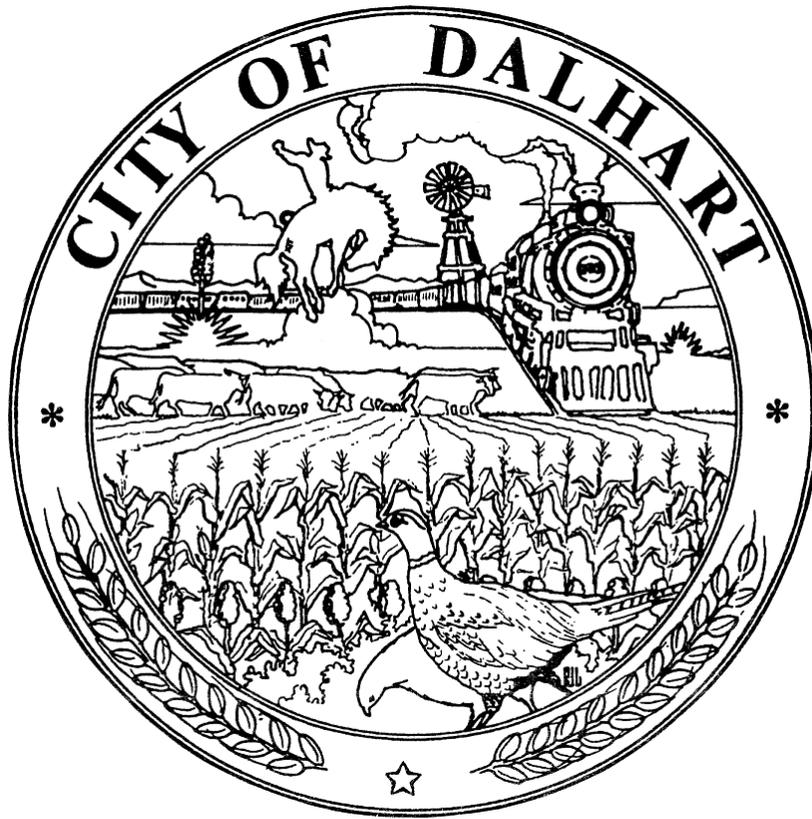


CITY OF DALHART, TEXAS

**Comprehensive
Annual Financial
Report**

**For the Year Ended
September 30, 2018**



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

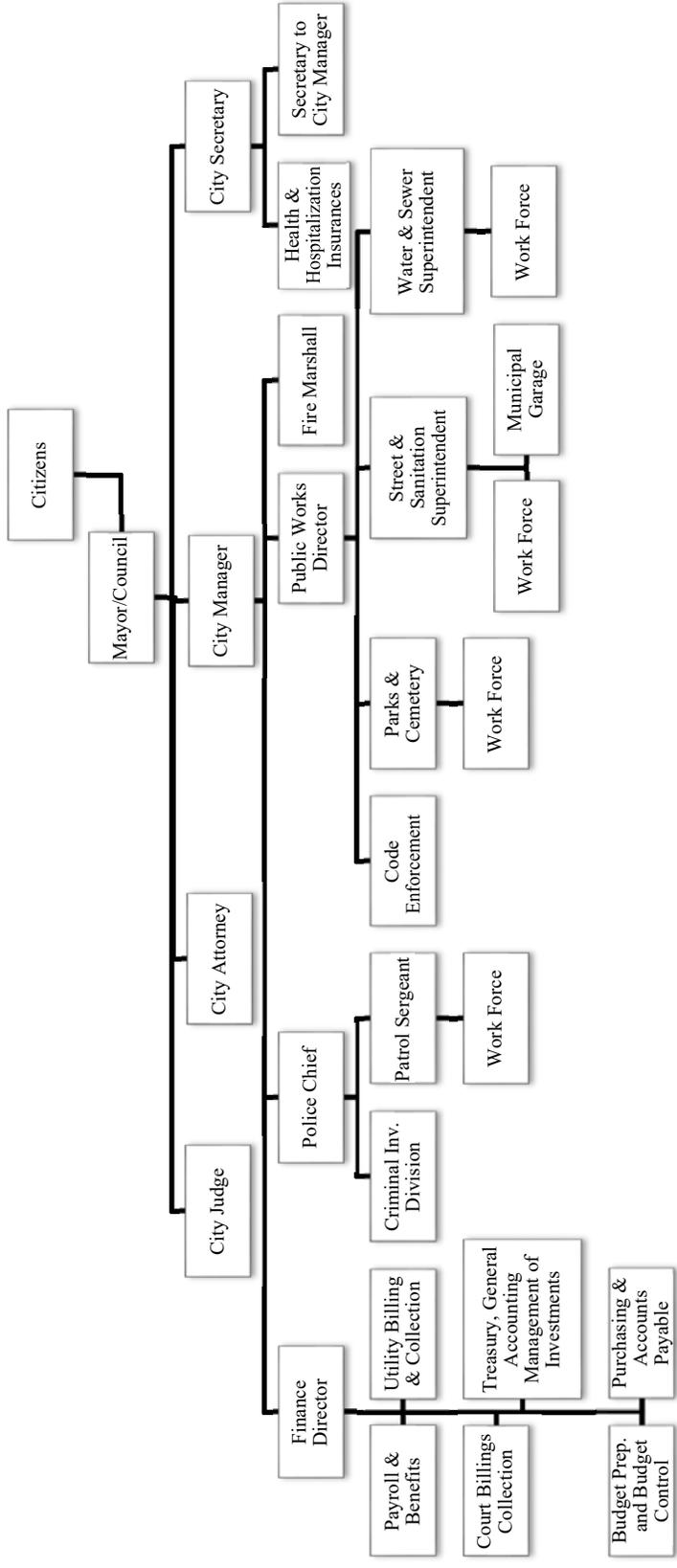
**CITY OF DALHART, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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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, 2018**

ELECTED OFFICIALS

Phillip Hass	Mayor
Rusty Hancock	Council Member
Troy Ferguson	Council Member
Brian Walton	Council Member
Clinton Hale	Council Member
Brian Walton	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
Jeff Degenhart	Water & Sewer Superintendent
David Gonzales	Street & Sanitation Superintendent
Greg Oelke	City Attorney
Coy Gergen	Municipal Court Judge

FINANCIAL SECTION



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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dalhart, Texas (the "City"), as of and for the year ended September 30, 2018, 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, 2018, 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 April 23, 2019, 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.



Gayla Fullerton, CPA, PLLC
April 23, 2019

City of Dalhart, Texas
Management's Discussion and Analysis
As of and for the year ended September 30, 2018

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, 2018.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

- The assets of the City of Dalhart exceeded its liabilities at the close of the 2018 fiscal year by \$21,054,678 (net position).
- As of September 30, 2018, \$7,623,429 (unrestricted) may be used to meet the government's ongoing obligations to citizens. \$12,849,168 of the City's equity is invested in capital assets, \$50,532 of the City's equity is restricted for enabling legislation and \$531,549 is restricted for Cemetery care.
- The City's total assets decreased by \$244,748 during the 2018 fiscal year.
- The net position (equity) of the City increased by \$17,043 during the 2018 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 \$2,977,346 which reflects a decrease of \$1,005,905 for the year ended September 30, 2018.
- Cumulatively, the non-major special revenue funds reported ending fund balances totaling of \$2,012,862 which reflects an increase of \$1,707,900 for the year ended September 30, 2018, 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 \$229,581 in its net position during the 2018 fiscal year, resulting in an ending fund balance of \$5,855,587, \$2,762,702 (47%) of which is invested in capital assets.
- The City's Airport Fund had a decrease of \$177,635 in its net position during the 2018 fiscal year, resulting in an ending fund balance of \$3,929,473, \$3,792,341 (97%) of which is invested in capital assets.
- The City's Fiduciary funds hold a net position held for scholarship benefits of \$978,179 as of September 30, 2018.

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).

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 10 and 11 of this report.

City of Dalhart, Texas
Management's Discussion and Analysis
As of and for the year ended September 30, 2018

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 55 and 56 of this report. The governmental fund financial statements can be found on pages 11-15 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 16-18 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 18 of this report.

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 20-47 of this report.

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 \$21,054,678 at the end of 2018. As of September 30, 2018, \$12,849,168 of the City of Dalhart's net position (61%) 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, Texas
Management's Discussion and Analysis
As of and for the year ended September 30, 2018

City of Dalhart's Net Position			
	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 6,366,090	\$ 3,645,360	\$ 10,011,450
Capital assets (net of depreciation)	6,294,125	15,845,765	22,139,890
Total assets	12,660,215	19,491,125	32,151,340
Deferred charge on refunding	-	20,167	20,167
Deferred outflows related to pensions	33,848	6,413	40,261
Total deferred outflows	33,848	26,580	60,428
Current and other liabilities	442,312	1,289,941	1,732,253
Long-term liabilities	631,870	8,360,543	8,992,413
Total liabilities	1,074,182	9,650,484	10,724,666
Deferred inflows related to pensions	350,263	82,161	432,424
Net position:			
Net investment in capital assets	6,294,125	6,555,043	12,849,168
Restricted for enabling legislation	50,532	-	50,532
Restricted for Cemetery - expendable	265,892	-	265,892
Restricted for Cemetery - non-expendable	265,657	-	265,657
Unrestricted	4,393,412	3,230,017	7,623,429
	\$ 11,269,618	\$ 9,785,060	\$ 21,054,678

City of Dalhart, Texas
Management's Discussion and Analysis
As of and for the year ended September 30, 2018

City of Dalhart's Changes in Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Program Revenues			
Fees, fines, and charges for services	\$ 1,814,488	\$ 3,304,499	\$ 5,118,987
Operating grants and contributions	110,000	-	110,000
General Revenues			
Property taxes	1,643,623	-	1,643,623
Sales and use taxes	1,865,280	-	1,865,280
Franchise taxes	444,647	-	444,647
Hotel/motel taxes	358,196	-	358,196
Alcoholic beverage taxes	36,423	-	36,423
Investment earnings	65,548	64,963	130,511
Miscellaneous	242,768	48,777	291,545
Total Revenues	<u>6,580,973</u>	<u>3,418,239</u>	<u>9,999,212</u>
Expenditures			
General administrative	1,362,722	-	1,362,722
Public safety:			
Police	1,695,354	-	1,695,354
Fire	387,008	-	387,008
Ambulance	8,206	-	8,206
Judicial	47,257	-	47,257
Street	987,205	-	987,205
Sanitation and garage	1,131,232	-	1,131,232
Culture and recreation:			
Swimming pool	75,378	-	75,378
Parks and cemetery	568,564	-	568,564
Promotion and tourism	372,043	-	372,043
Water and sewer	-	2,980,011	2,980,011
Airport	-	367,189	367,189
Total expenditures	<u>6,634,969</u>	<u>3,347,200</u>	<u>9,982,169</u>
Transfers In	19,093	-	19,093
Transfers Out	-	(19,093)	(19,093)
Total other financing sources (uses)	<u>19,093</u>	<u>(19,093)</u>	<u>-</u>
Change in net position	(34,903)	51,946	17,043
Net position, beginning	<u>11,304,521</u>	<u>9,733,114</u>	<u>21,037,635</u>
Net position, ending	<u>\$ 11,269,618</u>	<u>\$ 9,785,060</u>	<u>\$ 21,054,678</u>

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.

City of Dalhart, Texas
Management's Discussion and Analysis
As of and for the year ended September 30, 2018

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 2018, the City of Dalhart's governmental General Fund reported an ending fund balance of \$11,269,618, \$4,393,412 of which was unassigned and available for spending at the City's discretion. This represents almost eight months of operating equity based on fiscal year 2018 General fund expenditures.

CAPITAL ASSETS

The City of Dalhart's investment in capital assets for its governmental activities amounts to \$6,294,125 (net of accumulated depreciation) as of September 30, 2018, and its investment in capital assets for its business-type activities amounts to \$15,845,765 (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.

The City of Dalhart's Capital Assets
(net of depreciation)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 215,501	\$ 282,119	\$ 497,620
Construction in progress	-	6,846,570	6,846,570
Buildings and improvements	3,196,431	3,588,909	6,785,340
Machinery, vehicles and equipment	2,297,772	1,253,257	3,551,029
Infrastructure	584,421	3,874,910	4,459,331
	<u>\$ 6,294,125</u>	<u>\$ 15,845,765</u>	<u>\$ 22,139,890</u>

Additional information on the City of Dalhart's capital assets can be found in Note 5 on pages 31 and 32 of this report.

DEBT ADMINISTRATION

At September 30, 2018, the City had \$9,992,473 in outstanding long-term liabilities, comprised of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Landfill closure costs	\$ 517,842	\$ -	\$ 517,842
Compensated absences	126,698	23,933	150,631
General Obligation Refunding Bonds, Series 2012	-	1,450,000	1,450,000
Certificates of Obligation, Series 2014	-	7,874,000	7,874,000
	<u>\$ 644,540</u>	<u>\$ 9,347,933</u>	<u>\$ 9,992,473</u>

Additional information on the City of Dalhart's debt can be found in Note 7 on pages 33-35 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.

BASIC FINANCIAL STATEMENTS

CITY OF DALHART, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
ASSETS				
Pooled cash and cash equivalents	\$ 759,783	\$ 340,935	\$ 1,100,718	\$ 410,302
Investments	3,952,225	2,672,806	6,625,031	1,507,464
Receivables (net of allowance for uncollectibles)	1,269,875	398,082	1,667,957	106,054
Inventories	42,967	-	42,967	-
Notes receivable, current	4,512	-	4,512	-
Notes receivable, noncurrent	18,111	-	18,111	-
Restricted assets: Cash and equivalents	22,020	163,965	185,985	-
Capital assets:				
Land	215,501	282,119	497,620	-
Construction in progress	-	6,846,570	6,846,570	-
Infrastructure	5,272,604	13,160,354	18,432,958	-
Buildings and improvements	6,254,832	9,819,389	16,074,221	-
Machinery, vehicles, and equipment	8,500,394	5,295,009	13,795,403	-
Less: accumulated depreciation	(13,949,206)	(19,557,676)	(33,506,882)	-
Net pension asset	296,597	69,572	366,169	-
Total assets	<u>12,660,215</u>	<u>19,491,125</u>	<u>32,151,340</u>	<u>2,023,820</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	20,167	20,167	-
Deferred outflows - pension	33,848	6,413	40,261	-
Total deferred outflows of resources	<u>33,848</u>	<u>26,580</u>	<u>60,428</u>	<u>-</u>
LIABILITIES				
Accounts payable	347,858	101,641	449,499	-
Accrued liabilities	-	651	651	-
Deposits payable	22,020	163,965	185,985	-
Accrued interest	-	36,294	36,294	-
Noncurrent liabilities				
Net pension liability	59,764	-	59,764	-
Due within one year	12,670	987,390	1,000,060	-
Due in more than one year	631,870	8,360,543	8,992,413	-
Total liabilities	<u>1,074,182</u>	<u>9,650,484</u>	<u>10,724,666</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	350,263	82,161	432,424	-
NET POSITION				
Net investment in capital assets	6,294,125	6,555,043	12,849,168	-
Restricted for enabling legislation	50,532	-	50,532	-
Restricted for Cemetery - expendable	265,892	-	265,892	-
Restricted for Cemetery - non-expendable	265,657	-	265,657	-
Unrestricted	4,393,412	3,230,017	7,623,429	2,023,820
Total net position	<u>\$ 11,269,618</u>	<u>\$ 9,785,060</u>	<u>\$ 21,054,678</u>	<u>\$ 2,023,820</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, 2018**

FUNCTIONS/PROGRAMS	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT						
Governmental activities						
General administrative	\$ 1,362,722	\$ 147,655	-	\$ (1,215,067)	\$ -	\$ (1,215,067)
Public safety:						
Police	1,695,354	6,807	-	(1,688,547)	-	(1,688,547)
Fire	387,008	237,407	-	(149,601)	-	(149,601)
Ambulance	8,206	-	-	(8,206)	-	(8,206)
Judicial	47,257	85,389	-	38,132	-	38,132
Street	987,205	119,869	-	(867,336)	-	(867,336)
Sanitation and garage	1,131,232	1,099,138	-	(32,094)	-	(32,094)
Culture and recreation:						
Swimming pool	75,378	24,385	-	(50,993)	-	(50,993)
Parks and cemetery	568,564	93,838	110,000	(364,726)	-	(364,726)
Promotion and tourism	372,043	-	-	(372,043)	-	(372,043)
Total governmental activities	6,634,969	1,814,488	110,000	(4,710,481)	-	(4,710,481)
BUSINESS-TYPE ACTIVITIES						
Water and sewer	2,980,011	3,275,496	-	-	295,485	295,485
Airport	367,189	29,003	-	-	(338,186)	(338,186)
Total business-type activities	3,347,200	3,304,499	-	-	(42,701)	(42,701)
TOTAL PRIMARY GOVERNMENT	\$ 9,982,169	\$ 5,118,987	\$ 110,000	(4,710,481)	(42,701)	(4,753,182)
COMPONENT UNIT						
Economic Development Corporation	\$ 162,175	\$ -	\$ 102,428			\$ (59,747)
General revenues:						
Property taxes				1,643,623		1,643,623
Sales and use taxes				1,865,280		1,865,280
Franchise taxes				444,647		444,647
Hotel/motel taxes				358,196		358,196
Alcoholic beverage taxes				36,423		36,423
Investment earnings				65,548	64,963	130,511
Miscellaneous				242,768	48,777	291,545
Transfers				19,093	(19,093)	-
Total general revenues and transfers				4,675,578	94,647	4,770,225
CHANGE IN NET POSITION				(34,903)	51,946	17,043
NET POSITION AT BEGINNING OF YEAR				11,304,521	9,733,114	21,037,635
NET POSITION AT END OF YEAR				\$ 11,269,618	\$ 9,785,060	\$ 21,054,678

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

CITY OF DALHART, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Total Non-major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ (30,704)	\$ 812,507	\$ 781,803
Investments	2,659,849	1,292,376	3,952,225
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	875,861	54,583	930,444
Due from other funds	5,427	1,987	7,414
Inventories	42,967	-	42,967
Notes receivable, current	4,512	-	4,512
Notes receivable, noncurrent	18,111	-	18,111
Total assets	<u>\$ 3,914,014</u>	<u>\$ 2,162,893</u>	<u>\$ 6,076,907</u>
LIABILITIES			
Accounts payable	\$ 253,485	\$ 94,373	\$ 347,858
Due to other funds	1,987	5,427	7,414
Deposits payable	4,771	17,249	22,020
Total liabilities	260,243	117,049	377,292
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	13,189	-	13,189
Unavailable revenue - other receivables	102,426	32,982	135,408
Total deferred inflows of resources	115,615	32,982	148,597
FUND BALANCES			
Nonspendable fund balance:			
Cemetery perpetual care	-	265,657	265,657
Inventories	42,967	-	42,967
Restricted fund balance:			
Cemetery perpetual care	-	265,892	265,892
Police department state training funds	-	30	30
Drug seizure	-	13,006	13,006
Municipal court technology	-	17,193	17,193
Tourism advertising and promotion	-	20,303	20,303
Committed fund balance:			
Landfill assurance	517,843	-	517,843
Assigned fund balance:			
Community development	-	116,762	116,762
Rita Blanca Park	-	(17,970)	(17,970)
Fleet	-	1,331,989	1,331,989
Unassigned fund balance	2,977,346	-	2,977,346
Total fund balances	<u>3,538,156</u>	<u>2,012,862</u>	<u>5,551,018</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 3,914,014</u>	<u>\$ 2,162,893</u>	<u>\$ 6,076,907</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, 2018**

Total Fund Balances - Governmental Funds Balance Sheet	\$	5,551,018
<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>		6,294,125
<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>		148,597
<p>Long-term liabilities, including compensated absences and the County'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>		(623,097)
<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>		(21,443)
<p>Included in the items related to long-term liabilities is the recognition of the County's deferred outflow of resources, and deferred inflow of resources relating to its pension liability.</p>		<u>(79,582)</u>
Net Position of Governmental Activities - Statement of Net Position	\$	<u>11,269,618</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, 2018

	General Fund	Total Non-major Funds	Total Governmental Funds
REVENUES			
Taxes			
Property	\$ 1,643,623	\$ -	\$ 1,643,623
Sales and use	1,865,280	-	1,865,280
Franchise	444,647	-	444,647
Mixed beverage	7,599	-	7,599
Hotel/motel	-	358,196	358,196
Licenses and permits	30,230	77,098	107,328
Fines and forfeitures	82,488	3,008	85,496
Intergovernmental	231,407	793,106	1,024,513
Charges for services	1,205,304	-	1,205,304
Investment earnings	41,015	24,533	65,548
Miscellaneous	147,287	82,880	230,167
Total revenues	<u>5,698,880</u>	<u>1,338,821</u>	<u>7,037,701</u>
EXPENDITURES			
Current:			
General administrative	807,759	-	807,759
Judicial	47,257	-	47,257
Public safety:			
Police	1,645,597	31,131	1,676,728
Fire	392,241	-	392,241
Ambulance	8,206	-	8,206
Street	1,047,610	-	1,047,610
Garage	173,341	-	173,341
Sanitation	1,066,434	-	1,066,434
Culture and recreation:			
Swimming pool	75,378	-	75,378
Parks and cemetery	266,929	279,616	546,545
Promotion and tourism		372,043	372,043
Capital Outlay	141,257	-	141,257
Total expenditures	<u>5,672,009</u>	<u>682,790</u>	<u>6,354,799</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>26,871</u>	<u>656,031</u>	<u>682,902</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>(1,032,776)</u>	<u>1,051,869</u>	<u>19,093</u>
Total other financing sources (uses)	<u>(1,032,776)</u>	<u>1,051,869</u>	<u>19,093</u>
NET CHANGE IN FUND BALANCES	(1,005,905)	1,707,900	701,995
FUND BALANCES AT BEGINNING OF YEAR	<u>4,544,061</u>	<u>304,962</u>	<u>4,849,023</u>
FUND BALANCES AT END OF YEAR	<u>\$ 3,538,156</u>	<u>\$ 2,012,862</u>	<u>\$ 5,551,018</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, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$	701,995
<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>		141,257
<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>		(700,459)
<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>		135,408
<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>		(21,443)
<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 County's unrecognized deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the County's share of pension expense</p>		<u>(291,661)</u>
Change in Net Position of Governmental Activities - Statement of Activities	\$	<u><u>(34,903)</u></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, 2018

	Water and Sewer	Airport	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 210,124	\$ 130,811	\$ 340,935
Investments	2,665,322	7,484	2,672,806
Receivables (net of allowances)	398,082	-	398,082
Restricted cash- customer and lease deposits	163,485	480	163,965
Total current assets	<u>\$ 3,437,013</u>	<u>\$ 138,775</u>	<u>\$ 3,575,788</u>
Noncurrent assets:			
Capital assets:			
Land	46,695	235,424	282,119
Construction in progress	6,846,570	-	6,846,570
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	(13,511,641)	(6,046,035)	(19,557,676)
Net pension asset	69,572	-	69,572
Total noncurrent assets	<u>12,122,996</u>	<u>3,792,341</u>	<u>15,915,337</u>
Total assets	<u>15,560,009</u>	<u>3,931,116</u>	<u>19,491,125</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	20,167	-	20,167
Deffered outflows related to pensions	6,413	-	6,413
Total deferred outflows of resources	<u>26,580</u>	<u>-</u>	<u>26,580</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 100,478	\$ 1,163	\$ 101,641
Accrued liabilities	651	-	651
Accrued interest	36,294	-	36,294
Compensated absenses- current	2,390	-	2,390
Bonds payable- current	985,000	-	985,000
Due to other funds	-	-	-
Unearned revenue	-	-	-
Customer or lease deposits payable- restricted assets	163,485	480	163,965
Total current liabilities	<u>1,288,298</u>	<u>1,643</u>	<u>1,289,941</u>
Noncurrent liabilities:			
Net pension liability	-	-	-
Compensated absences	21,543	-	21,543
Bonds payable	8,339,000	-	8,339,000
Total noncurrent liabilities	<u>8,360,543</u>	<u>-</u>	<u>8,360,543</u>
Total liabilities	<u>9,648,841</u>	<u>1,643</u>	<u>9,650,484</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	82,161	-	82,161
Total deferred inflows of resources	<u>82,161</u>	<u>-</u>	<u>82,161</u>
NET POSITION			
Net invested in capital assets	2,762,702	3,792,341	6,555,043
Unrestricted	3,092,885	137,132	3,230,017
Total fund balances	<u>5,855,587</u>	<u>3,929,473</u>	<u>9,785,060</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 15,586,589</u>	<u>\$ 3,931,116</u>	<u>\$ 19,517,705</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, 2018

	Water and Sewer	Airport	Total Enterprise Funds
OPERATING REVENUES			
Charges for Sales and Services			
Water sales	\$ 2,532,153	\$ -	\$ 2,532,153
Sewer charges	708,622	-	708,622
Water service charges	26,721	-	26,721
Tap fees	8,000	-	8,000
Fuel and oil commissions	-	10,329	10,329
Lease rentals	-	18,674	18,674
Total operating revenues	<u>3,275,496</u>	<u>29,003</u>	<u>3,304,499</u>
OPERATING EXPENSES			
Personnel services	801,620	-	801,620
Material and supplies	1,238,273	24,156	1,262,429
Contracted services	65,560	-	65,560
Depreciation and amortization	629,734	343,033	972,767
Total operating expenses	<u>2,735,187</u>	<u>367,189</u>	<u>3,102,376</u>
OPERATING INCOME (LOSS)	<u>540,309</u>	<u>(338,186)</u>	<u>202,123</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	64,749	214	64,963
Miscellaneous revenues	47,897	880	48,777
Interest expense	(244,824)	-	(244,824)
Total non- operating revenues (expenses)	<u>(132,178)</u>	<u>1,094</u>	<u>(131,084)</u>
INCOME (LOSS) BEFORE TRANSFERS	408,131	(337,092)	71,039
TRANSFERS IN (OUT)	<u>(178,550)</u>	<u>159,457</u>	<u>(19,093)</u>
CHANGE IN NET POSITION	229,581	(177,635)	51,946
NET POSITION - BEGINNING	<u>5,626,006</u>	<u>4,107,108</u>	<u>9,733,114</u>
NET POSITION - ENDING	<u>\$ 5,855,587</u>	<u>\$ 3,929,473</u>	<u>\$ 9,785,060</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, 2018

	Water and Sewer	Airport	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 3,246,213	\$ 29,002	\$ 3,275,215
Cash received from insurance recoveries			-
Payments to employees for salaries and benefits	(679,714)	-	(679,714)
Payments to suppliers and service providers	(1,407,204)	(24,248)	(1,431,452)
Net cash provided by operating activities	<u>1,159,295</u>	<u>4,754</u>	<u>1,164,049</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(178,550)	-	(178,550)
Advances to other funds	-	-	-
Net cash used in non-capital financing activities	<u>(178,550)</u>	<u>-</u>	<u>(178,550)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid on capital debt	(231,075)	-	(231,075)
Principal paid on capital debt	(960,000)	-	(960,000)
Acquisition or construction of capital assets	(2,369,654)	-	(2,369,654)
Net cash used in capital and related financing activities	<u>(3,560,729)</u>	<u>-</u>	<u>(3,560,729)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	64,749	214	64,963
Miscellaneous revenues	47,897	880	48,777
Net cash provided by investing activities	<u>112,646</u>	<u>1,094</u>	<u>113,740</u>
NET INCREASE/ (DECREASE IN CASH AND CASH EQUIVALENTS)	<u>(2,467,338)</u>	<u>5,848</u>	<u>(2,461,490)</u>
CASH AND EQUIVALENTS, BEGINNING	<u>5,506,269</u>	<u>132,927</u>	<u>5,639,196</u>
CASH AND EQUIVALENTS, ENDING	<u>\$ 3,038,931</u>	<u>\$ 138,775</u>	<u>\$ 3,177,706</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 540,309	\$ (338,186)	\$ 202,123
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	624,234	343,033	967,267
Amortization of refunding charges	5,500	-	5,500
Changes in operating assets			
Receivables	(30,723)	-	(30,723)
Pension deferred outflow/inflow and obligation	137,010	-	137,010
Changes in operating liabilities			
Accounts payable	(103,371)	(93)	(103,464)
Accrued liabilities and payroll	(15,104)	-	(15,104)
Customer deposits	1,440	-	1,440
Net cash provided by operating activities	<u>\$ 1,159,295</u>	<u>\$ 4,754</u>	<u>\$ 1,164,049</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, 2018**

	<u>Private-Purpose Trust Funds</u>
ASSETS	
Pooled cash and cash equivalents	\$ 93,350
Investments	
Certificates of deposit	882,543
Interest receivable	<u>2,286</u>
Total assets	<u>\$ 978,179</u>
LIABILITIES	
Net position held for scholarship benefits	<u>\$ 978,179</u>
Total liabilities	<u>\$ 978,179</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, 2018**

	<u>Private-Purpose Trust Funds</u>
ADDITIONS	
Contributions	\$ 484
Investment earnings	
Interest	<u>16,251</u>
Total additions	<u>16,735</u>
DEDUCTIONS	
Scholarship grants	29,871
Bank charges	439
Donations to Frank Philips College, Dalhart branch	<u>1,318,631</u>
Total deductions	<u>1,348,941</u>
CHANGE IN NET POSITION	(1,332,206)
NET POSITION, BEGINNING	<u>2,310,385</u>
NET POSITION, ENDING	<u>\$ 978,179</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, 2018

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.

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.

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation – Fund Financial Statements – Continued

The City reports the following enterprise funds:

The Water and Sewer Fund is to account for the provisions of water and sewer services to residents and commercial enterprises of the City and approximate area. 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.

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.

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Measurement Focus and Basis of Accounting – Continued

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

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

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

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

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for 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.

For the fiscal year, the budgeted change in General Fund Balance for the year was an increase of \$148,437, but actual results were an increase of only \$26,871. This was primarily the result of budgeted tax income falling 14% below budget (\$631,043), as most General Fund departments' expenditures did not exceed appropriations during the fiscal year.

The following departments' expenditures did exceed appropriations: fire (\$22,973), sanitation (\$47,537), parks and cemetery (\$9,250) and capital outlay (\$62,545, split between administration, police, street, sanitation, and parks and cemetery appropriations). This overspending was covered partially by underspending in various departments within the General Fund, additional revenues received in the current year, and using other accumulated fund balances.

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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.

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.

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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.

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.

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Fund Balance – Continued

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.

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, 2018**

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, numerous 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, 2018**

NOTE 2 – DEPOSITS AND INVESTMENTS

The following is a reconciliation of the City's cash and deposit balances as of September 30, 2018:

Cash and deposit balances consist of:

Petty cash funds	\$ 1,225
Bank deposits (interest rate 0.1%)	2,729,503
Temporary investments - TexPool (interest rate 1.0151%)	2,160,566
Temporary investments - Texas LOGIC (interest rate 1.2827%)	4,732,701
Temporary investments - TexSTAR (interest rate 1.0384%)	<u>19,520</u>
Total	<u>\$ 9,643,515</u>

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

Government-wide Statement of Net Position:

Unrestricted	\$ 7,446,414
Restricted	185,985
Component unit	1,917,766
Fiduciary Funds Statement of Net Position	<u>93,350</u>
Total	<u>\$ 9,643,515</u>

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, 2018:

Investment Type	Fair Value
Certificates of Deposit	
Governmental activities (interest rates from 0.25% - 2.30%)	\$ 1,550,000
Fiduciary funds (interest rates from 0.60% - 2.30%)	<u>550,000</u>
	<u>\$ 2,100,000</u>

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2018, 78% of the City's carrying value of cash was deposited in pooled investment accounts and 22% of the City's investments were comprised of certificates of deposits that are deposited with the City's banks and 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, 2018**

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:

	<u>Governmental</u>		<u>Business-type</u>	
	<u>General</u>	<u>Non-major</u>	<u>Water & Sewer</u>	<u>Total</u>
Receivables				
Accounts	\$ 676,379	\$ 54,583	\$ 400,782	\$ 1,131,744
Property taxes	28,347	-	-	28,347
Sales taxes	318,161	-	-	318,161
Franchise taxes	104,343	-	-	104,343
Paving assessment	149,332	-	-	149,332
Interest	4,523	1,440	-	5,963
Total gross receivables	<u>1,281,085</u>	<u>56,023</u>	<u>400,782</u>	<u>1,737,890</u>
Less: Allowance for uncollectibles				
Fines, fees, and court costs	<u>(67,233)</u>	<u>-</u>	<u>(2,700)</u>	<u>(69,933)</u>
Net total receivables	<u>\$ 1,213,852</u>	<u>\$ 56,023</u>	<u>\$ 398,082</u>	<u>\$ 1,667,957</u>

NOTE 4 – NOTES RECEIVABLE

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

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

<u>Year Ending September 30</u>	<u>Principal</u>
2019	\$ 11,438
2020	4,512
2021	4,650
2022	<u>2,023</u>
	<u>\$ 22,623</u>

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 215,501	\$ -	\$ -	\$ 215,501
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>215,501</u>	<u>-</u>	<u>-</u>	<u>215,501</u>
Capital assets being depreciated				
Buildings and improvements	6,223,042	31,790	-	6,254,832
Machinery, vehicles and equipment	8,390,927	109,467	-	8,500,394
Infrastructure	<u>5,272,604</u>	<u>-</u>	<u>-</u>	<u>5,272,604</u>
Total capital assets being depreciated	19,886,573	141,257	-	20,027,830
Less accumulated depreciation for:				
Buildings and improvements	(2,840,908)	(217,493)	-	(3,058,401)
Machinery, vehicles and equipment	(5,804,663)	(397,959)	-	(6,202,622)
Infrastructure	<u>(4,603,176)</u>	<u>(85,007)</u>	<u>-</u>	<u>(4,688,183)</u>
Total accumulated depreciation	(13,248,747)	(700,459)	-	(13,949,206)
Total capital assets being depreciated, net	<u>6,637,826</u>	<u>(559,202)</u>	<u>-</u>	<u>6,078,624</u>
Governmental activities capital assets, net	<u>\$ 6,853,327</u>	<u>\$ (559,202)</u>	<u>\$ -</u>	<u>\$ 6,294,125</u>

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

Governmental activities:	
General	\$ 8,861
Public safety:	
Fire	11,234
Police	40,327
Street	61,590
Sanitation	45,238
Culture and recreation:	
Parks and cemetery	44,980
Special revenue funds:	
Rita Blanca Park	99,415
Fleet	388,814
	<u>\$ 700,459</u>

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – CAPITAL ASSETS – Continued

Capital asset activity for business-type activities for the year ended September 30, 2018, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type				
Capital assets not being depreciated:				
Land	\$ 282,119	\$ -	\$ -	\$ 282,119
Construction in progress	<u>4,423,902</u>	<u>2,422,668</u>	<u>-</u>	<u>6,846,570</u>
Total capital assets not being depreciated	4,706,021	2,422,668	-	7,128,689
Capital assets being depreciated				
Buildings and improvements	9,659,932	159,457	-	9,819,389
Machinery, vehicles and equipment	5,419,991	83,692	(208,674)	5,295,009
Infrastructure	<u>13,160,354</u>	<u>-</u>	<u>-</u>	<u>13,160,354</u>
Total capital assets being depreciated	28,240,277	243,149	(208,674)	28,274,752
Less accumulated depreciation for:				
Buildings and improvements	(5,881,716)	(348,764)	-	(6,230,480)
Machinery, vehicles and equipment	(3,880,752)	(161,000)	-	(4,041,752)
Infrastructure	<u>(8,824,838)</u>	<u>(460,606)</u>	<u>-</u>	<u>(9,285,444)</u>
Total accumulated depreciation	(18,587,306)	(970,370)	-	(19,557,676)
Total capital assets being depreciated, net	<u>9,652,971</u>	<u>(727,221)</u>	<u>(208,674)</u>	<u>8,717,076</u>
Governmental activities capital assets, net	<u>\$ 14,358,992</u>	<u>\$ 1,695,447</u>	<u>\$ (208,674)</u>	<u>\$ 15,845,765</u>

NOTE 6 – 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.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 5,427	\$ 1,987
Special Revenue Funds:		
Rita Blanca Park	-	5,427
Permanent Fund:		
Cemetery	<u>1,987</u>	<u>-</u>
Total	<u>\$ 7,414</u>	<u>\$ 7,414</u>

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS – Continued

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	\$ 1,233,026
Proprietary Funds:		
Airport	159,457	-
Water and Sewer	35,999	214,549
Special Revenue Funds:		
Rita Blanca Park	73,569	-
Fleet	1,000,000	-
Permanent Fund:		
Cemetery	-	21,700
	<u>\$ 1,469,275</u>	<u>\$ 1,469,275</u>
Net General fund	-	1,032,776
Net Non-major funds	1,051,869	-
Net Governmental type activities	<u>\$ 19,093</u>	<u>\$ -</u>
Net Proprietary funds	<u>\$ -</u>	<u>\$ 19,093</u>

NOTE 7 – LONG-TERM DEBT

General Obligation Refunding Bonds. Series 2012

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

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, 2018, no additional ad valorem taxes have been levied; the utility fund revenues will be used to repay the bond.

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7 – LONG-TERM DEBT – Continued

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	\$ 496,399	\$ 21,443	\$ -	\$ 517,842	\$ -
Compensated absences	<u>126,698</u>	<u>-</u>	<u>-</u>	<u>126,698</u>	<u>12,670</u>
Governmental activity long-term liabilities	<u>\$ 623,097</u>	<u>\$ 21,443</u>	<u>\$ -</u>	<u>\$ 644,540</u>	<u>\$ 12,670</u>
Business-type activities					
Bonds payable					
General Obligation					
Refunding Bonds,					
Series 2012	\$ 1,795,000	\$ -	\$ (345,000)	\$ 1,450,000	\$ 355,000
Certificates of Obligation, Series 2014	8,489,000	-	(615,000)	7,874,000	630,000
Compensated absences	<u>23,933</u>	<u>-</u>	<u>-</u>	<u>23,933</u>	<u>2,390</u>
Businesses-type activities long-term liabilities	<u>\$ 10,307,933</u>	<u>\$ -</u>	<u>\$ (960,000)</u>	<u>\$ 9,347,933</u>	<u>\$ 987,390</u>

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

Year Ending September 30,	General Obligation Refunding Bonds Series 2012		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 355,000	\$ 22,215	\$ 377,215
2020	360,000	16,850	376,850
2021	365,000	10,685	375,685
2022	<u>370,000</u>	<u>3,700</u>	<u>373,700</u>
2023	-	-	-
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 1,450,000</u>	<u>\$ 53,450</u>	<u>\$ 1,503,450</u>

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 7 – LONG-TERM DEBT – Continued

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
	2019	\$ 630,000	\$ 188,219
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	\$ 7,874,000	\$ 1,127,073	\$ 9,001,073

NOTE 8 – 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.

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.

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS - Continued

Agent Multiple-Employer Plan – Continued

Employees Covered by Benefit Terms

At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	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, 2017).

The City contributed using the actuarially determined rate of 4.92% for the months of the accounting years 2017 and 2018. The contribution rate payable by the employee members is 5.0% for fiscal year 2018 as adopted by the governing body of the City. The employee contribution rate and the employer contribution rate may be changed by the governing body of the City.

Net Pension Liability (Asset)

The City's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date.

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continued

Agent Multiple-Employer Plan – Continued

Actuarial Assumptions

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

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, 2017 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, 2018

NOTE 8 – 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, 2018

NOTE 8 – 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, 2016	\$ 7,758,938	\$ 7,640,246	\$ 118,692
Changes for the year:			
Service cost	261,179	-	261,179
Interest on total pension liability	518,460	-	518,460
Change in benefit terms	-	-	-
Difference between expected and actual experience	48,237	-	48,237
Change in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(417,268)	(417,268)	-
Contributions- employer	-	127,351	(127,351)
Contributions- employee	-	134,906	(134,906)
Net investment income	-	1,056,246	(1,056,246)
Administrative expenses	-	(5,488)	5,488
Other	-	(278)	278
Balances as of December 31, 2017	<u>\$ 8,169,546</u>	<u>\$ 8,535,715</u>	<u>\$ (366,169)</u>
Plan fiduciary net position as a percentage of the total pension liability			104.48%
Covered payroll			\$ 2,698,125
Net pension liability/ (asset) as a percentage of covered payroll			-13.57%

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.

	Current		
	1% Decrease ▼ (5.75%)	Discount Rate ▼ (6.75%)	1% Increase ▼ (7.75%)
Net pension liability (asset)	\$ 685,348	\$ (366,169)	\$ (1,238,196)

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, 2018**

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continued

Agent Multiple-Employer Plan – Continued

Schedule of Pension Expense/ (Income)

January 1, 2017 to
December 31, 2017

Service Cost	\$ 261,179
Interest on total pension liability	518,460
Changes in current period benefits including substantively automatic status	-
Projected earnings on plan investments (reduction of expense)	(134,906)
Employee contributions (reduction of expense)	(515,717)
Administrative expense	5,488
Other changes in fiduciary net position	278
Recognition of current year outflow (inflow) of resources - liabilities	14,486
Recognition of current year outflow (inflow) of resources - assets	(108,106)
Amortization of prior year outflows (inflows) of resources- liabilities	10,719
Amortization of prior year outflows (inflows) of resources- assets	120,866
 Total pension expense (income)	 <u>\$ 172,747</u>

Deferred Inflows/Outflows of Resources

As of December 31, 2017, 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	3.33	\$ 48,237	\$ 14,486	\$ 33,751
Contributions paid to TMRS subsequent to the measurement date	N/A	158,333	158,333	-
Due to assets:				
Difference in projected and actual earnings	5.00	(540,530)	(108,106)	<u>(432,424)</u>
Total				<u>\$ (398,673)</u>

\$158,333 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, 2018. 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>	
2018	\$ (52,734)
2019	(86,485)
2020	(86,485)
2021	(86,485)
2022	(86,485)
Thereafter	-
Total	<u>\$ (398,673)</u>

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 – 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, 2017 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, 2016, the pension system membership consisted of 13 non-participating vested members and 31 active participants.

Funding Policy

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

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continued

Cost- Sharing Multiple- Employer—Continued

Funding Policy: - Continued

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, 2017, total contributions (dues and prior service, and interest on financing of prior service) of \$12,060 were paid into TESRS by the City.

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

The most recently completed biennial actuarial valuation as of August 31, 2017 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.

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continued

Cost- Sharing Multiple- Employer—Continued

Net Pension Liability

The City's net pension liability was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017.

Total pension liability	\$	321,512
Fiduciary net position		261,748
City's net pension liability	\$	59,764
Plan fiduciary net position as a percentage of total pension liability		81.4%

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation was determined using an inflation rate of 3.00% and an investment rate of return rate of 7.75%, net of pension plan investment expense, including inflation.

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

The long-term rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.97%) 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%	5.72%
Small cap domestic	10.00%	5.96%
Developed international	21.00%	6.21%
Emerging markets	6.00%	7.18%
Master limited partnership	5.00%	7.61%
Fixed income		
Domestic	21.00%	1.61%
International	5.00%	1.81%
Cash	0.00%	0.00%
Total	100.00%	
Weighted average		4.97%

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continued

Cost- Sharing Multiple- Employer—Continued

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, 2017 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
System's net pension liability	\$ 111,605	\$ 59,764	\$ 27,060

Pension Expense/ (Income)

	Year Ended <u>August 31, 2017</u>
Service cost	\$ 3,968
Interest	23,576
Projected earnings on pension plan investments	(18,275)
Amortization of differences between projected and actual earnings on plan investments	2,092
Amortization of changes of assumptions	672
Amortization of differences between expected and actual experience	49
Pension plan administrative expense	459
Changes in benefit provisions	-
Pension expense (income)	<u>\$ 12,540</u>

**CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 8 – EMPLOYEE RETIREMENT BENEFITS – Continued

Cost- Sharing Multiple- Employer—Continued

Deferred Inflows/ Outflows of Resources

	Deferred Inflow of Resources	Deferred Outflow of Resources
Differences between expected and actual experience	\$ -	\$ 63
Changes of assumptions	-	873
Net difference between projected and actual investment earnings on pension plan investments	-	5,573
	\$ -	\$ 6,510

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:

Net Inflow/Outflow for future years

<u>Fiscal Year ended August 31,</u>	<u>Net Deferred Outflows of Resources</u>
2018	\$ 2,812
2019	5,159
2020	(248)
2021	(1,214)
	\$ 6,510

All assumptions for the August 31, 2017 pension disclosure are contained in the August 31, 2017 Audited Annual Financial Reports of Texas Emergency Services Retirement System, copies of which may be obtained at www.tesrs.texas.gov.

NOTE 9 – RISK OF LOSS

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

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

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

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

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

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

The remaining capacity of the City's landfill is estimated at 1,162,124 cubic yards. This remaining capacity will continue to be operated by the City as a Municipal Solid Waste Landfill and will subject to the subtitle D requirements and should have a life of approximately 48 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, 2018. The estimated liability for closure and post-closure cost accrued on the City's books for the year ended September 30, 2018 was \$517,842, which is based on accumulated usage of the 76.86-acre landfill area. It is estimated that an additional \$761,716 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, 2018, the City has used approximately 40% of the available landfill capacity. It is estimated that the landfill has a remaining life of 38 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 11 – CONDUIT DEBT OBLIGATIONS

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

As of September 30, 2018, there was one series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$2,950,000.

CITY OF DALHART, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 12 – DEFERRED COMPENSATION PLAN

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

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

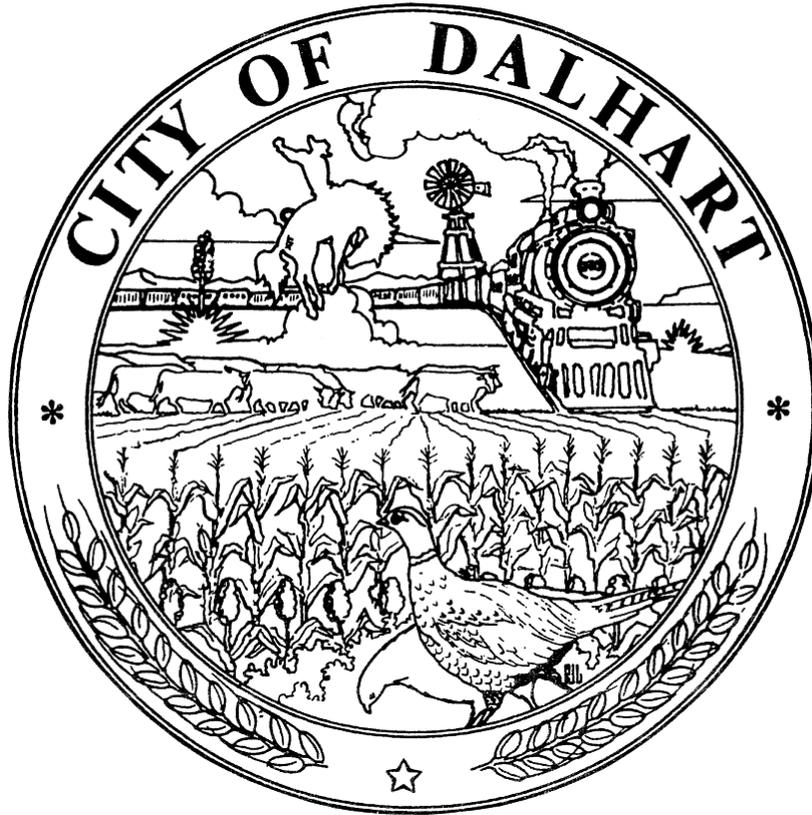
NOTE 13 – RESTRICTED NET POSITION

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

Municipal court technology	\$ 17,193
Police training	30
Drug seizure	13,006
Tourisim advertising and promotion	<u>20,303</u>
	\$ <u>50,532</u>

NOTE 14 – SUBSEQUENT EVENTS

We have considered all events and transactions between the fiscal yearend of September 30, 2018 and the date this report was available to be issued, April 23, 2018, 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, 2018

	Final Budget	Actual	Variance From Final Budget (Negative) Positive
REVENUES			
Taxes	\$ 4,592,192	\$ 3,961,149	\$ (631,043)
Licenses and permits	32,700	30,230	(2,470)
Intergovernmental	-	231,407	231,407
Charges for services	1,196,700	1,205,304	8,604
Fines and forfeitures	87,800	82,488	(5,312)
Investment earnings	-	41,015	41,015
Other	489,650	147,287	(342,363)
Total revenues	6,399,042	5,698,880	(700,162)
EXPENDITURES			
Current:			
General administrative			
Personnel	493,610	487,638	5,972
Operations	177,260	203,458	(26,198)
Property and equipment	76,049	85,078	(9,029)
Miscellaneous	616,300	31,585	584,715
Total general	1,363,219	807,759	555,460
Public safety			
Police			
Personnel	1,096,757	1,084,584	12,173
Operations	362,400	294,116	68,284
Property and equipment	231,185	243,420	(12,235)
Miscellaneous	25,000	23,477	1,523
Total police	1,715,342	1,645,597	69,745
Fire			
Personnel	160,213	163,812	(3,599)
Operations	36,900	36,871	29
Property and equipment	139,255	166,081	(26,826)
Miscellaneous	32,900	25,477	7,423
Total fire	369,268	392,241	(22,973)
Ambulance			
Personnel	-	-	-
Operations	-	-	-
Property and equipment	-	-	-
Miscellaneous	30,000	8,206	21,794
Total ambulance	30,000	8,206	21,794
Total public safety	2,114,610	2,046,044	(68,566)
Judicial			
Personnel	30,442	28,264	2,178
Operations	3,300	2,685	615
Property and equipment	7,500	7,198	302
Miscellaneous	6,650	9,110	(2,460)
Total judicial	47,892	47,257	635

CITY OF DALHART, TEXAS
GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXPENDITURES - Continued	Final Budget	Actual	Variance From Final Budget (Negative) Positive
Street			
Personnel	407,510	375,749	31,761
Operations	107,800	105,069	2,731
Property and equipment	563,036	557,492	5,544
Miscellaneous	7,600	9,300	(1,700)
Total street	<u>1,085,946</u>	<u>1,047,610</u>	<u>38,336</u>
Garage			
Personnel	144,282	134,728	9,554
Operations	18,700	20,639	(1,939)
Property and equipment	22,948	30,644	(7,696)
Miscellaneous	8,000	(12,670)	20,670
Total garage	<u>193,930</u>	<u>173,341</u>	<u>20,589</u>
Sanitation			
Personnel	494,547	465,406	29,141
Operations	43,800	36,584	7,216
Property and equipment	457,550	543,242	(85,692)
Miscellaneous	23,000	21,202	1,798
Total sanitation	<u>1,018,897</u>	<u>1,066,434</u>	<u>(47,537)</u>
Culture and recreation			
Swimming pool			
Personnel	44,670	38,381	6,289
Operations	30,450	24,233	6,217
Property and equipment	12,500	9,736	2,764
Miscellaneous	2,100	3,028	(928)
Total swimming pool	<u>89,720</u>	<u>75,378</u>	<u>14,342</u>
Parks and cemetery			
Personnel	160,076	163,309	(3,233)
Operations	15,200	12,211	2,989
Property and equipment	78,403	88,744	(10,341)
Miscellaneous	4,000	2,665	1,335
Total parks and cemetery	<u>257,679</u>	<u>266,929</u>	<u>(9,250)</u>
Total culture and recreation	<u>347,399</u>	<u>342,307</u>	<u>(5,092)</u>
Capital outlay			
General	5,000	5,589	(589)
Police	-	36,505	(36,505)
Judicial	5,000	-	5,000
Street	-	8,285	(8,285)
Sanitation	42,712	59,088	(16,376)
Parks and cemetery	26,000	31,790	(5,790)
Total capital outlay	<u>78,712</u>	<u>141,257</u>	<u>(62,545)</u>
Total expenditures	<u>6,250,605</u>	<u>5,672,009</u>	<u>578,596</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>148,437</u>	<u>26,871</u>	<u>(121,566)</u>
FUND BALANCE - BEGINNING	<u>4,544,061</u>	<u>4,544,061</u>	<u>-</u>
FUND BALANCE - ENDING	<u>4,692,498</u>	<u>4,570,932</u>	<u>(121,566)</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,			
	2017	2016	2015	2014
Total Pension Liability:				
Service Cost	\$ 261,179	\$ 247,878	\$ 220,984	\$ 182,792
Interest on total pension liability	518,460	500,833	490,089	462,911
Effect of plan changes	-	-	-	-
Effect of assumption changes or inputs	48,237	(62,125)	169,542	-
Effect of economic/demographic (gains) or losses	-	-	(84,135)	40,531
Benefit payments/ refunds of contributions	<u>(417,268)</u>	<u>(446,900)</u>	<u>(336,022)</u>	<u>(298,123)</u>
Net change in total pension liability	410,608	239,686	460,458	388,111
Total pension liability, beginning	<u>7,758,938</u>	<u>7,519,252</u>	<u>7,058,794</u>	<u>6,670,683</u>
Total pension liability, ending (a)	<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	127,351	97,495	94,173	99,158
Member contributions	134,906	133,555	124,568	113,454
Investment income net of investment expenses	1,056,246	496,933	11,030	409,471
Benefit payments/ refunds of contributions	(417,268)	(446,900)	(336,022)	(298,123)
Administrative expenses	(5,488)	(5,621)	(6,721)	(4,276)
Other	<u>(278)</u>	<u>(303)</u>	<u>(332)</u>	<u>(352)</u>
Net change in fiduciary net position	895,469	275,159	(113,304)	319,332
Fiduciary net position, beginning	<u>7,640,246</u>	<u>7,365,087</u>	<u>7,478,391</u>	<u>7,159,059</u>
Fiduciary net position, ending (b)	<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>\$ (366,169)</u>	<u>\$ 118,692</u>	<u>\$ 154,165</u>	<u>\$ (419,597)</u>
Fiduciary net position as a % of total pension liability	104.48%	98.47%	97.95%	105.94%
Covered payroll	\$ 2,698,125	\$ 2,555,448	\$ 2,491,364	\$ 2,269,071
Net pension liability as a % of covered payroll	-13.57%	4.64%	6.19%	-18.49%

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

Year Ending September 30,	Determined Contribution	Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	97,379	97,379	-	2,364,355	4.1%
2016	95,972	95,972	-	2,465,398	3.9%
2017	123,157	123,157	-	2,661,310	4.6%
2018	129,617	129,617	-	2,594,749	5.0%

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	December 31, 2016
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 years
Asset Valuation Method	10-year smoothed market, 15% soft corridor
Discount Rate	6.75%
Long-term expected Investment Rate of Return	6.75%
Salary Increases	3.5% to 10.5% including inflation
Inflation	2.50%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Notes	There were no benefit changes during the year

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

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

<u>Year Ending September 30,</u>	<u>Determined Contribution</u>	<u>Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2015	18,444	18,444	-	82,414	22.4%
2016	6,974	6,974	-	88,067	7.9%
2017	13,250	13,250	-	88,798	14.9%
2018	22,823	22,823	-	93,302	24.5%

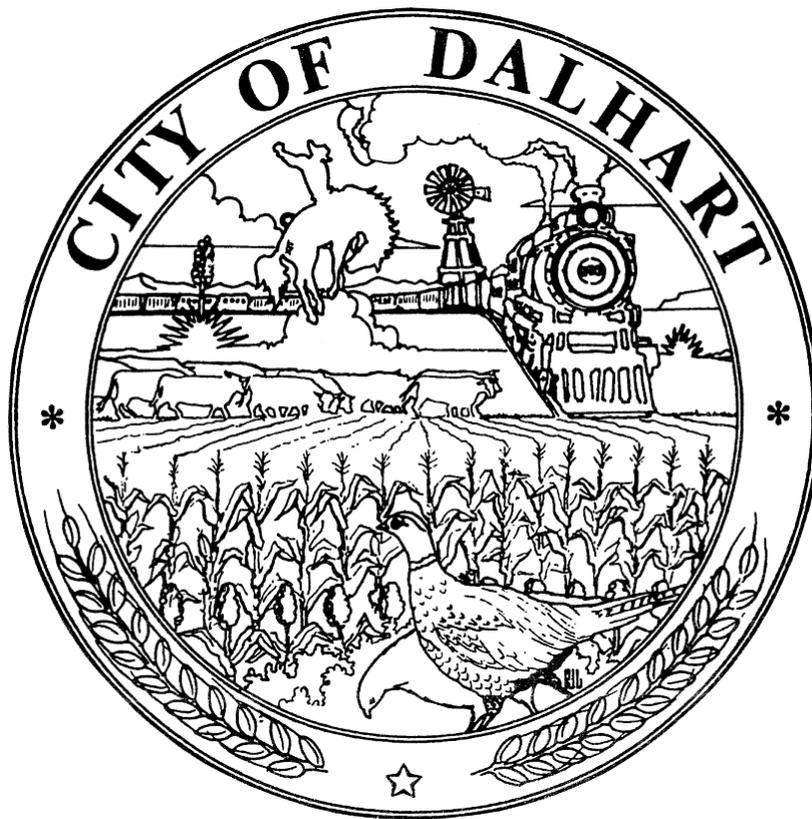
**CITY OF DALHART, TEXAS
 TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
 SCHEDULE OF INVESTMENT RETURNS
 LAST 10 YEARS (WILL ULTIMATELY BE DISPLAYED, AS AVAILABLE)**

<u>Year Ending August 31,</u>	<u>Annual Money- Weighted Net Real Rate of Return</u>
2013	13.84%
2014	14.92%
2015	-3.58%
2016	5.57%
2017	10.32%

NOTES TO SCHEDULE OF INVESTMENT RETURNS

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, 2018**

	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	\$ 78,137	\$ 81,546	\$ 17,818	\$ 13,006	30	\$ 17,193	\$ 567,733	\$ 775,463	\$ 37,044	\$ 812,507
Investments	-	34,863	2,179	-	-	-	764,256	801,298	491,078	1,292,376
Accounts Receivable	50,072	4,511	-	-	-	-	-	54,583	-	54,583
Interest Receivable	-	-	-	-	-	-	-	-	1,440	1,440
Due from other funds	-	-	-	-	-	-	-	-	1,987	1,987
Total assets	\$ 128,209	\$ 120,920	\$ 19,997	\$ 13,006	30	\$ 17,193	\$ 1,331,989	\$ 1,631,344	\$ 531,549	\$ 2,162,893
LIABILITIES										
Accounts payable	\$ 79,082	-	\$ 15,291	-	-	-	-	\$ 94,373	-	\$ 94,373
Customer deposits	-	-	17,249	-	-	-	-	17,249	-	17,249
Due to other funds	-	-	5,427	-	-	-	-	5,427	-	5,427
Unearned revenue	28,824	4,158	-	-	-	-	-	32,982	-	32,982
Total liabilities	107,906	4,158	37,967	-	-	-	-	150,031	-	150,031
FUND BALANCES										
Restricted	20,303	-	-	13,006	30	17,193	-	32,562	531,549	564,111
Assigned	-	116,762	(17,970)	-	-	-	1,331,989	1,448,751	-	1,448,751
Total fund balance	20,303	116,762	(17,970)	13,006	30	17,193	1,331,989	1,481,313	531,549	2,012,862
TOTAL LIABILITIES AND FUND BALANCES	\$ 128,209	\$ 120,920	\$ 19,997	\$ 13,006	30	\$ 17,193	\$ 1,331,989	\$ 1,631,344	\$ 531,549	\$ 2,162,893

**CITY OF DALHART, TEXAS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	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	\$ 358,196	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	358,196	-	\$ 358,196
Licenses and permits	-	-	73,055	-	-	-	-	73,055	4,043	77,098
Fines and forfeitures	-	-	334	-	-	2,674	-	3,008	-	3,008
Intergovernmental	-	-	110,000	-	-	-	683,106	793,106	-	793,106
Investment earnings	81	612	207	-	-	-	14,256	15,156	9,377	24,533
Miscellaneous	-	42,054	2,203	13,080	500	1,307	13,304	72,448	10,432	82,880
Total revenues	358,277	42,666	185,799	13,080	500	3,981	710,666	1,314,969	23,852	1,338,821
EXPENDITURES										
Current:										
Public safety:										
Police	-	-	-	2,530	500	2,500	25,601	31,131	-	31,131
Culture and recreation	-	-	279,616	-	-	-	-	279,616	-	279,616
Parks and cemetery	354,965	17,078	-	-	-	-	-	372,043	-	372,043
Promotion and tourism	-	-	-	-	-	-	-	-	-	-
Total expenditures	354,965	17,078	279,616	2,530	500	2,500	25,601	682,790	-	682,790
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,312	25,588	(93,817)	10,550	-	1,481	685,065	632,179	23,852	656,031
OTHER FINANCING SOURCES										
Transfers in (out)	-	-	73,569	-	-	-	1,000,000	1,073,569	(21,700)	1,051,869
Total other financing sources (uses)	-	-	73,569	-	-	-	1,000,000	1,073,569	(21,700)	1,051,869
NET CHANGE IN FUND BALANCES	3,312	25,588	(20,248)	10,550	-	1,481	1,685,065	1,705,748	2,152	1,707,900
FUND BALANCES AT BEGINNING OF YEAR	16,991	91,174	2,278	2,456	30	15,712	(353,076)	(224,435)	529,397	304,962
FUND BALANCES AT END OF YEAR \$	20,303	116,762	(17,970)	13,006	30	17,193	1,331,989	1,481,313	531,549	2,012,862

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, 2018**

	Cleo Jenkins Scholarship Fund	Bonnie Dejarnett Scholarship Fund	Total Private-Purpose Trust Funds
ASSETS			
Pooled cash and cash equivalents	\$ 29,888	\$ 63,462	\$ 93,350
Investments			
Certificates of deposit	2,251	880,292	882,543
Interest receivable	-	2,286	2,286
	<u>32,139</u>	<u>946,040</u>	<u>978,179</u>
Total assets	\$ <u>32,139</u>	\$ <u>946,040</u>	\$ <u>978,179</u>
LIABILITIES			
Net position held for scholarship benefits	\$ <u>32,139</u>	\$ <u>946,040</u>	\$ <u>978,179</u>
Total liabilities	\$ <u>32,139</u>	\$ <u>946,040</u>	\$ <u>978,179</u>

**CITY OF DALHART, TEXAS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Cleo Jenkins Scholarship Fund	Bonnie Dejarnett Scholarship Fund	Total Private-Purpose Trust Funds
ADDITIONS			
Contributions	\$ 484	\$ -	\$ 484
Investment earnings			
Interest	6,447	9,804	16,251
	<u>6,931</u>	<u>9,804</u>	<u>16,735</u>
Total additions	6,931	9,804	16,735
DEDUCTIONS			
Scholarship grants	29,871	-	29,871
Bank charges	425	14	439
Donations to Frank Philips College, Dalhart branch	1,318,631	-	1,318,631
	<u>1,348,927</u>	<u>14</u>	<u>1,348,941</u>
Total deductions	1,348,927	14	1,348,941
CHANGE IN NET POSITION	(1,341,996)	9,790	(1,332,206)
NET POSITION, BEGINNING	<u>1,374,135</u>	<u>936,250</u>	<u>2,310,385</u>
NET POSITION, ENDING	\$ <u>32,139</u>	\$ <u>946,040</u>	\$ <u>978,179</u>

COMPLIANCE AND INTERNAL CONTROL SECTION



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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, 2018, 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 April 23, 2019.

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.

Gayla Fullerton, CPA, PLLC

Gayla Fullerton, CPA PLLC
April 23, 2019