

**DALLAM COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2011**

**DALLAM COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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**PART I**

**INTRODUCTORY SECTION**

**DALLAM COUNTY, TEXAS**  
**PRINCIPAL COUNTY OFFICIALS**  
**SEPTEMBER 30, 2011**

David D. Field	County Judge
Glenn Reagan	Commissioner, Precinct #1
Oscar O. Przilas	Commissioner, Precinct #2
Donald J. Bowers	Commissioner, Precinct #3
Carl French	Commissioner, Precinct #4
Kay Howell	County Tax Assessor/Collector
Jon King	County Attorney
Terri Banks	County and District Clerk
Wes Ritchey	County Treasurer
Rita Little	Justice of the Peace
Bruce Scott	County Sheriff
Ron Enns	District Judge, 69th Judicial District

**PART II**  
**FINANCIAL SECTION**



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

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the general fund and its budgetary comparison, and the aggregate remaining fund information of Dallam County, Texas as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Dallam County, Texas. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, Dallam County, Texas, prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the general fund and its budgetary comparison, and the aggregate remaining fund information of Dallam County, Texas at September 30, 2011, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011, on our consideration of Dallam County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the retirement plan for the employees of Dallam County, Texas on pages 3 through 5 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dallam County, Texas' financial statements as a whole. The introductory section and combining nonmajor and agency fund financial statements listed under other supplementary information in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor and agency fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

Doshier, Pickens & Francis, LLC  
December 21, 2011

Dallam County, Texas  
Management's Discussion and Analysis  
As of September 30, 2011

As management of Dallam County, Texas, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with the financial statements and required supplementary information.

**Financial Highlights**

Dallam County prepares its financial statements on the cash basis of accounting which is another comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). In addition, the County also omits recording general fixed assets and infrastructure assets on the financial statements which is a departure from GAAP. Management budgets and records receipts and disbursements on a cash basis because it believes this comprehensive basis of accounting is more suitable to the efficient administration of a smaller government. While capital outlays are recorded each year as disbursements are made management has not chosen to maintain an ongoing recording of general fixed assets or infrastructure assets on the financial statements. Management considers cash receipts and disbursements information for operational needs as essential to the decision process and does not believe the maintenance of historical general fixed asset or infrastructure asset cumulative amounts on financial statements are beneficial in decision making.

In recording the information that follows the reader is asked to be aware of the use of cash basis accounting. To facilitate reading, repetitive references to the accounting basis will not be made, but all financial data and financial statements referred to are cash basis, not GAAP.

At September 30, 2011 unreserved fund balance for the general fund is \$872,015 which represents (17)% of the current years total governmental fund disbursements.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction of Dallam County's basic financial statements. The County's basic financial statements comprised of 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. This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's cash basis of accounting.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported based on the related cash flows.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental receipts (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The

governmental activities of the County include General Administration, Public Safety, Public Health, Welfare; Judicial; Legal; Financial Administration; Public Transportation; Jail and Dispatchers; and Financial Administration.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, 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 county are governmental funds, or 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 resource 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 of 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 statement of net assets-cash basis and the governmental fund statement of cash basis, Assets and Fund Balances and Cash Receipts and Disbursements, and changes in cash basis fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The county maintains two individual governmental funds. Information is presented separately in the governmental fund statement of net assets-cash basis and in the governmental fund statement of cash receipts and disbursements, and changes in cash basis fund balances for the general fund and the road and bridge fund, both of which are considered to be major funds.

#### **Fiduciary Funds**

Fiduciary funds are funds used to account for the proceeds of specific receipts (other than special assessments, expendable trust, or major capital projects) that are legally restricted to disbursements for specified purposes. The fiduciary funds for Dallam County consist principally of amounts held under various court causes or child support payments received prior to disbursement.

## **Financial Analysis of the Government's Funds**

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

**Governmental funds.** The focus of the County's governmental funds is to provide information on near-term inflows, out flows and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The general fund is the chief operating fund of the County. As a measure of the general fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total fund disbursements. Unreserved fund balance represents 17% of total general fund disbursements.

The fund balance of the County's general fund increased by \$166,596 during the current fiscal year. Key factors in this were increased revenue from taxes due to levy and valuation as well as tax abatement payments.

## **Capital Asset and Debt Administration**

**Capital assets.** The County's investment in capital assets for its governmental activities as of September 30, 2011, have not been determined. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and roads and bridges. The total disbursements in the County's capital outlays for the current fiscal year was \$132,902.

Major capital asset events during the current fiscal year included vehicles, machinery and equipment.

The County's capitalization policy is to treat disbursements for assets with an estimated useful life of five or more years and an initial cost in excess of \$3,000 as a capital outlay.

### **Dallam County's Outstanding Debt**

Dallam County has \$706,461 outstanding debt to First National Bank in Dalhart. The loan is payable on demand and has a maturity date of October 30, 2012. The current interest rate is 3.93 percent. Loan proceeds were used for Jail Construction.

Dallam County has \$25,587 outstanding debt to 1<sup>st</sup> State Bank in Dalhart. The loan is payable on demand and has a maturity date of October 1, 2013. The current interest rate is 4.0 percent. The loan was for and is secured by the Tax Assessor's building.

## **Economic Factors and Next Year's Budgets and Rates**

The economy of the County remains strong. The property values remain strong and are expected to increase.

## **Request for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the County Treasurer, P. O. Box 591, Dalhart, Texas 79022.

## **BASIC FINANCIAL STATEMENTS**

**DALLAM COUNTY, TEXAS**  
**STATEMENT OF NET ASSETS - CASH BASIS**  
**SEPTEMBER 30, 2011**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 936,797
Total assets	<u>936,797</u>
<b>LIABILITIES</b>	
Group insurance payable	650
Due to other governmental entities	19,562
Cash bonds	<u>44,569</u>
Total liabilities	<u>64,781</u>
<b>NET ASSETS</b>	
Temporarily restricted:	
Restricted for library	36,250
Restricted by enabling legislation for:	
Special projects	81,506
Unrestricted	<u>754,260</u>
Total net assets	<u>\$ 872,016</u>

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

**DALLAM COUNTY, TEXAS**  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

<u>Functions/Programs</u>	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>			<u>Net</u> <u>(Disbursements)</u> <u>Receipts and</u> <u>Changes in</u> <u>Net Assets</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Primary</u> <u>Government</u> <u>Governmental</u> <u>Activities</u>
<b>Primary government</b>					
Governmental Activities:					
Administrative	\$ 725,957	\$ 254,720	\$ 22,826	\$ -	\$ (448,411)
Judicial	390,447	171,193	17,877	-	(201,377)
Public facilities	377,641	4,525	88,368	-	(284,748)
Public safety	1,681,708	178,796	551,563	-	(951,349)
Road and bridge	573,138	467,422	19,474	-	(86,242)
Public service	234,698	282	86,481	-	(147,935)
Principal on indebtedness	201,468	-	-	-	(201,468)
Interest on indebtedness	88,532	-	-	-	(88,532)
Capital outlay	132,902	-	-	-	(132,902)
<b>Total</b>	<u>\$ 4,406,491</u>	<u>\$ 1,076,938</u>	<u>\$ 786,589</u>	<u>\$ -</u>	<u>(2,542,964)</u>
<b>General receipts:</b>					
Property taxes, levied for general purposes					2,237,787
Property taxes, levied for debt service					246,999
Miscellaneous taxes					1,753
Intergovernmental - Federal land					185,086
Interest earnings					1,307
Miscellaneous					35,255
Gain on sale of asset					11,520
<b>Total general receipts</b>					<u>2,719,707</u>
Change in net assets					176,743
<b>Net assets - beginning</b>					<u>695,273</u>
<b>Net assets - ending</b>					<u>\$ 872,016</u>

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

**DALLAM COUNTY, TEXAS**  
**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND**  
**CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>RECEIPTS</b>			
Taxes	\$ 2,484,785	\$ -	\$ 2,484,785
Sales and miscellaneous taxes	1,753	-	1,753
Licenses and fees	881,021	37,343	918,364
Fines and forfeitures	158,574	-	158,574
Intergovernmental	933,046	-	933,046
Interest	1,307	-	1,307
Miscellaneous	73,885	-	73,885
	<u>4,534,371</u>	<u>37,343</u>	<u>4,571,714</u>
Total receipts			
<b>DISBURSEMENTS</b>			
Administrative	705,626	20,331	725,957
Judicial	383,581	6,866	390,447
Public facilities	377,641	-	377,641
Public safety	1,681,708	-	1,681,708
Road and bridge	573,138	-	573,138
Public service	234,698	-	234,698
Debt service			
Principal	201,468	-	201,468
Interest	88,532	-	88,532
Capital outlay	132,902	-	132,902
	<u>4,379,294</u>	<u>27,197</u>	<u>4,406,491</u>
Total disbursements			
<b>EXCESS OF RECEIPTS OVER DISBURSEMENTS</b>	155,077	10,146	165,223
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from disposal of assets	11,520	-	11,520
	<u>11,520</u>	<u>-</u>	<u>11,520</u>
Total other financing sources (uses)			
<b>NET CHANGE IN FUND BALANCE</b>	166,597	10,146	176,743
<b>CASH BASIS FUND BALANCE - Beginning of year</b>	<u>623,913</u>	<u>71,360</u>	<u>695,273</u>
<b>CASH BASIS FUND BALANCE - End of year</b>	<u>\$ 790,510</u>	<u>\$ 81,506</u>	<u>\$ 872,016</u>
<b>CASH BASIS ASSETS - End of year</b>			
Cash, net of liabilities	<u>\$ 790,510</u>	<u>\$ 81,506</u>	<u>\$ 872,016</u>

Continued

Continuation	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>CASH BASIS FUND BALANCES - End of Year</b>			
Restricted for:			
Archive	\$ -	\$ 20,893	\$ 20,893
Courthouse security	-	17,572	17,572
Jail immigration and naturalization	-	2,615	2,615
Justice of the peace technology	-	3,921	3,921
Records management	-	30,457	30,457
Law library	-	33	33
Records preservation	-	4,081	4,081
District clerk digitizing	-	1,810	1,810
District clerk technology	-	124	124
Friends of the library	36,250	-	36,250
Unassigned	<u>754,260</u>	<u>-</u>	<u>754,260</u>
Total cash basis fund balances - end of year	<u>\$ 790,510</u>	<u>\$ 81,506</u>	<u>\$ 872,016</u>

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

**DALLAM COUNTY, TEXAS**  
**BUDGETARY COMPARISON STATEMENT - CASH BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance</b>	\$ 623,913	\$ 623,913	\$ 623,913	\$ -
<b>Resources (Inflows):</b>				
Taxes	2,466,000	2,493,787	2,484,785	(9,002)
Sales and miscellaneous taxes	3,000	3,708	1,753	(1,955)
Licenses and fees	728,272	779,521	881,021	101,500
Fines and forfeitures	187,728	201,069	158,574	(42,495)
Intergovernmental	924,813	1,089,041	933,046	(155,995)
Interest	6,000	6,000	1,307	(4,693)
Miscellaneous	4,000	73,885	73,885	-
<b>Amounts available for appropriation</b>	<u>4,943,726</u>	<u>5,270,924</u>	<u>5,158,284</u>	<u>(112,640)</u>
<b>Charges to Appropriations (Outflows):</b>				
Administrative	674,941	743,174	705,626	37,548
Judicial	359,358	403,399	383,581	19,818
Public facilities	347,907	383,276	377,641	5,635
Public safety	1,652,118	1,710,644	1,681,708	28,936
Road and bridge	648,690	644,079	573,138	70,941
Public service	223,401	250,514	234,698	15,816
Debt service				
Principal	280,000	201,468	201,468	-
Interest and other charges	-	88,532	88,532	-
Capital outlay	130,000	132,902	132,902	-
<b>Total charges to appropriations</b>	<u>4,316,415</u>	<u>4,557,988</u>	<u>4,379,294</u>	<u>178,694</u>
<b>Other Financing Sources:</b>				
Proceeds from disposal of assets	-	11,520	11,520	-
<b>Ending Budgetary Fund Balance</b>	<u>\$ 627,311</u>	<u>\$ 724,456</u>	<u>\$ 790,510</u>	<u>\$ (291,334)</u>

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

**DALLAM COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2011**

<b>ASSETS</b>		
Cash and cash equivalents		\$ 51,836
		<hr/>
Total assets		\$ 51,836
		<hr/> <hr/>
<b>LIABILITIES</b>		
Accounts payable		\$ 3,436
Due to other governments		3,906
Deposits		44,494
		<hr/>
Total liabilities		\$ 51,836
		<hr/> <hr/>

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

**DALLAM COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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

Dallam County's (the "County") financial statements are prepared on a cash receipts and disbursements basis of accounting. This other comprehensive basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements.

The more significant accounting and reporting policies of the County are described in the following notes to the financial statements.

**A. FINANCIAL REPORTING ENTITY**

The County was created in 1876 and organized in 1891. The County is a public corporation and political subdivision of the State of Texas. The Commissioners Court, which is made up of four commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general government (e.g., tax collection), judicial (courts, juries, district attorney, etc.), public safety (sheriff, jail, etc.), roads and bridges, and public service (e.g. juvenile services and assistance to indigents).

The accompanying basic financial statements present the government defined according to criteria in GASB Statement No. 14, *The Financial Reporting Entity*. These financial statements do not include the operations of any other organization, because none of the criteria for inclusion as set forth in GASB Statement No. 14 have been met. Component units are legally separate organizations for which the County is financially accountable. The County has no component units.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The **government-wide financial statements** include the statement of net assets and the statement of activities. Government-wide statements report, except for County fiduciary activity, information on all of the activities of the County. The effect of inter-fund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund is the only fund meeting the criteria for a *major governmental fund*. The General Fund is reported in separate columns in the fund financial statements.

(Continued)

**DALLAM COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The **government-wide financial statements** are reported using the economic resources measurement focus, within the limitations of the cash receipts and disbursements basis of accounting, as defined below.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, investment earnings, and other miscellaneous revenues.

The effect of interfund activity has been eliminated from the government-wide financial statements.

**Governmental fund level financial statements** are reported using current financial resources measurement focus and the cash receipts and disbursements basis of accounting.

Interfund eliminations have not been made in the fund financial statements.

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using the cash receipts and disbursements basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash receipts and disbursements basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use a modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

The County reports the following major governmental funds:

The **General Fund** is the general operating fund of the County and always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

**Fiduciary fund level financial statements** include fiduciary funds which are classified into private purpose trust and agency funds. The County has only agency funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

(Continued)

**DALLAM COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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

**D. USE OF RESTRICTED ASSETS**

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

**E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**1. Deposits and Investments**

The County's cash and cash equivalents are considered to be cash on hand and demand deposits. Statutes authorize the County to keep funds in demand deposits, time deposits, or securities of the United States. The County's custodial banks are required to pledge for the purpose of securing County funds, securities of the following kind, in an amount equal to the amount of such County funds: bonds and notes of the United States, securities of indebtedness of the United States, bonds of the State of Texas, or of any county, city, or independent school district, and various other bonds as described in Texas Statutes. TexPool is duly chartered and administered by the Texas Treasury Safekeeping Trust Company and the portfolio normally consists of U.S. T-Bills or T-Notes, collateralized certificates of deposit, and repurchase agreements. The carrying value (cost) and market value are equal for these deposits.

**2. Capital Assets**

The County's cash receipts and disbursements basis of accounting reports capital assets resulting from transactions. The accounting treatment over capital assets, which include land, buildings and improvements, and equipment, depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements. In the government-wide and fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**3. Accounts Payable**

The County believes that sufficient detail of payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. Payables recorded do not reflect an accrual entry, but are amounts collected and in the process of payment primarily to other governments within 30 days. They are not treated as fiduciary in nature.

**4. Long-term Obligations**

Long-term debt arising from cash receipts and disbursements basis transactions of governmental funds is not reported as liabilities in either the government-wide or fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

**5. Property Tax Calendar and Receipts**

The County is responsible for levying and collecting property taxes. Property taxes are based on taxable value at January 1, levied October 1 and become past due after January 31 of the following year. Tax collections after February 1 are treated as late payments and are subject to penalty and interest. Uncollected taxes from the current tax roll become delinquent on July 1 and are subject to additional penalties and interest.

(Continued)

**DALLAM COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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

**E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continuation**

**6. Compensated Absences**

Regular full-time employees are entitled to vacation of up to three weeks per year as earned. Vacation time earned, but not taken, is not allowed to accumulate from year to year unless an employee is unable to take vacation because of the needs of the County. A liability for accrued compensated absences has not been calculated for disclosure because it is immaterial to the financial statements as there is no accumulated value, only the current year's unused vacation is paid.

**7. Government-wide Net Assets**

In the government-wide financial statements, equity is classified as net assets and displayed in two categories.

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

**Unrestricted Net Assets** – This amount includes all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

**8. Governmental Fund Balances**

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

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

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

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

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

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

(Continued)

**DALLAM COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

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

**E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – Continuation**

**9. New Accounting Pronouncement**

During the fiscal year 2011, the County adopted the provisions of GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and clarifying the existing governmental fund type definitions.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary information

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the proposed budget is submitted to the Commissioners' Court.
2. The Commissioners' Court provides for a public hearing on the County budget subsequent to August 15, and prior to the levy of taxes by the Commissioners' Court.
3. Prior to October 1, the budget is legally adopted by order of the Commissioners' Court for the General Fund.
4. The budget is prepared by fund and department with the legal level of control at the department level. Administrative control is maintained through the establishment of more detailed account or object class budgets within the departments. Emergency expenditures to meet unusual and unforeseen conditions which could not, by reasonable diligent thought and attention, have been included in the original budget, whereby total expenditures of a department have been increased must be authorized by the Court as emergency amendments to the original budget. Management may not amend the budget at any level without approval of the Commissioner's Court. Amounts shown in the financial statements represent the original budget amounts and all supplemental appropriations. Supplemental appropriations to the original adopted budget are in the Final Budget Amounts column of the Budgetary Comparison Schedule for the General Fund.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) on the modified accrual basis of accounting on an annual basis. The District Clerk Records Management, Archive Records Management, Narcotics Task Force, and the CPS Prosecutor Special Revenue Funds were not included in the annual budget because there were no projected expenditures at the time the budget was prepared.
5. Formal budgetary integration on an annual basis is employed as a management control device during the year for the General Fund.
6. All appropriations, except those in grant funds, lapse at the end of the County's fiscal year and may be re-budgeted the next year.

**DALLAM COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE 3 – CASH**

Following is a reconciliation of the County's cash and deposit balances as of September 30, 2011:

Cash and deposit balances consist of:

Bank deposits	\$	987,243
TexPool		1,390
		1,390
Total	\$	988,633

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

Government-wide Statement of Net Assets - Cash Basis:		
Unrestricted	\$	936,797
Fiduciary Funds Statement of Net Assets - Cash Basis		51,836
		51,836
Total	\$	988,633

**Custodial credit risk – deposits.** As of September 30, 2011, the carrying amount of the County's deposits with financial institutions was \$987,243 and the bank's balance was \$1,125,282. Of the bank balance, \$416,345 was insured through the Federal Depository Insurance Corporation (FDIC) and \$708,937 was collateralized with securities held by the pledging institution's agent in the County's name.

As of September 30, 2011, the County had \$1,390 invested in the Texas Treasury Safekeeping Trust Company (TexPool). TexPool is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

**Interest rate risk** is the risk that adverse changes in interest rates will result in an adverse affect on the fair value of an investment. The County manages its exposure to interest rate risk by maintaining its cash in interest-bearing demand accounts, the readily available TexPool shares, or in certificates of deposit with maturities of one year or less.

**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, 2011, .1405% of the County's carrying value of cash was invested in TexPool. All other cash was deposited with the County's depository and was adequately secured as described above.

**NOTE 4 – PROPERTY TAX**

The State of Texas Constitutional tax rate limit for both operations and debt service is \$.80 on each \$100 of assessed valuation. The tax rate on the 2010 tax roll was \$.501800 per \$100, which means that the County has a tax margin of \$.298200 per \$100 and could raise up to \$1,323,262 additional revenue from the 2010 assessed valuation of \$455,857,784 before the limit is reached.

**DALLAM COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE 5 – RETIREMENT PLAN**

*Plan Description*

Dallam County provides retirement benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 618 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the County (employer), within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

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

*Funding Policy*

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

The County contributed using the actuarially determined rate of 11.32% and 12.59% for the months of the accounting year in 2010 and 2011, respectively. The contribution rate payable by the employee members is 7.0% for fiscal year 2011 as adopted by the governing body of the County. The County elected to contribute this amount for its employee members. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

(Continued)

**DALLAM COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE 5 – RETIREMENT PLAN – Continuation**

*Annual Pension Cost*

For 2011, the County’s annual pension cost of \$251,605 was equal to the County’s required and actual contributions.

**TREND INFORMATION FOR THE RETIREMENT PLAN FOR THE EMPLOYEES OF  
DALLAM COUNTY, TEXAS**

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2009	\$ 184,429	100%	\$ -
September 30, 2010	216,481	100	-
September 30, 2011	251,605	100	-

The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2010 included (a) 8.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4%. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of the assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 10 year period. The unfunded actuarial liability is being amortized over a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

*Funded Status and Funding Progress*

As of December 31, 2010, the most recent actuarial valuation date, the plan was 79.79% funded. The actuarial accrued liability for benefits was \$5,685,291, and the actuarial value of assets was \$4,536,429, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,148,862. The covered payroll (annual payroll active employees covered by the plan) was \$1,966,713, and the ratio of UAAL to the covered payroll was 58.42%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

**NOTE 6 – LONG-TERM DEBT**

Dallam County has an outstanding note payable to First National Bank in Dalhart with a principal amount due as of September 30, 2011 of \$706,461 bearing interest at 3.93% maturing October 30, 2012. The note is secured by County taxes. The County has established an Interest and Sinking Fund tax rate to retire the debt over an extended period of time greater than one year. The budget for the fiscal year ending 2011-2012 does not budget for full retirement of the debt. The County’s increasing tax base should allow for retirement of the debt at an accelerated date but no set date can be determined as of the date of these financial statements other than the maturity date.

There is also an outstanding note payable to First State Bank in Dalhart with a principal amount due as of September 30, 2011 of \$25,587 bearing interest at 4.00% maturing October 1, 2013. The note is secured by the Tax Assessor Collector’s building.

**DALLAM COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE 7 – RISK MANAGEMENT**

The County's major areas of risk management are: public officials' liability, automobile liability, airport liability, general comprehensive liability, and property damage, workers compensation, automobile liability and employee health insurance. The County has obtained insurance with an insurance company and a public entity risk pool in which all risk is transferred to those entities for all the above areas. The County pays a deductible per incident except on the employee health insurance in which the deductible is the responsibility of the employee. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage for the current or previous years.

**NOTE 8 – PROBATION DEPARTMENTS**

*Juvenile Probation Department*

The Dallam, Hartley and Sherman Counties Juvenile Probation Department (Department) is a joint venture between the Counties. Each County makes a contribution to the Department based on a predetermined percentage of budgeted expenditures. The Department is governed by the Juvenile Probation Board whose members are the District Judge, the three County Judges and one citizen member appointed by the Board.

The Department operates on a fiscal year ending August 31 and issues an audited statement of revenues, expenditures and changes in fund balance by Texas Juvenile Probation Commission (TJPC) contract – budget and actual on a regulatory basis of accounting as mandated by the TJPC. This report is solely the TJPC special revenue grant funds and not the Department as a whole.

(Continued)

**DALLAM COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011**

**NOTE 8 – PROBATION DEPARTMENTS – Continuation**

***Juvenile Probation Department – Continuation***

Summarized information of the Dallam, Hartley and Sherman Counties Juvenile Probation Department for the year ended August 31, 2011 is as follows:

Department revenues:	
TJPC grant revenues - audited	\$ 175,078
TJPC grant revenues - unaudited	35,007
Local funding - unaudited	83,000
Other revenues - unaudited	58,450
	<hr/>
Total revenues	351,535
	<hr/>
Department expenditures:	
Grant expenditures - audited	175,078
Grant and local expenditures - unaudited	140,775
	<hr/>
Total expenditures	315,853
	<hr/>
Excess of Revenues over Expenditures	\$ 35,682
	<hr/> <hr/>
Total assets - unaudited	\$ 15,632
	<hr/> <hr/>
Fund balance - unaudited	\$ 15,632
	<hr/> <hr/>

***Community Supervision and Corrections (Adult Probation)***

The 69<sup>th</sup> District CSCD is a joint venture between Dallam, Hartley, Sherman and Moore Counties. The County's local funding to this department for the year ended September 30, 2011 was \$3,240. This funding was not audited after it was sent to the CSCD by the County.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DALLAM COUNTY, TEXAS**  
**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN**  
**FOR THE EMPLOYEES OF DALLAM COUNTY, TEXAS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/08	\$ 4,009,989	\$ 4,871,046	\$ 861,057	82.32%	\$ 1,764,488	48.80%
12/31/09	4,675,688	5,750,058	1,074,370	81.32	1,839,457	58.41
12/31/10	4,536,429	5,685,291	1,148,862	79.79	1,966,713	58.42

**OTHER SUPPLEMENTARY INFORMATION**

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the receipts of specific sources that are legally restricted to disbursements for specified purposes.

**Archive** – The Archive Fund accounts for receipts from fees collected by the County/District Clerk on the filing of documents of official public record and court cases. These receipts are to be used for specific archiving projects of the office.

**Courthouse Security** – The Courthouse Security Fund accounts for statutory filing fees collected by the County/District Clerk which are dedicated by law to maintain the security of the courthouse.

**Jail Immigration and Naturalization** – The Jail Immigration and Naturalization Fund accounts for receipts from the State and Federal governments restricted for use with immigrants.

**Justice of the Peace Technology** – The Justice of the Peace Technology Fund accounts for money charged to a defendant convicted of a misdemeanor in a justice court. It is dedicated by law for purchase of technological enhancements for a justice court.

**Records Management** – The Records Management Fund accounts for receipts from fees collected by the County/District Clerk on court cases. The receipts are to be used for specific records management projects of the office.

**Law Library** – The Law Library Fund accounts for statutory fees collected in civil cases filed in County and District Courts. These fees are dedicated by law to provide and maintain a County Law Library.

**Records Preservation** – The Records Preservation Fund accounts for receipts from fees collected by the County/District Clerk on documents of official public record and court cases. These receipts are to be used for specific preservation projects of the office.

**District Clerk Digitizing** – The District Clerk Digitizing Fund accounts for receipts from fees collected by the County/District Clerk to be used for restoring and digitizing records.

**District Clerk Technology** – The District Clerk Technology Fund accounts for receipts from fees collected by the County/District Clerk to be used for purchasing technological enhancements for the office.

**DALLAM COUNTY, TEXAS**  
**COMBINING STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND**  
**CASH RECEIPTS , DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>Special Revenue</u>		
	<u>Archive</u>	<u>Courthouse Security</u>	<u>Jail Immigration and Naturalization</u>
<b>RECEIPTS</b>			
Licenses and fees	\$ 9,063	\$ 5,504	\$ -
Total receipts	<u>9,063</u>	<u>5,504</u>	<u>-</u>
<b>DISBURSEMENTS</b>			
Current:			
Administrative	-	-	-
Judicial	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	9,063	5,504	-
<b>CASH BASIS FUND BALANCE - Beginning of Year</b>	<u>11,830</u>	<u>12,068</u>	<u>2,615</u>
<b>CASH BASIS FUND BALANCE - End of Year</b>	<u>\$ 20,893</u>	<u>\$ 17,572</u>	<u>\$ 2,615</u>
<b>CASH BASIS ASSETS - End of Year</b>			
Cash and cash equivalents	<u>\$ 20,893</u>	<u>\$ 17,572</u>	<u>\$ 2,615</u>
<b>CASH BASIS FUND BALANCE - End of Year</b>			
Restricted for:			
Special projects	<u>20,893</u>	<u>17,572</u>	<u>2,615</u>
Total cash basis fund balance - end of year	<u>\$ 20,893</u>	<u>\$ 17,572</u>	<u>\$ 2,615</u>

**Special Revenue**

<u>JP Technology</u>	<u>Records Management</u>	<u>Law Library</u>	<u>Records Preservation</u>	<u>DC Digitizing</u>	<u>District Clerk Technology</u>
\$ 3,893	\$ 12,287	\$ 3,863	\$ 960	\$ 1,340	\$ 433
<u>3,893</u>	<u>12,287</u>	<u>3,863</u>	<u>960</u>	<u>1,340</u>	<u>433</u>
-	20,022	-	-	-	309
<u>3,036</u>	<u>-</u>	<u>3,830</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,036</u>	<u>20,022</u>	<u>3,830</u>	<u>-</u>	<u>-</u>	<u>309</u>
857	(7,735)	33	960	1,340	124
<u>3,064</u>	<u>38,192</u>	<u>-</u>	<u>3,121</u>	<u>470</u>	<u>-</u>
<u>\$ 3,921</u>	<u>\$ 30,457</u>	<u>\$ 33</u>	<u>\$ 4,081</u>	<u>\$ 1,810</u>	<u>\$ 124</u>
<u>\$ 3,921</u>	<u>\$ 30,457</u>	<u>\$ 33</u>	<u>\$ 4,081</u>	<u>\$ 1,810</u>	<u>\$ 124</u>
<u>3,921</u>	<u>30,457</u>	<u>33</u>	<u>4,081</u>	<u>1,810</u>	<u>124</u>
<u>\$ 3,921</u>	<u>\$ 30,457</u>	<u>\$ 33</u>	<u>\$ 4,081</u>	<u>\$ 1,810</u>	<u>\$ 124</u>

**DALLAM COUNTY, TEXAS**  
**COMBINING STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES AND**  
**CASH RECEIPTS , DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<b>Total Nonmajor Governmental Funds</b>
<b>RECEIPTS</b>	
Licenses and fees	\$ 37,343
Total receipts	37,343
<b>DISBURSEMENTS</b>	
Current:	
Administrative	20,331
Judicial	6,866
Total disbursements	27,197
<b>NET CHANGE IN FUND BALANCE</b>	10,146
<b>CASH BASIS FUND BALANCE - Beginning of Year</b>	71,360
<b>CASH BASIS FUND BALANCE - End of Year</b>	\$ 81,506
<b>CASH BASIS ASSETS - End of Year</b>	
Cash and cash equivalents	\$ 81,506
<b>CASH BASIS FUND BALANCE - End of Year</b>	
Restricted for:	
Special projects	81,506
Total cash basis fund balance - end of year	\$ 81,506

## **FIDUCIARY**

### **AGENCY FUNDS**

The Agency Funds account for assets received in the capacity of trustee or agent for the County, other governmental entity or individual.

**County Attorney** – The County Attorney Fund accounts for money collected by the County Attorney and remitted to various entities.

**County and District Clerk** - The County and District Clerk's Fund accounts for money collected that is remitted to various entities and for registry funds held by the County and District Clerk.

**Tax Assessor Collector** – The Tax Assessor Collector Fund accounts for money collected by the Tax Assessor Collector and remitted to various taxing jurisdictions.

**DALLAM COUNTY, TEXAS**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2011**

	<u>County Attorney</u>	<u>County and District Clerk</u>	<u>Tax Assessor Collector</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,436	\$ 8,367	\$ 40,033	\$ 51,836
Total assets	<u>\$ 3,436</u>	<u>\$ 8,367</u>	<u>\$ 40,033</u>	<u>\$ 51,836</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 3,436	\$ -	\$ -	\$ 3,436
Due to other governmental entities	-	3,139	767	3,906
Deposits	<u>-</u>	<u>5,228</u>	<u>39,266</u>	<u>44,494</u>
Total liabilities	<u>\$ 3,436</u>	<u>\$ 8,367</u>	<u>\$ 40,033</u>	<u>\$ 51,836</u>

**PART III**  
**COMPLIANCE**



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*

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

We have audited the financial statements of the governmental activities, the general fund and its budgetary comparison and the aggregate remaining fund information of Dallam County, Texas as of and for the year ended September 30, 2011, which collectively comprise Dallam County, Texas' basic financial statements and have issued our report thereon dated December 21, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Dallam County, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dallam County, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Dallam County, Texas' internal control over financial reporting.

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 County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dallam County, 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 a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Dallam County, Texas, in a separate letter dated December 21, 2011.

This report is intended for the information of the Commissioners' Court and County Officials and is not intended to be and should not be used by anyone other than these specified parties.

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

Doshier, Pickens & Francis, LLC  
December 21, 2011

**DALLAM COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS**  
**SEPTEMBER 30, 2011**

**DEFICIENCIES IN THE DESIGN OF CONTROLS:**

Inadequate segregation of duties within a significant account or accounting process is considered to be a deficiency in your financial reporting controls. Certain officials of the County, because of the small size of the offices, have not been able to adequately segregate the processes of cash receipts and deposits, cash disbursements and checks, and reconciling the bank accounts.

Because of this lack of segregation of duties within these processes of handling cash, there is a risk that a material misstatement could be present in the financial statements or that fraud could occur and would not be detected by management timely.

Though the various offices may not be able to adequately segregate these processes within the office, the official should implement compensating controls over these processes such as having the bank reconciliations reviewed by another official of the County outside of their office.

**KNOWLEDGE AND APPLICATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:**

Preparing financial statements in accordance with the cash receipts and disbursements method of accounting requires specialized skills and knowledge of a technical nature. Responsibility for ensuring that the County's financial statements are prepared in accordance with the cash receipts and disbursements method of accounting lies with the County's management. As a result, the County's management is responsible for designing and implementing internal controls to ensure the accuracy of the County's financial statements in accordance with the cash receipts and disbursements method of accounting. This includes ensuring that those responsible for the accounting and reporting function possesses the skills and knowledge to apply the cash receipts and disbursements method of accounting in recording the County's financial transactions or preparing its financial statements.

During the course of our audit we noted that the County's management was able to prepare the information necessary to prepare the governmental fund financial statements in accordance with the cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States. However, the financial records of the County still needed to be presented in the government-wide financial statements format per GASB Statement 34, *Basis Financial Statements – and Management's Discussion and Analysis – for State and Local Government*. We are required to notify the County's management that the County does not have an individual who possesses these specialized skills and knowledge to prepare these adjustments and the related financial statements and disclosures.

We have reviewed with the County Treasurer these adjustments, financial statements and disclosures to help him have an understanding of this financial information so that he can assume this responsibility for the accuracy and completeness of the financial statements.