439)
NET POSITION - BEGINNING	<u>5,855,587</u>	<u>3,929,473</u>	<u>9,785,060</u>
NET POSITION - ENDING	<u>\$ 5,938,281</u>	<u>\$ 3,622,340</u>	<u>\$ 9,560,621</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, 2019

	Water and Sewer	Airport	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 3,280,694	\$ 58,856	\$ 3,339,550
Cash received from insurance recoveries			-
Payments to employees for salaries and benefits	(748,260)	-	(748,260)
Payments to suppliers and service providers	<u>(1,341,393)</u>	<u>(19,771)</u>	<u>(1,361,164)</u>
Net cash provided by operating activities	<u>1,191,041</u>	<u>39,085</u>	<u>1,230,126</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to other funds	<u>(168,550)</u>	<u>-</u>	<u>(168,550)</u>
Net cash used in non-capital financing activities	<u>(168,550)</u>	<u>-</u>	<u>(168,550)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid on capital debt	(210,509)	-	(210,509)
Principal paid on capital debt	(985,000)	-	(985,000)
Acquisition or construction of capital assets	<u>(1,564,655)</u>	<u>-</u>	<u>(1,564,655)</u>
Net cash used in capital and related financing activities	<u>(2,760,164)</u>	<u>-</u>	<u>(2,760,164)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	44,874	360	45,234
Miscellaneous revenues	<u>44,702</u>	<u>180</u>	<u>44,882</u>
Net cash provided by investing activities	<u>89,576</u>	<u>540</u>	<u>90,116</u>
NET INCREASE/ (DECREASE IN CASH AND CASH EQUIVALENTS)			
	(1,648,097)	39,625	(1,608,472)
CASH AND EQUIVALENTS, BEGINNING			
	<u>3,038,931</u>	<u>138,775</u>	<u>3,177,706</u>
CASH AND EQUIVALENTS, ENDING			
	<u>\$ 1,390,834</u>	<u>\$ 178,400</u>	<u>\$ 1,569,234</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 377,677	\$ (307,673)	\$ 70,004
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	611,647	347,683	959,330
Amortization of refunding charges	5,500	-	5,500
Changes in operating assets:			
Receivables	2,904	-	2,904
Pension deferred outflow/inflow and obligations	205,132	-	205,132
Changes in operating liabilities:			
Accounts payable	(28,839)	(925)	(29,764)
Accrued liabilities and payroll	14,855	-	14,855
Customer deposits	<u>2,165</u>	<u>-</u>	<u>2,165</u>
Net cash provided by operating activities	<u>\$ 1,191,041</u>	<u>\$ 39,085</u>	<u>\$ 1,230,126</u>

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

CITY OF DALHART, TEXAS
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
SEPTEMBER 30, 2019

	<u>Private-Purpose Trust Funds</u>
ASSETS	
Pooled cash and cash equivalents	\$ 71,061
Investments	
Certificates of deposit	888,079
Interest receivable	<u>4,537</u>
Total assets	<u>\$ 963,677</u>
LIABILITIES	
Net position held for scholarship benefits	<u>\$ 963,677</u>
Total liabilities	<u>\$ 963,677</u>

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

CITY OF DALHART, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION-- FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Private-Purpose Trust Funds</u>
ADDITIONS	
Contributions	\$ 430
Investment earnings	
Interest	<u>17,951</u>
Total additions	<u>18,381</u>
DEDUCTIONS	
Scholarship grants	9,000
Bank charges	14
Donations to Frank Philips College, Dalhart branch	<u>23,869</u>
Total deductions	<u>32,883</u>
CHANGE IN NET POSITION	(14,502)
NET POSITION, BEGINNING	<u>978,179</u>
NET POSITION, ENDING	<u>\$ 963,677</u>

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

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Description of Reporting Entity

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

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.

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.

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation – Fund Financial Statements – Continued

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

The General Fund is the City's only major 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.

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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*.

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.

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting – Continued

For the fiscal year, the budgeted change in General Fund Balance for the year was an increase of \$129,107, and actual results were an increase of \$183,553 before interfund transfers. This was primarily the result of the Street and Sanitation expenditures fell 12% and 6%, respectively, below budgeted results.

The following departments' expenditures did exceed appropriations: police (\$29,542), parks and cemetery (\$3,025), and capital outlay (\$93,755). This overspending was covered by underspending in various departments within the General Fund.

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

Cash and Cash Equivalents

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

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 which are invested in external pools which are established under the authority of the Inter-local Cooperative Act, Chapter 791 of the Texas Government Code. The City's investments in these pooled funds use amortized cost to value portfolio assets and follow the criteria for GASB Statement NO. 79.

Receivables and Payables

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

Payables consist of vendor obligations for goods and services.

Inventories and Prepaid Items

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

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

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Capital Assets

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

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

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

Inter-fund activity

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

Use of Estimates

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

Debt Issuance Costs

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

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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 two types of items, which arise only under a modified accrual basis of accounting, which 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.

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.

Net Position

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

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

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

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

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

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Fund Balance

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

Non-spendable fund balance – (inherently not spendable)

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

Restricted fund balance – (externally enforceable limitations on use)

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

Committed fund balance – (self-imposed limitations)

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

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

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

Unassigned fund balance – (residual net resources)

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

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

Unassigned Fund Balance: It is the goal of the City of Dalhart to achieve and maintain a minimum unassigned fund balance in the General Fund to ensure that there will be adequate liquid resources in the event of unanticipated circumstances and events. The minimum unassigned fund balance is set at 25% of budgeted expenditures for the fiscal year, providing for approximately 90 days of estimated expenditures.

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Fund Balance – Continued

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

Revenues and Expenditures/Expenses

Program Revenues

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or program. All taxes are reported as general revenues rather than as program revenues.

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

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenues and Expenditures/Expenses – Continued

Property Taxes

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

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

Compensated Absences

The City provides its full-time employees paid vacation, sick days, and other personal days off, depending on length of service and other factors. Employees with one to nine years of service receive annual leave of two weeks; more than ten year, three weeks, and more than twenty year, four weeks. Only forty hours maybe carried over from one calendar year to the next. Additional vacation hours maybe granted for accumulated sick leave hours over sixty-four hours. Full-time employees may accumulate sick leave of ninety-six hours per year, and may accumulate up to seven hundred and twenty hours. No sick leave will be paid at termination.

Compliance and Accountability

Finance-Related Legal and Contractual Provisions

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

Violation

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

Action Taken

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

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 2 – DEPOSITS AND INVESTMENTS

The following is a reconciliation of the City's cash and deposit balances as of September 30, 2019:

Cash and deposit balances consist of:

Petty cash funds	\$ 960
Bank deposits (interest rate 0.1%)	2,441,763
Temporary investments - TexPool (interest rate 1.0151%)	1,376,946
Temporary investments - Texas LOGIC (interest rate 1.2827%)	5,733,984
Temporary investments - TexSTAR (interest rate 1.0384%)	<u>19,975</u>
Total	<u>\$ 9,573,628</u>

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

Government-wide Statement of Net Position:

Unrestricted	\$ 6,785,892
Restricted	182,720
Component unit	2,533,955
Fiduciary Funds Statement of Net Position	<u>71,061</u>

Total	<u>\$ 9,573,628</u>
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Custodial Credit Risk – Deposits

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

Investment Balances

Following is a reconciliation of the City's investment balances as of September 30, 2019:

Investment Type	Fair Value
Certificates of Deposit	
Governmental activities (interest rates from 0.25% - 2.30%)	\$ 1,050,000
Fiduciary funds (interest rates from 0.60% - 2.30%)	<u>550,000</u>
	<u>\$ 1,600,000</u>

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The City manages its exposure to interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law and City policy limit investments in local government pools to those rated no lower than AAA or an equivalent rating by at least on nationally recognized rating service.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of September 30, 2019, 83% of the City's carrying value of cash was deposited in pooled investment accounts and 17% of the City's investments were comprised of certificates of deposits that are deposited with the City's banks and financial institutions.

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3 – RECEIVABLES

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

	Governmental		Business-type		Total
	General	Non-major	Water & Sewer		
Receivables					
Accounts	\$ 682,801	\$ 54,898	\$ 397,878	\$	1,135,577
Property taxes	28,347	-	-		28,347
Sales taxes	318,161	-	-		318,161
Franchise taxes	104,343	-	-		104,343
Paving assessment	121,564	-	-		121,564
Interest	4,523	1,440	-		5,963
Total gross receivables	1,259,739	56,338	397,878		1,713,955
Less: Allowance for uncollectibles					
Fines, fees, and court costs	(41,347)	-	(2,700)		(44,047)
Net total receivables	\$ 1,218,392	\$ 56,338	\$ 395,178	\$	1,669,908

NOTE 4 – CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 215,501	\$ 40,193	\$ -	\$ 255,694
Construction in progress	-	-	-	-
Total capital assets not being depreciated	215,501	40,193	-	255,694
Capital assets being depreciated				
Buildings and improvements	6,254,832	63,580	-	6,318,412
Machinery, vehicles and equipment	8,477,528	607,598	(140,291)	8,944,835
Infrastructure	5,272,604	-	-	5,272,604
Total capital assets being depreciated	20,004,964	671,178	(140,291)	20,535,851
Less accumulated depreciation for:				
Buildings and improvements	(3,058,401)	(215,988)	-	(3,274,389)
Machinery, vehicles and equipment	(6,179,756)	(502,076)	140,291	(6,541,541)
Infrastructure	(4,688,183)	(85,007)	-	(4,773,190)
Total accumulated depreciation	(13,926,340)	(803,071)	140,291	(14,589,120)
Total capital assets being depreciated, net	6,078,624	(131,893)	-	5,946,731
Governmental activities capital assets, net	\$ 6,294,125	\$ (91,700)	\$ -	\$ 6,202,425

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 4 – CAPITAL ASSETS – Continued

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

Governmental activities:	
General administrative	\$ 33,774
Judicial	1,847
Public safety:	
Fire	9,900
Police	66,629
Street	131,136
Garage	22,336
Sanitation	61,167
Culture and recreation:	
Swimming pool	29,364
Parks and cemetery	12,110
Special revenue funds:	
Rita Blanca Park	98,315
Fleet	336,493
	<u>\$ 803,071</u>

Capital asset activity for business-type activities for the year ended September 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type				
Capital assets not being depreciated:				
Land	\$ 282,119	\$ -	\$ -	\$ 282,119
Construction in progress	<u>6,846,570</u>	<u>1,564,655</u>	<u>-</u>	<u>8,411,225</u>
Total capital assets not being depreciated	7,128,689	1,564,655	-	8,693,344
Capital assets being depreciated				
Buildings and improvements	9,819,389	-	-	9,819,389
Machinery, vehicles and equipment	5,295,009	-	-	5,295,009
Infrastructure	<u>13,160,354</u>	<u>-</u>	<u>-</u>	<u>13,160,354</u>
Total capital assets being depreciated	28,274,752	-	-	28,274,752
Less accumulated depreciation for:				
Buildings and improvements	(6,230,480)	(350,652)	-	(6,581,132)
Machinery, vehicles and equipment	(4,041,752)	(153,658)	-	(4,195,410)
Infrastructure	<u>(9,285,444)</u>	<u>(460,520)</u>	<u>-</u>	<u>(9,745,964)</u>
Total accumulated depreciation	(19,557,676)	(964,830)	-	(20,522,506)
Total capital assets being depreciated, net	<u>8,717,076</u>	<u>(964,830)</u>	<u>-</u>	<u>7,752,246</u>
Governmental activities capital assets, net	<u>\$ 15,845,765</u>	<u>\$ 599,825</u>	<u>\$ -</u>	<u>\$ 16,445,590</u>

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 4 – CAPITAL ASSETS – Continued

Depreciation expense was charged to the Enterprise funds as follows:

Airport	\$	347,683
Water & Sewer		<u>617,147</u>
 Total Business-Type Depreciation	 \$	 <u><u>964,830</u></u>

NOTE 5 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

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	Interfund Receivables	Interfund Payables
General fund	\$ 5,427	\$ 500,000
Special Revenue Funds:		
Rita Blanca Park	-	5,427
Fleet	<u>500,000</u>	
Total	\$ <u><u>505,427</u></u>	\$ <u><u>505,427</u></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.

Fund	Interfund Transfers In	Interfund Transfers Out
General fund	\$ 200,250	\$ 91,907
Proprietary Funds:		
Water and Sewer	-	168,550
Special Revenue Funds:		
Rita Blanca Park	91,907	-
Component Unit:		
Economic Development Corporation		10,000
Permanent Fund:		
Cemetery	<u>-</u>	<u>21,700</u>
	\$ <u><u>292,157</u></u>	\$ <u><u>292,157</u></u>
 Net General fund	 108,343	
Net Non-major funds	<u>60,207</u>	<u>-</u>
Net Governmental type activities	\$ <u><u>168,550</u></u>	\$ <u><u>-</u></u>
 Net Proprietary funds	 \$ <u><u>-</u></u>	 \$ <u><u>168,550</u></u>

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 6 – 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.

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

Certificates of Obligation, Series 2014

In 2014, the City issued \$9,673,000 in Combination Tax and Revenue Certificates of Obligation, Series 2014 with an interest rate of 2.49%. The proceeds will be used for construction improvements to the water and sewer infrastructure. The certificates will be repaid from ad valorem tax levied and revenue from the utility fund. For fiscal year ended September 30, 2019, no additional ad valorem taxes have been levied; the utility fund revenues will be used to repay the bond.

Changes in Long Term Liabilities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Landfill closure costs	\$ 517,842	\$ 23,427	\$ -	\$ 541,269	\$ -
Compensated absences	<u>126,698</u>	<u>-</u>	<u>-</u>	<u>126,698</u>	<u>12,670</u>
Governmental activity long-term liabilities	<u>\$ 644,540</u>	<u>\$ 23,427</u>	<u>\$ -</u>	<u>\$ 667,967</u>	<u>\$ 12,670</u>
Business-type activities					
Bonds payable					
General Obligation					
Refunding Bonds,					
Series 2012	\$ 1,450,000	\$ -	\$ (355,000)	\$ 1,095,000	\$ 360,000
Certificates of Obligation, Series 2014	7,874,000	-	(630,000)	7,244,000	646,000
Compensated absences	<u>23,933</u>	<u>18,717</u>	<u>(21,543)</u>	<u>21,107</u>	<u>-</u>
Businesses-type activities long-term liabilities	<u>\$ 9,347,933</u>	<u>\$ 18,717</u>	<u>\$ (1,006,543)</u>	<u>\$ 8,360,107</u>	<u>\$ 1,006,000</u>

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 6 – LONG-TERM DEBT – Continued

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

Year Ending September 30,	General Obligation Refunding Bonds Series 2012		
	Principal	Interest	Total
2020	\$ 360,000	\$ 16,850	\$ 376,850
2021	365,000	10,685	375,685
2022	370,000	3,700	373,700
Totals	\$ 1,095,000	\$ 31,235	\$ 1,126,235

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

Year Ending September 30,	Combination Tax and Revenue Certificates of Obligation Series 2014		
	Principal	Interest	Total
2020	\$ 646,000	\$ 172,333	\$ 818,333
2021	662,000	156,048	818,048
2022	679,000	139,353	818,353
2023 - 2027	3,661,000	431,131	4,092,131
2028 - 2029	1,596,000	39,989	1,635,989
Totals	\$ 7,244,000	\$ 938,854	\$ 8,182,854

NOTE 7 – EMPLOYEE RETIREMENT BENEFITS

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.

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 – EMPLOYEE RETIREMENT BENEFITS - Continued

Agent Multiple-Employer Plan – Continued

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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	72
Active employees	<u>67</u>
 Total	 <u>169</u>

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, 2015 valuation will determine the contribution rate beginning January 1, 2018). The City contributed using the actuarially determined rate of 4.92% for the months of the accounting years 2018 and 2019. The contribution rate payable by the employee members is 5.0% for fiscal year 2019 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.

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 – EMPLOYEE RETIREMENT BENEFITS - Continued

Agent Multiple-Employer Plan – Continued

Net Pension Liability (Asset)

The City's net pension liability was measured as of December 31, 2018, 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, 2018 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.

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, 2018 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:

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

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued

Agent Multiple-Employer Plan – Continued

Discount Rate – Continued

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.

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%.

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued

Agent Multiple-Employer Plan – Continued

Changes in the Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Increase (Decrease)		Net Pension Liability / (Asset) (a) - (b)
	Total Pension Liability (a)	Fiduciary Net Position (b)	
Balances as of December 31, 2017	\$ 8,169,546	\$ 8,535,715	\$ (366,169)
Changes for the year:			
Service cost	269,758	-	269,758
Interest on total pension liability	547,554	-	547,554
Change in benefit terms	-	-	-
Difference between expected and actual experience	19,429	-	19,429
Change in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(385,018)	(385,018)	-
Contributions- employer	-	129,997	(129,997)
Contributions- employee	-	139,482	(139,482)
Net investment income	-	(254,889)	254,889
Administrative expenses	-	(4,942)	4,942
Other	-	(258)	258
Balances as of December 31, 2018	<u>\$ 8,621,269</u>	<u>\$ 8,160,087</u>	<u>\$ 461,182</u>
Plan fiduciary net position as a percentage of the total pension liability			94.65%
Covered payroll			\$ 2,789,643
Net pension liability/ (asset) as a percentage of covered payroll			16.53%

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	Current	1% Increase
	(5.75%)	Discount Rate (6.75%)	(7.75%)
Net pension liability (asset)	<u>\$ 1,571,320</u>	<u>\$ 461,181</u>	<u>\$ (459,163)</u>

Plan Fiduciary Net Position

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

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7– EMPLOYEE RETIREMENT BENEFITS – Continued

Agent Multiple-Employer Plan – Continued

Schedule of Pension Expense/ (Income)

	<u>January 2018 to December 2018</u>
Service Cost	\$ 269,758
Interest on total pension liability	547,554
Changes in current period benefits including substantively automatic status	-
Projected earnings on plan investments (reduction of expense)	(139,482)
Employee contributions (reduction of expense)	(576,161)
Administrative expense	4,942
Other changes in fiduciary net position	258
Recognition of current year outflow (inflow) of resources - liabilities	5,551
Recognition of current year outflow (inflow) of resources - assets	166,210
Amortization of prior year outflows (inflows) of resources- liabilities	(4,989)
Amortization of prior year outflows (inflows) of resources- assets	12,758
 Total pension expense (income)	 <u>\$ 286,399</u>

Deferred Inflows/Outflows of Resources

As of December 31, 2018, the deferred inflows and outflows of resources are as follows:

	<u>Recognition or Amortization Period in Years</u>	<u>Total (Inflow) or Outflow of Resources</u>	<u>Recognized in Current Pension Expense</u>	<u>Deferred (Inflow)/Outflow in Future Expense</u>
Due to liabilities:				
Difference in expected and actual experience	3.50	\$ 19,429	\$ 5,551	\$ 13,878
Contributions paid to TMRS subsequent to the measurement date	N/A	107,026	107,026	-
Due to assets:				
Difference in projected and actual earnings	5.00	(831,050)	(166,210)	(664,840)
Total			<u>\$</u>	<u>(650,962)</u>

\$107,026 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2019	\$ 176,976
2020	68,476
2021	60,880
2022	166,210
Thereafter	-
Total	<u>\$ 472,542</u>

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued

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. The System issues a stand-alone financial report that is available to the public at www.tesrs.org.

Of the nine-member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2018 there were 190 contributing fire and/or emergency service department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

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

Benefits Provided

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

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

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

Covered Membership

On August 31, 2018, the pension system membership consisted of 13 non-participating vested members and 11 active participants.

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued

Cost- Sharing Multiple- Employer—Continued

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.

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, 2018, total contributions (dues and prior service, and interest on financing of prior service) of 18,122 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.

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued

Cost- Sharing Multiple- Employer—Continued

Contributions Required and Contributions Made – Continued

The most recently completed biennial actuarial valuation as of August 31, 2018 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one- third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$725,000 each year to pay for part of the System's administrative expenses.

Net Pension Liability

The City's net pension liability was measured as of August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018.

Total pension liability	\$	424,919
Fiduciary net position		<u>358,019</u>
City's net pension liability	\$	66,900

Plan fiduciary net position as a percentage of total pension liability	84.3%
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Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using an inflation rate of 3.00% and an investment rate of return rate of 7.75%, net of pension plan investment expense, including inflation.

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

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued

Cost- Sharing Multiple- Employer—Continued

Actuarial Assumptions— Continued

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

Asset Class	Target Allocation (1)	Geometric Real Rate of Return (2)
US Equities		
Large cap domestic	32.00%	5.81%
Small cap domestic	15.00%	5.92%
Developed international	15.00%	6.21%
Emerging markets	5.00%	7.18%
Master limited partnership	5.00%	7.61%
Real Estate	5.00%	4.46%
Fixed income	23.00%	1.61%
Cash	0.00%	0.00%
Total	100.00%	
Weighted average		5.01%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2018 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued

Cost- Sharing Multiple- Employer—Continued

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
System's net pension liability	\$ 58,268	\$ 66,900	\$ 75,532

Pension Expense/ (Income)

	Year Ended August 31, 2018
Service cost	\$ 4,924
Interest	30,604
Projected earnings on pension plan investments	(24,938)
Amortization of differences between projected and actual earnings on plan investments	592
Amortization of changes of assumptions	833
Amortization of differences between expected and actual experience	(26)
Pension plan administrative expense	489
Changes in benefit provisions	8,730
Pension expense (income)	<u>\$ 21,208</u>

Deferred Inflows/ Outflows of Resources

	Deferred Inflow of Resources	Deferred Outflow of Resources
Differences between expected and actual experience	\$ 18	\$ 193
Changes of assumptions	250	-
Net difference between projected and actual investment earnings on pension plan investments	-	3,697
	<u>\$ 268</u>	<u>\$ 3,890</u>

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued

Cost- Sharing Multiple- Employer—Continued

Net Inflow/Outflow for future years

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

<u>Fiscal Year ended August 31,</u>	<u>Net Deferred Outflows of Resources</u>
2019	\$ 4,311
2020	(2,398)
2021	(3,530)
2022	<u>(2,004)</u>
	<u>\$ (3,622)</u>

All assumptions for the August 31, 2018 pension disclosure are contained in the August 31, 2018 Audited Annual Financial Reports of Texas Emergency Services Retirement System, copies of which may be obtained at www.tesrs.texas.gov.

NOTE 8 – RISK OF LOSS

The City is exposed to risks of loss from destruction of City property and from general liability incurred as a part of performing the City's normal operations. The City is protected from these risks through insurance through the Texas Municipal Intergovernmental Risk Pool. The City's loss exposure is limited to deductibles of \$1,000 to \$5,000 within specified aggregate limits. All claims exceeding the specified deductibles are the responsibility of Texas Municipal Intergovernmental Risk Pool and not the City. There have been no reductions in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. The City's employees are covered under the Texas Municipal Intergovernmental Risk Pool. The City has no liability under the plan over and above normal premium contributions. Health insurance is provided for City employees under a traditional plan through the Texas Municipal League. Any portion of health insurance premiums for employee's spouses or dependents are paid for by the employee.

NOTE 9 – ACCOUNTING FOR MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

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

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

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 9 – ACCOUNTING FOR MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS—Continued

The remaining capacity of the City's landfill is estimated at 1,126,663.3 cubic yards. This remaining capacity will continue to be operated by the City as a Municipal Solid Waste Landfill and will be subject to the subtitle D requirements and should have a life of approximately 36 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 \$1,279,558 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, 2019. The estimated liability for closure and post-closure cost accrued on the City's books for the year ended September 30, 2019 was \$535,250, which is based on accumulated usage of the 76.86-acre landfill area. It is estimated that an additional \$744,308 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, 2019, the City has used approximately 42% of the available landfill capacity. It is estimated that the landfill has a remaining life of 36 years.

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 10 – 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, 2019, there was one series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$2,950,000.

NOTE 11 – DEFERRED COMPENSATION PLAN

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

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

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 12 – RESTRICTED NET POSITION

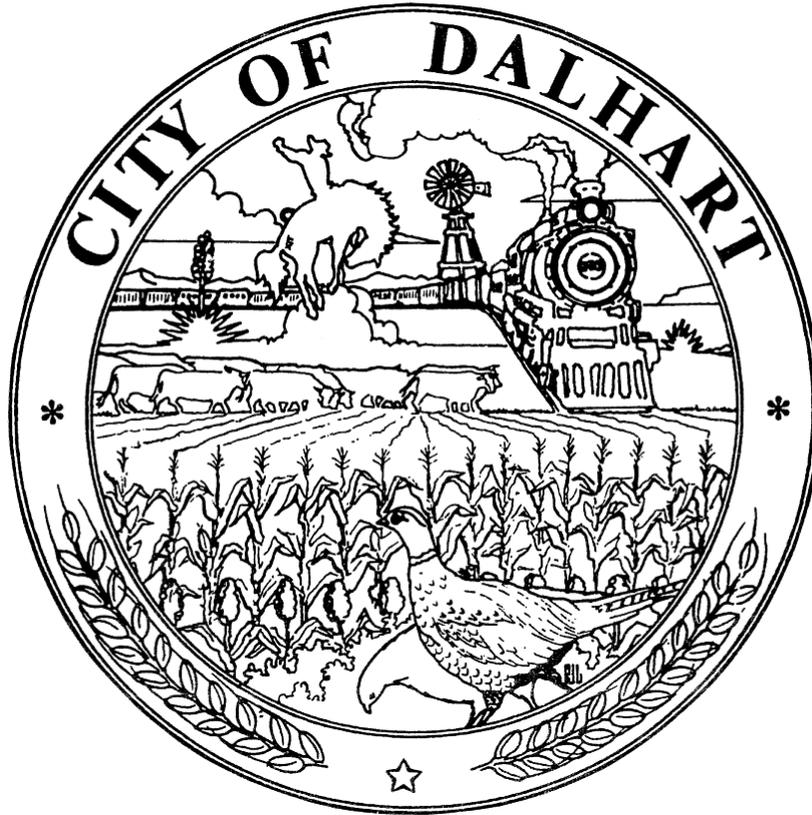
Net Position which is restricted by enabling legislation is comprised of funds for:

Municipal court technology	\$ 21,233
Police training	1,573
Drug seizure	1,472
Tourisim advertising and promotion	<u>(3,886)</u>
	<u>\$ 20,392</u>

The remaining restricted net position is restricted for Cemetery: \$268,862 expendable and \$265,657 non-expendable by the City.

NOTE 13 – SUBSEQUENT EVENTS

We have considered all events and transactions between the fiscal yearend of September 30, 2019 and the date this report was available to be issued, January 14, 2020, and determined there were no significant subsequent events to disclose.



REQUIRED SUPPLEMENTARY INFORMATION

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

CITY OF DALHART, TEXAS
GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Final Budget	Actual	Variance From Final Budget (Negative) Positive
REVENUES			
Taxes	\$ 4,807,508	\$ 4,208,380	\$ (599,128)
Licenses and permits	32,700	27,931	(4,769)
Intergovernmental	-	287,747	287,747
Charges for services	1,214,200	1,181,218	(32,982)
Fines and forfeitures	68,300	98,062	29,762
Investment earnings	-	82,223	82,223
Other	489,650	83,842	(405,808)
Total revenues	<u>6,612,358</u>	<u>5,969,403</u>	<u>(642,955)</u>
EXPENDITURES			
Current:			
General administrative			
Personnel	515,152	587,606	(72,454)
Operations	275,968	198,821	77,147
Property and equipment	80,540	75,311	5,229
Miscellaneous	616,300	22,577	593,723
Total general	<u>1,487,960</u>	<u>884,315</u>	<u>603,645</u>
Public safety			
Police			
Personnel	1,122,513	1,160,623	(38,110)
Operations	315,400	296,049	19,351
Property and equipment	250,395	274,296	(23,901)
Miscellaneous	25,000	11,882	13,118
Total police	<u>1,713,308</u>	<u>1,742,850</u>	<u>(29,542)</u>
Fire			
Personnel	162,693	189,333	(26,640)
Operations	38,250	21,887	16,363
Property and equipment	148,351	152,925	(4,574)
Miscellaneous	29,400	2,549	26,851
Total fire	<u>378,694</u>	<u>366,694</u>	<u>12,000</u>
Ambulance			
Miscellaneous	30,000	30,706	(706)
Total ambulance	<u>30,000</u>	<u>30,706</u>	<u>(706)</u>
Total public safety	<u>2,122,002</u>	<u>2,140,250</u>	<u>18,248</u>
Judicial			
Personnel	30,519	31,501	(982)
Operations	3,300	1,326	1,974
Property and equipment	7,500	9,894	(2,394)
Miscellaneous	6,650	180	6,470
Total judicial	<u>47,969</u>	<u>42,901</u>	<u>5,068</u>

CITY OF DALHART, TEXAS
GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

EXPENDITURES - Continued	Final Budget	Actual	Variance From Final Budget (Negative) Positive
Street			
Personnel	424,937	420,586	4,351
Operations	112,800	115,303	(2,503)
Property and equipment	569,108	442,102	127,006
Miscellaneous	8,000	3,043	4,957
Total street	<u>1,114,845</u>	<u>981,034</u>	<u>133,811</u>
Garage			
Personnel	156,212	146,645	9,567
Operations	22,600	24,897	(2,297)
Property and equipment	25,502	40,153	(14,651)
Miscellaneous	8,000	245	7,755
Total garage	<u>212,314</u>	<u>211,940</u>	<u>374</u>
Sanitation			
Personnel	512,489	513,261	(772)
Operations	47,000	26,595	20,405
Property and equipment	479,992	462,430	17,562
Miscellaneous	33,500	3,795	29,705
Total sanitation	<u>1,072,981</u>	<u>1,006,081</u>	<u>66,900</u>
Culture and recreation			
Swimming pool			
Personnel	43,715	44,000	(285)
Operations	28,450	29,570	(1,120)
Property and equipment	13,278	11,275	2,003
Miscellaneous	2,100	67	2,033
Total swimming pool	<u>87,543</u>	<u>84,912</u>	<u>2,631</u>
Parks and cemetery			
Personnel	165,608	170,673	(5,065)
Operations	15,200	22,090	(6,890)
Property and equipment	78,329	69,705	8,624
Miscellaneous	3,500	3,194	306
Total parks and cemetery	<u>262,637</u>	<u>265,662</u>	<u>(3,025)</u>
Total culture and recreation	<u>350,180</u>	<u>350,574</u>	<u>394</u>
Capital outlay			
General	5,000	40,193	(35,193)
Police	15,000	-	15,000
Fire	14,300	17,394	(3,094)
Judicial	5,000	-	5,000
Sanitation	-	47,588	(47,588)
Garage	9,700	-	9,700
Parks and cemetery	26,000	63,580	(37,580)
Total capital outlay	<u>75,000</u>	<u>168,755</u>	<u>(93,755)</u>
Total expenditures	<u>6,483,251</u>	<u>5,785,850</u>	<u>697,401</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>129,107</u>	<u>183,553</u>	<u>54,446</u>
FUND BALANCE - BEGINNING	<u>3,538,156</u>	<u>3,538,156</u>	<u>-</u>
FUND BALANCE - ENDING	<u>3,667,263</u>	<u>3,721,709</u>	<u>54,446</u>

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

	For the Year Ended December 31,				
	2018	2017	2016	2015	2014
Total Pension Liability:					
Service Cost	\$ 269,758	\$ 261,179	\$ 247,878	\$ 220,984	\$ 182,792
Interest on total pension liability	547,554	518,460	500,833	490,089	462,911
Effect of plan changes	-	-	-	-	-
Effect of assumption changes or inputs	19,429	48,237	(62,125)	169,542	-
Effect of economic/demographic (gains) or losses	-	-	-	(84,135)	40,531
Benefit payments/ refunds of contributions	(385,018)	(417,268)	(446,900)	(336,022)	(298,123)
Net change in total pension liability	451,723	410,608	239,686	460,458	388,111
Total pension liability, beginning	8,169,546	7,758,938	7,519,252	7,058,794	6,670,683
Total pension liability, ending (a)	<u>\$ 8,621,269</u>	<u>\$ 8,169,546</u>	<u>\$ 7,758,938</u>	<u>\$ 7,519,252</u>	<u>\$ 7,058,794</u>
Fiduciary Net Position:					
Employer contributions	129,997	127,351	97,495	94,173	99,158
Member contributions	139,482	134,906	133,555	124,568	113,454
Investment income net of investment expenses	(254,889)	1,056,246	496,933	11,030	409,471
Benefit payments/ refunds of contributions	(385,018)	(417,268)	(446,900)	(336,022)	(298,123)
Administrative expenses	(4,942)	(5,488)	(5,621)	(6,721)	(4,276)
Other	(258)	(278)	(303)	(332)	(352)
Net change in fiduciary net position	(375,628)	895,469	275,159	(113,304)	319,332
Fiduciary net position, beginning	8,535,715	7,640,246	7,365,087	7,478,391	7,159,059
Fiduciary net position, ending (b)	<u>\$ 8,160,087</u>	<u>\$ 8,535,715</u>	<u>\$ 7,640,246</u>	<u>\$ 7,365,087</u>	<u>\$ 7,478,391</u>
Net pension liability (asset) ending (a) - (b)	<u>\$ 461,182</u>	<u>\$ (366,169)</u>	<u>\$ 118,692</u>	<u>\$ 154,165</u>	<u>\$ (419,597)</u>
Fiduciary net position as a % of total pension liability	94.65%	104.48%	98.47%	97.95%	105.94%
Covered payroll	\$ 2,789,643	\$ 2,698,125	\$ 2,555,448	\$ 2,491,364	\$ 2,269,071
Net pension liability as a % of covered payroll	16.53%	-13.57%	4.64%	6.19%	-18.49%

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

<u>Year Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2014	\$ 97,379	\$ 97,379	-	\$ 2,364,355	4.1%
2015	95,972	95,972	-	2,465,398	3.9%
2016	123,157	123,157	-	2,661,310	4.6%
2017	129,617	129,617	-	2,594,749	5.0%
2018	136,195	136,195	-	2,403,901	5.7%

NOTES TO THE SCHEDULE OF CONTRIBUTIONS

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

Valuation Date:	Actuarially determined contribution rates are calculated as of December 31, and become effective in January, 13 months later.
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%
Investment Rate of Return:	6.75%
Salary Increases:	3.50% to 10.5% including inflation
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
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 generated basis with scale BB.
Changes in Plan Provisions Reflected in the Schedule	No changes in plan provisions are reflected in the Schedule of Employer Contributions.

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

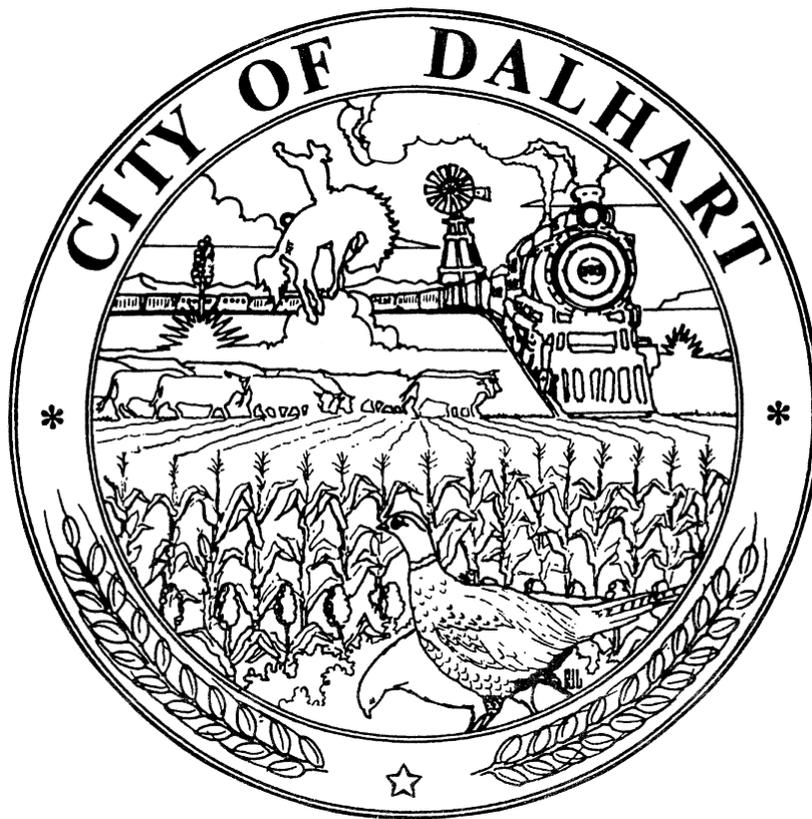
	For the Year Ended August 31,				
	2018	2017	2016	2015	2014
Total Pension Liability:					
Service Cost	\$ 4,924	\$ 3,968	\$ 4,829	\$ 4,100	\$ 4,880
Interest on total pension liability	30,604	23,576	25,371	20,499	21,497
Effect of plan changes	8,730	-	2,058	-	-
Effect of assumption changes or inputs	(279)	-	184	-	-
Effect of economic/demographic (gains) or losses	-	-	2,537	-	-
Benefit payments/ refunds of contributions	(18,044)	(12,530)	(13,400)	(10,887)	(11,130)
Change in allocation percentage	-	(10,487)	49,674	(27,463)	-
Net change in total pension liability	25,934	4,526	71,253	(13,751)	15,247
Total pension liability, beginning	355,340	350,814	279,561	293,312	278,065
Total pension liability, ending (a)	<u>\$ 381,274</u>	<u>\$ 355,340</u>	<u>\$ 350,814</u>	<u>\$ 279,561</u>	<u>\$ 293,312</u>
Fiduciary Net Position:					
Employer contributions	12,665	12,480	9,871	8,508	11,153
State contributions	4,107	3,944	4,514	3,962	4,086
Investment income net of investment expenses	34,960	24,343	14,127	(7,969)	31,795
Benefit payments/ refunds of contributions	(18,044)	(12,530)	(13,400)	(10,887)	(11,130)
Administrative expenses	(489)	(459)	(475)	(522)	(442)
Other	-	-	-	-	-
Change in allocation percentage	(14,401)	-	38,196	(22,921)	-
Net change in fiduciary net position	18,798	27,778	52,833	(29,829)	35,462
Fiduciary net position, beginning	295,576	267,798	214,965	244,794	209,332
Fiduciary net position, ending (b)	<u>\$ 314,374</u>	<u>\$ 295,576</u>	<u>\$ 267,798</u>	<u>\$ 214,965</u>	<u>\$ 244,794</u>
Net pension liability (asset) ending (a) - (b)	<u>\$ 66,900</u>	<u>\$ 59,764</u>	<u>\$ 83,016</u>	<u>\$ 64,596</u>	<u>\$ 48,518</u>
Fiduciary net position as a % of total pension liability	82.45%	83.18%	76.34%	76.89%	83.46%
Number of active members	11	31	31	30	30
Net pension liability per active member	\$ 5,848	\$ 1,928	\$ 2,678	\$ 2,153	\$ 1,617

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

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2014	\$ 18,444	\$ 18,444	-	\$ 82,414	22.4%
2015	6,974	6,974	-	88,067	7.9%
2016	13,250	13,250	-	88,798	14.9%
2017	22,823	22,823	-	93,302	24.5%
2018	18,122	18,122	-	95,741	18.9%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

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



COMBINING STATEMENTS INDIVIDUAL FUND FINANCIAL STATEMENTS AS SUPPLEMENTARY INFORMATION

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

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

PERMANENT FUND

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

**CITY OF DALHART, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	Hotel/Motel Occupancy Tax	Community Development	Rita Blanca Park	Drug Seizure	Police Department State Training	Municipal Court Tech	Fleet	Total Nonmajor Special Revenue Funds	Cemetery Care	Total Nonmajor Governmental Funds
ASSETS										
Cash and cash equivalents	\$ 148,083	\$ 77,019	\$ 18,448	\$ 1,472	\$ 1,573	\$ 21,233	\$ 765,462	\$ 1,033,290	\$ 60,869	\$ 1,094,159
Investments	-	35,678	2,230	-	-	-	280,164	318,072	472,210	790,282
Accounts Receivable	50,072	4,826	-	-	-	-	-	54,898	-	54,898
Interest Receivable	-	-	-	-	-	-	-	-	1,440	1,440
Due (to)/from other funds	-	-	(5,427)	-	-	-	500,000	494,573	-	494,573
Total assets	\$ 198,155	\$ 117,523	\$ 15,251	\$ 1,472	\$ 1,573	\$ 21,233	\$ 1,545,626	\$ 1,900,833	\$ 534,519	\$ 2,435,352
LIABILITIES										
Accounts payable	\$ 88,068	-	\$ 16,527	-	\$ -	-	\$ 46,513	\$ 151,108	-	\$ 151,108
Customer deposits	-	-	11,664	-	-	-	-	11,664	-	11,664
Unearned revenue	113,973	4,158	-	-	-	-	-	118,131	-	118,131
Total liabilities	202,041	4,158	28,191	-	-	-	46,513	280,903	-	280,903
FUND BALANCES										
Restricted	(3,886)	-	(12,940)	1,472	1,573	21,233	1,499,113	7,452	534,519	541,971
Assigned	-	113,365	-	-	-	-	-	1,612,478	-	1,612,478
Total fund balance	(3,886)	113,365	(12,940)	1,472	1,573	21,233	1,499,113	1,619,930	534,519	2,154,449
TOTAL LIABILITIES AND FUND BALANCES	\$ 198,155	\$ 117,523	\$ 15,251	\$ 1,472	\$ 1,573	\$ 21,233	\$ 1,545,626	\$ 1,900,833	\$ 534,519	\$ 2,435,352

CITY OF DALHART, TEXAS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Hotel/Motel Occupancy Tax	Community Development	Rita Blanca Park	Drug Seizure	Police Department State Training	Municipal Court Tech	Fleet	Total Nonmajor Special Revenue Funds	Cemetery Care	Total Nonmajor Governmental Funds
REVENUES										
Taxes	\$ 453,145	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 453,145	\$ -	\$ 453,145
Licenses and permits	-	-	85,189	-	-	-	-	85,189	12,975	98,164
Fines and forfeitures	-	-	115	-	-	2,757	-	2,872	-	2,872
Intergovernmental	-	-	115,000	-	-	-	711,521	826,521	-	826,521
Investment earnings	372	1,188	822	-	4	-	15,908	18,294	10,390	28,684
Miscellaneous	-	42,183	15,778	137	1,539	1,283	(883)	60,037	1,333	61,370
Total revenues	453,517	43,371	216,904	137	1,543	4,040	726,546	1,446,058	24,698	1,470,756
EXPENDITURES										
Current:										
Fleet	-	-	-	-	-	-	16,806	16,806	-	16,806
Public safety:										
Police	-	-	-	11,671	-	-	-	11,671	-	11,671
Culture and recreation										
Parks and cemetery	-	-	303,781	-	-	-	-	303,781	27	303,808
Promotion and tourism	477,706	46,767	-	-	-	-	-	524,473	-	524,473
Capital outlay	-	-	-	-	-	-	542,616	542,616	-	542,616
Total expenditures	477,706	46,767	303,781	11,671	-	-	559,422	1,399,347	27	1,399,374
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(24,189)	(3,396)	(86,877)	(11,534)	1,543	4,040	167,124	46,711	24,671	71,382
OTHER FINANCING SOURCES										
Transfers in (out)	-	-	91,907	-	-	-	-	91,907	(21,700)	70,207
Total other financing sources (uses)	-	-	91,907	-	-	-	-	91,907	(21,700)	70,207
NET CHANGE IN FUND BALANCES	(24,189)	(3,396)	5,030	(11,534)	1,543	4,040	167,124	138,618	2,971	141,589
FUND BALANCES AT BEGINNING OF YEAR	20,303	116,761	(17,970)	13,006	30	17,193	1,331,989	1,481,312	531,548	2,012,860
FUND BALANCES AT END OF YEAR \$	(3,886)	113,365	(12,940)	1,472	1,573	21,233	1,499,113	1,619,930	534,519	2,154,449

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, 2019

	<u>Cleo Jenkins Scholarship Fund</u>	<u>Bonnie Dejarnett Scholarship Fund</u>	<u>Total Private-Purpose Trust Funds</u>
ASSETS			
Pooled cash and cash equivalents	\$ 1,129	\$ 69,932	\$ 71,061
Investments			
Certificates of deposit	-	888,079	888,079
Interest receivable	<u>2,251</u>	<u>2,286</u>	<u>4,537</u>
Total assets	<u>\$ 3,380</u>	<u>\$ 960,297</u>	<u>\$ 963,677</u>
LIABILITIES			
Net position held for scholarship benefits	<u>\$ 3,380</u>	<u>\$ 960,297</u>	<u>\$ 963,677</u>
Total liabilities	<u>\$ 3,380</u>	<u>\$ 960,297</u>	<u>\$ 963,677</u>

CITY OF DALHART, TEXAS COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Cleo Jenkins Scholarship Fund</u>	<u>Bonnie Dejarnett Scholarship Fund</u>	<u>Total Private-Purpose Trust Funds</u>
ADDITIONS			
Contributions	\$ 430	\$ -	\$ 430
Investment earnings			
Interest	<u>180</u>	<u>17,771</u>	<u>17,951</u>
Total additions	<u>610</u>	<u>17,771</u>	<u>18,381</u>
DEDUCTIONS			
Scholarship grants	5,500	3,500	9,000
Bank charges	-	14	14
Donations to Frank Philips College, Dalhart branch	<u>23,869</u>	<u>-</u>	<u>23,869</u>
Total deductions	<u>29,369</u>	<u>3,514</u>	<u>32,883</u>
CHANGE IN NET POSITION	(28,759)	14,257	(14,502)
NET POSITION, BEGINNING	<u>32,139</u>	<u>946,040</u>	<u>978,179</u>
NET POSITION, ENDING	<u>\$ 3,380</u>	<u>\$ 960,297</u>	<u>\$ 963,677</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 (The City) as of and for the year ended September 30, 2019, 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 January 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Dalhart, Texas' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dalhart, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dalhart, Texas' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Fullerton & Associates, PLLC

Fullerton & Associates, PLLC
January 14, 2020