

**DICKENS COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**LUBBOCK, TEXAS**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

ANNUAL FINANCIAL REPORT

DICKENS COUNTY, TEXAS

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**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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**DICKENS COUNTY, TEXAS**

**COUNTY OFFICIALS  
SEPTEMBER 30, 2018**

**Kevin Brendle**

**County Judge**

**Dennis Wyatt**

**Commissioner Precinct 1**

**Mike Smith**

**Commissioner Precinct 2**

**Charlie Morris**

**Commissioner Precinct 3**

**Sheldon Parsons**

**Commissioner Precinct 4**

**Becky Hill**

**District and County Clerk**

**Darla Thomason**

**County Treasurer**

**Rebecca Haney**

**Tax-Assessor-Collector**

**Nancy Stone**

**Justice of the Peace**

**Terry Braly**

**Sheriff**

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**PHONE: (806) 747-3806**

**FAX: (806) 747-3815**

**8215 NASHVILLE AVENUE**

**LUBBOCK, TEXAS 79423-1954**

**Independent Auditor's Report**

To the Honorable Judge and  
Members of the Commissioners' Court of  
Dickens County, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dickens County, Texas (the County), as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County'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.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dickens County, Texas, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note L to the financial statements, in 2018 the County adopted new accounting guidance, GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, and budgetary comparison information on pages 4 through 10 and 41 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, on our consideration of the County'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* in considering of the County's internal control over financial reporting and compliance.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

January 8, 2019



## DICKENS COUNTY, TEXAS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Dickens County, Texas' (the County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2018. Please read it in conjunction with the County's financial statements.

#### FINANCIAL HIGHLIGHTS

- The County's total combined net position was \$3.015 million at September 30, 2018.
- The General Fund reported a fund balance this year of \$4.580 million, of which \$173,992 is restricted by enabling legislation.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the County's operations in more detail than the government-wide statements.
- The Governmental Funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Fiduciary Fund statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1. Required Components of the County's Annual Financial Report

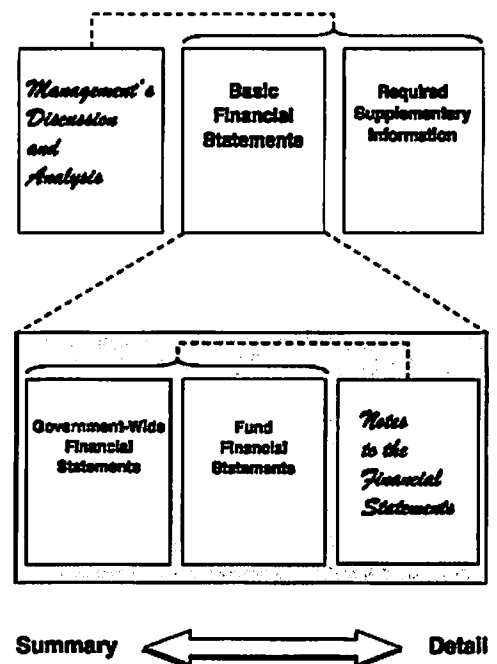


Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of each of the statements.

**FIGURE A-2  
MAJOR FEATURES OF THE COUNTY'S GOVERNMENT-WIDE AND FUND STATEMENTS**

<b>Type of Statement</b>	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire County's government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary	Instances in which the County is the trustee or agent for someone else's resources
<b>Required financial statements</b>	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures and changes in fund balances	Statement of fiduciary net position Statement of changes in fiduciary net position
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<b>Type of flow/outflow</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received	All revenues and expenses during year; regardless of when cash is received or paid

### **Government-Wide Statements**

The Government-Wide Financial Statements are designed to provide readers with a broad overview of the County's finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Position (page 11) presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the County's financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (page 12) presents information showing how the government's net position changed during the 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.

Both of these Government-Wide Financial Statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include County Judge, County Clerk, County Treasurer, Tax Assessor and Collector, County Sheriff, County Attorney, Justice of the Peace, Extension Office, building maintenance, County Court, District Court, Emergency Management Office, indigent health, General Administration, and road and bridge. These activities are financed primarily by property taxes and grants.

The County does not have business-type activities.

## **Fund Financial Statements**

The Fund Financial Statements provide more detailed information about the County's most significant funds – not the County as a whole. Funds are groupings of related accounts that the County uses to keep track of specific sources of funding and spending for particular purposes. The County, like other state and local governments, uses funds to show compliance with finance-related legal requirements as well as to control and manage money for other particular purposes. The County has two types of funds: governmental and fiduciary.

- **Governmental funds**—Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. 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 Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 14 and 16 of the basic financial statements section.

The County maintains five individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund, Road and Bridge Fund, Caprock Regional Defender Grant Fund, CDBG Grant Fund, and Public Facility Corporation Fund.

The County adopts an annual appropriated budget for its funds. A budgetary comparison schedule has been provided on pages 44 and 45 to demonstrate compliance with this budget.

- **Fiduciary funds**—The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position on page 17. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the County cannot use these assets to finance its operations.

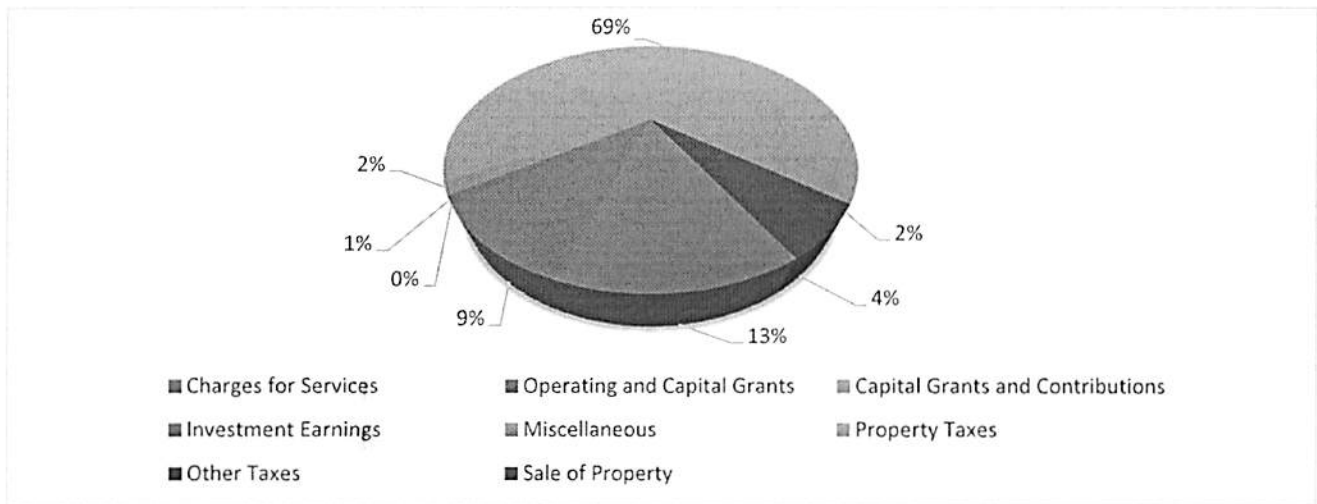
## **FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

The County's combined net position was approximately \$3.015 million at September 30, 2018. The largest portion of the County's total assets (\$12.511 million) reflects its capital assets with the remainder (\$4.938 million) reported as cash, investments, accounts receivable, and other assets.

**Table A-1**  
**Dickens County's Net Position**  
(in thousands)

	Governmental Activities	
	2018	2017
Current and Other Assets	\$ 4,938	\$ 4,666
Capital and Non-Current Assets	12,511	12,650
<b>Total Assets</b>	<b>\$ 17,449</b>	<b>\$ 17,316</b>
Deferred Outflows of Resources	\$ 240	\$ 280
Current Liabilities	\$ 4,820	\$ 4,834
Long-Term Liabilities	9,606	9,802
<b>Total Liabilities</b>	<b>\$ 14,426</b>	<b>\$ 14,636</b>
Deferred Inflows of Resources	\$ 248	\$ 21
<b>Net Position</b>		
Net Investment in Capital Assets	\$ (1,512)	\$ (1,349)
Restricted	247	209
Unrestricted	4,280	4,079
<b>Total Net Position</b>	<b>\$ 3,015</b>	<b>\$ 2,939</b>

**Changes in Net Position**—The County's net position increased by approximately \$193,000 during the current fiscal year. This increase from the prior year was mainly due to increases in overall revenues.



**Governmental Activities**—Total revenues for the fiscal year ending September 30, 2018 were \$3.150 million. Approximately 13% of the County's revenue comes from fines, fees, and charges for services, while 71% comes from property taxes and other taxes. Investment earnings accounts for 1% of total revenues. Operating grants and contributions, Capital grants and contributions, sale of property, and miscellaneous revenue account for another 15% of total revenues.

**Table A-2**  
**Dickens County Changes in Net Position**  
(in thousands)

	Governmental Activities	
	2018	2017
<b>Revenues:</b>		
<b>Program Revenues</b>		
Fees, Fines, and Charge for Services	\$ 421	\$ 319
Operating Grants and Contributions	294	65
Capital Grants and Contributions		
<b>General Revenues</b>		
Property Taxes	2,156	2,059
Other Taxes	62	61
Investment Earnings	33	27
Gain on Sale of Real and Personal Property	133	43
Miscellaneous	51	39
<b>Total Revenues</b>	<b>\$ 3,150</b>	<b>\$ 2,613</b>
<b>Expenses:</b>		
County Judge	\$ 76	\$ 73
County Clerk	69	66
County Treasurer	46	44
Tax Assessor and Collector	82	80
County Sheriff	435	345
County Attorney	27	26
Justice of Peace	42	40
Extension Office	73	59
Building Maintenance	95	81
County Court	17	19
District Court	57	54
Emergency Management Office	18	22
Indigent Health	1	38
General Administration	1,008	814
Road and Bridge	884	910
Prison Facility	27	51
Interest on Long-Term Debt		789
<b>Total Expenses</b>	<b>\$ 2,957</b>	<b>\$ 3,511</b>
Change in Net Position	\$ 193	\$ (898)
Beginning Net Position	2,939	3,837
Prior Period Adjustment	(117)	
<b>Ending Net Position</b>	<b>\$ 3,015</b>	<b>\$ 2,939</b>

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

As of the end of the fiscal year, the County's General Fund reported a fund balance of \$4.580 million, an increase of approximately \$257,000 from the prior year. The unassigned fund balance is \$4.406 million and is available for spending at the government's discretion. The County has \$173,992 that is restricted for enabling legislation.

As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 267% of total General Fund expenditures.

**General Fund Budgetary Highlights** — At the end of the year, actual expenditures were \$222,823 under final budgeted amounts. Revenues came in over the budget by \$48,203.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** — As of September 30, 2018, the County had invested \$19.017 million in a broad range of capital assets, including land, buildings, roads, bridges, equipment, a correctional facility, and leasehold improvements on the correctional facility.

Major events affecting capital assets during the year were:

- Purchase of a new motor grader for \$254,200
- Purchased a 2007 Mack Truck for \$25,000
- Purchased a 2018 Belly Dump Trailer for \$31,000
- Sold a fully depreciated motor grader for \$132,750

More detailed information about the County's capital assets can be found in Note III C.

**Table A-3**  
**Dickens County's Capital Assets**  
(in thousands)

	Governmental Activities	
	2018	2017
Land	\$ 115	\$ 115
Buildings and Improvements	3,878	3,878
Correctional Facility	10,622	10,622
Furniture and Equipment	115	115
Vehicles and Heavy Equipment	2,595	2,512
Leasehold Improvements	848	848
Infrastructure	844	844
Construction Work in Progress	0	1,006
<b>Total</b>	<b>\$ 19,017</b>	<b>\$ 19,940</b>
Total Accumulated Depreciation	\$ 6,506	\$ 6,284
<b>Net Capital Assets</b>	<b>\$ 12,511</b>	<b>\$ 13,656</b>

**Long-Term Debt** — As of September 30, 2018, the County had a capital lease outstanding related to a pickup purchase and the Dickens County Public Facility Corporation (a blended component unit of the County) had \$9.420 million outstanding on the Series 2001 Lease Revenue Bonds. See Note III E for debt service requirements on the above outstanding debt.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The appraised value used for the 2018-2019 budget preparation is estimated to be \$267,279,405, up 6.5% from 2018.
- The tax rate established for 2019 is \$.850000, which is not changed from the tax rate in 2018.

These factors and others were taken into consideration when preparing the General Fund budget for the 2018-19 fiscal year.

Revenues available for appropriation in the General Fund budget are \$2,277,953, an increase of \$194,555 over the 2018 amended budget of \$2,083,398. The budget increase is attributable to an increase in property tax revenue.

Budgeted expenditures are expected to increase approximately 21% over the 2018 amended budget of \$1,875,206 to \$2,277,953. The increase is expected to come from an increase in general administration expenses with \$204,527 budgeted for contingency expenses.

If these estimates are realized, the County's budgetary General Fund balance is expected to remain the same.

#### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Office of the Dickens County Treasurer, P.O. Box 108, Dickens, Texas 79229.

**BASIC FINANCIAL STATEMENTS**



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DICKENS COUNTY, TEXAS

Exhibit A-1

STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

	Primary Government Governmental Activities
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 76,693
Investments	4,630,411
Taxes Receivable, Net	26,589
Interest Receivable	9,182
Office Receivables, Net	65,587
Restricted Investments - Held by Trustee	129,696
Capital Assets (Net of Accumulated Depreciation):	
Land	115,284
Infrastructure	166,340
Buildings and Improvements	3,291,281
Correctional Facility	7,347,221
Leasehold Improvements	616,409
Furniture & Equipment	6,235
Vehicles and Heavy Equipment	968,532
Total Assets	\$ <u>17,449,460</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Pension Plan - Employer Contributions Made after Measurement Period	\$ 86,098
Pension Plan - Difference in Projected and Actual Earnings	127,745
Pension Plan - Changes in Assumptions	18,685
OPEB Plan - Employer Contributions Made after Measurement Period	4,096
OPEB Plan - Changes in Assumptions	2,881
Total Deferred Outflows of Resources	\$ <u>239,505</u>
<b>LIABILITIES:</b>	
Accounts Payable	\$ 75,879
Accrued Interest Payable	4,733,550
Wages Payable	10,412
Noncurrent Liabilities	
Noncurrent Portion of Long-Term Debt	9,420,000
Net Pension Liability	65,145
Total OPEB Liability	117,126
Accrued Compensated Absences	3,962
Total Liabilities	\$ <u>14,426,074</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Pension Plan - Difference in Expected and Actual Experience	\$ 38,707
Pension Plan - Difference in Projected and Actual Earnings	204,263
OPEB Plan - Difference in Expected and Actual Experience	5,241
Total Deferred Inflows of Resources	\$ <u>248,211</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	\$ (1,512,552)
Restricted For:	
Enabling Legislation	174,898
Road and Bridge	72,192
Unrestricted	<u>4,280,142</u>
Total Net Position	\$ <u>3,014,680</u>

The accompanying notes are an integral part of this statement.

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DICKENS COUNTY, TEXAS

Exhibit A-2

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Departments/Programs	Expenses	Program Revenues		Net (Expense) and Changes in Net Position
		Fines, Fees & Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities				
County Judge	\$ 75,534	\$	\$ 25,200	\$ (50,334)
County Clerk	69,449	54,313		(15,136)
County Treasurer	45,519			(45,519)
Tax Assessor and Collector	82,218			(82,218)
County Sheriff	434,581	32,065		(402,516)
County Attorney	26,666			(26,666)
Justice of Peace	41,756	131,646		89,890
Extension Office	72,719			(72,719)
Building Maintenance	94,602			(94,602)
County Court	17,037			(17,037)
District Court	56,725			(56,725)
Emergency Management Office	18,082			(18,082)
Indigent Health	1,408		8,047	6,639
General Administration	1,008,921	15,269	245,509	(748,143)
Road and Bridge	883,968	187,771	14,823	(681,374)
Prison Facility	26,880			(26,880)
Total Governmental Activities	<u>\$ 2,956,065</u>	<u>\$ 421,064</u>	<u>\$ 293,579</u>	<u>\$ (2,241,422)</u>
General Revenues:				
Property Taxes				\$ 2,155,721
Other Taxes				61,706
Miscellaneous Revenue				51,554
Rents and Royalties				428
Gain on Sale of Real and Personal Property				132,750
Investment Earnings				32,560
Total General Revenues				<u>\$ 2,434,719</u>
Change in Net Position				<u>\$ 193,297</u>
Net Position - Beginning				2,938,553
Prior Period Adjustment - Adopted GASB Statement No. 75				(117,170)
Net Position - Ending				<u>\$ 3,014,680</u>

The accompanying notes are an integral part of this statement.

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DICKENS COUNTY, TEXAS

Exhibit A-3

**BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	Major Funds		Nonmajor Governmental Funds (See Exhibit C-1)	Total Governmental Funds
	General Fund	Road and Bridge Fund		
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 75,787	\$	\$ 906	\$ 76,693
Investments	4,548,838	81,573		4,630,411
Investments - Held by Trustee			129,696	129,696
Taxes Receivable	21,896	4,693		26,589
Due From Other Funds		2,984		2,984
Accounts Receivable (Net)	26,438	3,855	2,337	32,630
Total Assets	<u>\$ 4,672,959</u>	<u>\$ 93,105</u>	<u>\$ 132,939</u>	<u>\$ 4,899,003</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 61,049	\$ 12,493	\$ 2,337	\$ 75,879
Wages Payable	6,685	3,727		10,412
Due to Other Funds	2,984			2,984
Total Liabilities	<u>\$ 70,718</u>	<u>\$ 16,220</u>	<u>\$ 2,337</u>	<u>\$ 89,275</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable Revenue - Property Taxes	\$ 21,896	\$ 4,693	\$	\$ 26,589
Total Deferred Inflows of Resources	<u>\$ 21,896</u>	<u>\$ 4,693</u>	<u>\$ 0</u>	<u>\$ 26,589</u>
<b>FUND BALANCES:</b>				
Restricted for:				
Enabling Legislation	\$ 173,992	\$	\$ 906	\$ 174,898
Prison Operations			129,696	129,696
Road and Bridge		72,192		72,192
Unassigned	4,406,353			4,406,353
Total Fund Balances	<u>\$ 4,580,345</u>	<u>\$ 72,192</u>	<u>\$ 130,602</u>	<u>\$ 4,783,139</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,672,959</u>	<u>\$ 93,105</u>	<u>\$ 132,939</u>	<u>\$ 4,899,003</u>

The accompanying notes are an integral part of this statement.

DICKENS COUNTY, TEXAS

Exhibit A-4

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

Total Fund Balances - Governmental Funds Balance Sheet	\$ 4,783,139
Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because:	
Capital assets used in governmental activities are not reported in the funds.	12,511,302
Revenues unavailable to pay for current period expenditures are deferred in the funds.	26,589
Payables for notes payable which are not due in the current period are not reported in the funds.	(9,420,000)
Net pension liability, deferred outflows and deferred inflows are not recognized in the governmental funds.	(75,587)
Total OPEB Liability and related deferred outflows are not reported in the funds.	(115,390)
Payables for bond interest which are not due in the current period are not reported in the funds.	(4,733,550)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(3,962)
To record the Justice of Peace and County/District Clerk fines receivable.	32,957
Interest receivable on investments is not recorded in the funds.	<u>9,182</u>
Net Position of Governmental Activities - Statement of Net Position	\$ <u><u>3,014,680</u></u>

The accompanying notes are an integral part of this statement.

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DICKENS COUNTY, TEXAS

Exhibit A-5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Major Funds			
	General Fund	Road and Bridge Fund	Nonmajor Governmental Funds (See Exhibit C-2)	Total Governmental Funds
<b>Revenue:</b>				
<b>Taxes:</b>				
Property Taxes	\$ 1,773,839	\$ 376,949	\$	\$ 2,150,788
Other Taxes	61,706			61,706
License and Permits		136,617		136,617
Intergovernmental Revenue and Grants	34,275	14,823	244,481	293,579
Charges for Services	207,647	19,494		227,141
Fines and Fees	9,821	31,660		41,481
Investment Earnings	29,186	1,273	1,474	31,933
Rents and Royalties	428			428
Other Revenue	14,699	36,855		51,554
<b>Total Revenues</b>	<b>\$ 2,131,601</b>	<b>\$ 617,671</b>	<b>\$ 245,955</b>	<b>\$ 2,995,227</b>
<b>Expenditures:</b>				
<b>Current:</b>				
County Judge	\$ 75,349	\$	\$	\$ 75,349
County Clerk	69,249			69,249
County Treasurer	45,519			45,519
Tax Assessor and Collector	81,870			81,870
County Sheriff	331,031			331,031
County Attorney	26,666			26,666
Justice of Peace	41,756			41,756
Extension Office	72,609			72,609
Building Maintenance	94,700			94,700
County Court	17,037			17,037
District Court	56,725			56,725
Emergency Management Office	18,082			18,082
Indigent Health	1,408			1,408
General Administration	719,382		244,481	963,863
Road and Bridge		551,672		551,672
Special Road and Bridge		387,875		387,875
Prison Facility			26,880	26,880
<b>Total Expenditures</b>	<b>\$ 1,651,383</b>	<b>\$ 939,547</b>	<b>\$ 271,361</b>	<b>\$ 2,862,291</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>\$ 480,218</b>	<b>\$ (321,876)</b>	<b>\$ (25,406)</b>	<b>\$ 132,936</b>
<b>Other Financing Sources (Uses):</b>				
Transfers	\$ (222,989)	\$ 222,989	\$	\$
Proceeds from Sale of Real and Personal Property		132,750		132,750
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (222,989)</b>	<b>\$ 355,739</b>	<b>\$ 0</b>	<b>\$ 132,750</b>
<b>Net Change in Fund Balances</b>	<b>\$ 257,229</b>	<b>\$ 33,863</b>	<b>\$ (25,406)</b>	<b>\$ 265,686</b>
Fund Balances - Beginning	4,323,116	38,329	156,008	4,517,453
Fund Balances - Ending	<b>\$ 4,580,345</b>	<b>\$ 72,192</b>	<b>\$ 130,602</b>	<b>\$ 4,783,139</b>

The accompanying notes are an integral part of this statement.

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DICKENS COUNTY, TEXAS

Exhibit A-6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$ 265,686
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital assets are not reported as expenses in the SOA.	310,200
The depreciation of capital assets used in governmental activities is not reported in the funds.	(449,087)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	4,933
To record the change in the Justice of the Peace and County/District Clerk fines receivable.	15,824
The change in accrued interest income on investments is reflected in the SOA.	627
Net change in pension expense to convert amounts paid in for the governmental funds to accrued pension expense for governmental activities.	43,186
OPEB Expense is not accrued in the funds related to the Total OPEB liability and Deferred Outflows	1,782
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	<u>146</u>
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$ 193,297</u>

The accompanying notes are an integral part of this statement.

DICKENS COUNTY, TEXAS

Exhibit A-7

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2018

	<u>Agency Fund</u>
<b>ASSETS:</b>	
Current Assets	
Cash and Cash Equivalents	\$ 99,686
Total Current Assets	<u>\$ 99,686</u>
<b>LIABILITIES:</b>	
Current Liabilities	
Due to Others	\$ 99,686
Total Current Liabilities	<u>\$ 99,686</u>

The accompanying notes are an integral part of this statement.

**NOTES TO FINANCIAL STATEMENTS**



**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

The authority of county governments and their specific functions and responsibilities are created by and are dependent upon laws and legal regulations of the Texas State Constitution and Vernon's Annotated Civil Statutes (V.A.C.S.).

Dickens County, Texas (the County) operates under a County Judge/Commissioners' Court type of government as provided by state statute. The financial and reporting policies of the County conform to generally accepted accounting principles (GAAP) applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB, and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*.

The Commissioners' Court has governance responsibilities over all activities related to Dickens County, Texas. The County receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities; however, the County is not included in any other governmental "reporting entity" as defined by GASB, Statement No. 61, "The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34". There is one blended component unit included within the reporting entity.

Component units are legally separate entities for which the County is considered to be financially accountable. The blended component unit, although a legally separate entity, is in substance part of the County's operations. Therefore, data from this unit is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County. The blended component unit is described below and discussed further in Footnote I. The County has no discretely presented component units.

The following table describes the County's component unit:

<u>Component Unit</u>	<u>Description; Criteria for Inclusion</u>	<u>Reporting Method</u>	<u>For Separate Financial Statements</u>
Dickens County Public Facility Corporation	Formed to Finance the Acquisition of the Dickens County Correctional Facility	Blended	Not Available

The County's major activities or functions include public safety (sheriff and ambulance), parks and libraries, public health and social services, construction and maintenance of roads, and general administrative services.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

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

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the County's non-fiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, fines and fees, grants and other intergovernmental revenues.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the County'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. Program revenues include: a) fees, fines and charges paid by the recipients of goods or services offered by the program, 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.

Interfund activities between governmental funds appear as due to/due from on the governmental fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds (other funds).

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

The Government-Wide Financial Statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include unmatured principal and interest on general long-term obligations which are recognized when due. This exception is in conformity with generally accepted accounting principles. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Property tax revenues and sales tax receipts are considered measurable and available when collected by the respective intermediary collecting agency and recognized as revenue at that time. Property tax revenues are considered measurable at the time of levy and are recognized as deferred revenue and taxes receivable, net of an allowance for estimated uncollectible taxes, at that time. Property tax revenues are considered available if collected within 60 days subsequent to year end. However, the amount of taxes collected in the period 60 days subsequent to year end are considered immaterial and not recorded as current year revenue. All tax collections expected to be received subsequent to year end are, therefore, reported as deferred revenues. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded on the accrual basis in all funds.

Intergovernmental revenues are recorded on a basis applicable to the legal and contractual requirements of the individual grant programs. If funds must be expended on the specific purpose or project before any amounts will be paid to the County, revenues are recognized as the expenditures or expenses are recorded. If funds are virtually unrestricted and irrevocable, except for failure to comply with required compliance requirements, revenues are recognized when received or susceptible to accrual. Federal and State grants awarded on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursable-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position.

#### **D. FUND ACCOUNTING**

The County applies GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which the amounts in the funds may be spent. Application of the Statement requires the County to classify and report amounts in the appropriate fund balance classifications. The County's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned. From interpretation of the adopted policy the County will spend its fund in the following order: Committed, Assigned, and Unassigned, if more than one classification of fund balance is available.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

The County reports the following classifications:

***Nonspendable Fund Balance*** – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

***Restricted Fund Balance*** – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Restrictions are placed on fund balances when legally enforceable legislation establishes the County's right to assess, levy, or charge fees to be used for a specific purpose – such as the County's property tax revenue for debt service requirements, which must be used to repay debt. Legal enforceability means that the County can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation.

***Committed Fund Balance*** – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Commissioners' Court. Committed amounts cannot be used for any other purposes unless the Commissioners' Court removes those constraints by taking the same type of actions (legislation, resolution, and ordinance). Committed fund balances include non-liquidated encumbrances at year end that are carried forward to the next fiscal year. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Commissioners' Court. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

***Assigned Fund Balance*** – Assigned fund balances are amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the County Treasurer or (b) an appointed body or official to which the Commissioners' Court has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment with the General Fund conveys that the intended use of those amounts is for specific purposes that are narrower than the general purposes of the County itself.

***Unassigned Fund Balance*** – Unassigned fund balance is the residual classification for the General Fund. This classification represents the General 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.

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DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. County funds do not include funds held by County offices, which are not yet remitted to the County Treasurer. County funds are amounts which have been received by the County Treasurer and which are subject to control by the Commissioners' Court. These various County funds, which are reported as Governmental Funds in the financial statements of this report, are grouped into five fund types: General Fund, Public Facility Corporation Fund, Road and Bridge Fund, Caprock Regional Defender Grant Fund, and CDBG Grant Fund. The remaining funds held by other County offices are reported as Fiduciary Funds and are not subject to control by the Commissioners' Court.

The County maintains the following funds:

**Major Governmental Funds:**

**General Fund** – This fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.

**Road and Bridge Fund** – This special revenue fund is used to account for proceeds of specific revenue sources that are legally reserved for expenditures for public transportation for county citizens.

**Nonmajor Governmental Funds:**

**Public Facility Corporation** – This special revenue fund is used to account for the accumulation of resources related to the operation of the prison assets, as well as, the payment of, the principal and interest on the tax-exempt lease revenue bonds issued by the Dickens County Public Facility Corporation.

**Caprock Regional Defender Grant Fund** – This special revenue fund is used to account for intergovernmental revenues received and passed-through to the sub-recipient.

**CDBG Grant Fund** – This special revenue fund is used to account for the intergovernmental revenues related to the McAdoo water improvement grant.

**Fiduciary Funds:**

Fiduciary Funds, which include funds held by County offices, also are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other government, and/or other funds. These include Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Formal budgetary accounting is not required for Fiduciary Funds.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**E. OTHER ACCOUNTING POLICIES**

1. Capital assets include land, buildings, furniture and equipment and are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects when constructed.

Buildings, vehicles, furniture and equipment, and infrastructure of the County are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	10-20
Furniture and Equipment	5-10
Vehicles and Heavy Equipment	7-10
Leasehold Improvements	13
Correctional Facility	30
Infrastructure	30

2. The County provides statutory workers' compensation insurance for its employees through Texas Association of Counties (TAC), a joint insurance fund, in which the County is a member. Health insurance is provided to the County's employees through a licensed insurer paid by the County.

**F. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

1. In addition to assets, 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.
2. In addition to liabilities, the balance sheet/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 County has one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**G. TRANSFERS**

The County budgeted transfers from the general fund to the road and bridge fund in the amount of \$222,989 for the year ended September 30, 2018.

**II. PROPERTY TAX**

Property taxes are levied by October 1 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 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.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature that affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county wide Appraisal Districts and for the State Property Tax Board which commenced operation in January 1980.

Dickens County Appraisal District appraises property values in the County. The Dickens County Tax Assessor - Collector assesses and collects the County's property taxes. The County is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. As of January 1, 1984, the value of property within the Appraisal District must be reappraised every three years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. However, if the effective tax rates for bonds and other contractual obligations and adjustments for new improvements, exceeds the rate for the previous year by more than eight percent, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than eight percent above the effective tax rate of the previous year.

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to \$0.80 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. A practical limitation on taxes levied for debt service is \$1.50 per \$100 of assessed valuation as established by the Attorney General of the State of Texas. The tax rates assessed for the year ended September 30, 2018 to finance maintenance and operations of the County was \$.85 per \$100 valuation.

The County's taxes on real property are a lien against such property until paid. The County may foreclose real property upon which it has a lien for unpaid taxes. Although the County makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

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DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

Legal and Contractual Provisions Governing Deposits and Investments

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2018, the carrying amount of the County's cash and cash equivalents was \$76,693 and the bank balance was \$126,252.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy.

That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

The carrying value of investments at September 30, 2018 was \$4,630,411. The investments consist of:

	Cost	Market Value
TexPool	\$ 1	\$ 1
Certificates of Deposit - Spur Security Bank	1,728,297	1,728,297
Certificates of Deposit - UBS	1,920,325	1,889,475
Governmental Securities - UBS	999,312	1,011,444
Money Market - UBS	1,194	1,194
	<u>\$ 4,649,129</u>	<u>\$ 4,630,411</u>



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DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

The carrying value of the restricted investments - held by trustee (US Bank) at September 30, 2018 was \$129,696. The restricted investments consist of:

	<u>Cost</u>	<u>Market Value</u>
US Bank Money Market Account	\$ <u>129,696</u>	\$ <u>129,696</u>

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board require or permit in the statements at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The County's investments as of September 30, 2018 were all considered Level 1 and 2.

**Policies Governing Deposits and Investments**

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy addresses the following risks:

**Custodial Credit Risk – Deposits:** This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County was exposed to custodial credit risk since its deposits at year end and during the year ended September 30, 2018 were not entirely covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

**Custodial Credit Risk – Investments:** This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The County's securities are all in securities backed by the United States of America and are not exposed to custodial credit risk.

**Other Credit Risk:** This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies' repurchase agreements; and no-load AAAM money market mutual funds registered with the SEC. As of September 30, 2018 TexPool's investments credit quality rating was AAAM (Standard & Poor's).

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DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**B. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2018, were as follows:

	<u>Property Tax Receivable</u>	<u>Office Receivables</u>	<u>Total Receivables</u>
<b>Governmental Activities</b>			
General Fund	\$ 61,290	\$ 297,494	\$ 358,784
Road and Bridge Fund	19,936		19,936
Less: Allowance for Uncollectibles	<u>(54,637)</u>	<u>(231,907)</u>	<u>(286,544)</u>
<b>Total - Governmental</b>	<u>\$ 26,589</u>	<u>\$ 65,587</u>	<u>\$ 92,176</u>

Payables at September 30, 2018 were as follows:

	<u>Accounts Payable</u>
<b>Governmental Activities</b>	
General Fund	\$ 61,049
Road and Bridge Fund	12,493
Other Nonmajor Funds	<u>2,337</u>
<b>Total - Governmental</b>	<u>\$ 75,879</u>

**C. CAPITAL ASSETS**

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

	<u>Balance October 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2018</u>
<b>Governmental Activities</b>				
Land	\$ 115,284	\$	\$	\$ 115,284
Buildings and Improvements	3,878,113			3,878,113
Correctional Facility	10,622,488			10,622,488
Furniture and Equipment	115,076			115,076
Vehicles and Heavy Equipment	2,511,744	310,200	(227,127)	2,594,817
Leasehold Improvements	848,062			848,062
Infrastructure	<u>843,532</u>			<u>843,532</u>
<b>Totals at Historic Cost</b>	<u>\$ 18,934,299</u>	<u>\$ 310,200</u>	<u>\$ (227,127)</u>	<u>\$ 19,017,372</u>

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DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Balance October 1, 2017	Additions	Retirements	Balance September 30, 2018
<b>Less: Accumulated Depreciation</b>				
Buildings and Improvement	\$ 492,399	\$ 94,433	\$	\$ 586,832
Correctional Facility	3,275,267			3,275,267
Furniture and Equipment	106,551	2,290		108,841
Vehicles and Heavy Equipment	1,578,095	275,317	(227,127)	1,626,285
Leasehold Improvements	164,390	67,263		231,653
Infrastructure	667,408	9,784		677,192
<b>Total Accumulated Depreciation</b>	<b>\$ 6,284,110</b>	<b>\$ 449,087</b>	<b>\$ (227,127)</b>	<b>\$ 6,506,070</b>
<b>Net Investment in Capital Assets</b>	<b>\$ 12,650,189</b>	<b>\$ (138,887)</b>	<b>\$ 0</b>	<b>\$ 12,511,302</b>

Current year depreciation expense was charged to governmental functions as follows:

County Sheriff	\$ 105,521
General Administration	75,809
Road and Bridge	267,757
<b>Total Depreciation Expense</b>	<b>\$ 449,087</b>

The County is no longer depreciating the correctional facility and leasehold improvement capital assets related to the Dickens County Correctional Facility – Public Facility Corporation. See Note I for additional information.

**D. ACCRUED COMPENSATED ABSENCES**

Accumulated unpaid leave amounts are not accrued in governmental funds using the modified accrual basis of accounting, but are reflected in the government-wide Statement of Net Position. At September 30, 2018, accrued employee benefits recorded on the Statement of Net Position were for vacation pay in the amount of \$10,412.

**E. LONG-TERM DEBT**

Long-term debt includes the Series 2001 Lease Revenue Bonds.

**Series 2001 Lease Revenue Bonds:**

During the fiscal year ended September 30, 2001, the Dickens County Public Facility Corporation, a blended component unit of the County, issued tax-exempt lease revenue bonds in the amount of \$13,015,000 to acquire the Dickens County Correctional Facility.

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Outstanding</u>
8/1/2001	\$ 13,015,000	8.125%-8.375%	10/1/2021	\$ 9,420,000

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DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Debt service requirements on the Series 2001 Lease Revenue Bonds at September 30, 2018, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 4,975,000	\$ 5,008,241	\$ 9,983,241
2020	970,000	331,650	1,301,650
2021	1,050,000	247,063	1,297,063
2022	2,425,000	101,547	2,526,547
Less: Reserve Fund		(129,696)	(129,696)
<b>Totals</b>	<b>\$ 9,420,000</b>	<b>\$ 5,558,805</b>	<b>\$ 14,978,805</b>

The Reserve Fund is held by the Trustee with US Bank.

The Trustee for the Dickens County Public Facility Corp. (the Facility) was unable to make payments to the bond holders during the year ended September 30, 2018, due to not having sufficient funds in the bond reserve fund. As of September 30, 2018, the County has accrued interest of \$4,733,550 related to the bonds. See Note I for additional information on the operations of the Facility.

**F. RISK MANAGEMENT**

Worker's Compensation

During the fiscal year ended September 30, 2018 employees of the County were covered by a worker's compensation plan administered by TAC. The County paid a contribution of \$11,500 for the fiscal year ended September 30, 2018. These figures are subject to change based upon actual payroll figures.

Health Care

During the fiscal year ended September 30, 2018, employees of the County were covered by a health insurance plan (the Plan). The County paid \$799 of the employee's monthly premiums. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The cost to the County for the year ended September 30, 2018 was \$200,659.

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DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**G. RETIREMENT PENSION PLAN**

Plan Description:

The County provides retirement, disability and death benefits (the Group Term Life program – See Note H) for all of its full time employees through a non-traditional defined benefit pension plan in the Texas County & 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 760 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a Comprehensive Annual Financial Report (CAFR) on a calendar basis. The CAFR is available upon written request from the Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The Plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS. Members can retire at ages 60 and above with eight 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 75 or more. Members are vested after eight years of service.

Members are vested after ten 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 their employer.

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 employer within the actuarial constraints imposed by the Texas state statutes governing TCDRS 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 Texas state statutes governing TCDRS.

Pension Plan Fiduciary Net Position:

Detailed information about the TCDRS fiduciary net position is available in a separately-issued CAFR that includes financial statements and required supplementary information mentioned in the above section.

The information provided by TCDRS shows the following information regarding the Pension Plan fiduciary net position for the County as of December 31, 2017:

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 4,430,388
Less: Plan Fiduciary Net Position	(4,365,243)
Net Pension Liability (Asset)	\$ 65,145
Net Position as Percentage of Total Pension Liability	98.53%

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

Benefits Provided:

TCDRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries). The normal service retirement is at age 60 with eight years of credited service, when the sum of the member's age and years of credited service equals 75 or more years, or after 30 years of service regardless of age. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions:

The plan is funded by monthly contributions from employee deposits and from employer contributions based on the covered payroll of employee members. Under the variable rate plan provisions, the contribution rate of the employer is actuarially determined annually. The required contribution was determined as part of the December 31, 2017 actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions at December 31, 2017 included (a) an 8.00% investment rate of return (net of administrative expenses), and (b) a projected salary increase of 4.90%. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The employer contribution rate was 11.56% for 2017. The deposit rate payable by employee members is the rate of 7.00% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the Texas state statutes governing TCDRS.

	Contribution Rates	
	2017	2016
Member	7.00%	7.00%
Employer	11.56%	11.56%
2017 Employer Contributions	\$	113,938
2017 Member Contributions	\$	68,993

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DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**Actuarial Assumptions:**

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Smoothing Period	Five Years
Recognition Method	Non-Asymptotic
Corridor	None
Remaining Amortization Period	6.6 Years
Discount Rate	8.10%
Long-Term Expected Investment	
Rate of Return*	8.10%
Salary Increases*	3.25% - 4.90%
Payroll Growth Rate	2.75%

*\*Includes Inflation of 2.75%*

The actuarial methods and assumptions are primarily based on a study of the County's workforce and estimate of benefits it will pay its employees. The economic and demographic assumptions have been established based on the 2013 experience study for TCDRS, details of which can be found in the 2013 Investigation and Experience Report on the TCDRS website. The RP-2000 Active Employee Mortality Table was used with a four year set forward.

**Discount Rate:**

The discount rate used to measure the total pension liability was 8.10%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan 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. The long-term rate of return on pension plan investments is 8.10%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

Best estimates of geometric real rates of return for each major asset class included in the systems target asset allocation as of December 31, 2017 are summarized below:

<u>Asset Class</u>	<u>Target Allocation**</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
U.S. Equities	11.50%	4.55%
Private Equity	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities - Developed	11.00%	4.55%
International Equities - Emerging	8.00%	5.55%
Investment-Grade Bonds	3.00%	0.75%
Strategic Credit	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	18.00%	4.10%
<b>Total</b>	<b>100.00%</b>	

\* - Geometric real rates of return in addition to assumed inflation of 1.95%, per Cliffwater's 2018 capital market assumptions

\*\* - Target asset allocation adopted at the April 2018 TCDRS Board Meeting

**Discount Rate Sensitivity Analysis:**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was one percent less than and one percent greater than the discount rate that was used (8.10%) in measuring the 2017 Net Pension Liability.

	<u>1% Decrease in Discount Rate (7.1%)</u>	<u>Discount Rate (8.1%)</u>	<u>1% Increase in Discount Rate (9.1%)</u>
Total Pension Liability	\$ 4,867,919	\$ 4,430,388	\$ 4,050,999
Fiduciary Net Position	(4,365,243)	(4,365,243)	(4,365,243)
Net Pension Liability/(Asset)	<u>\$ 502,676</u>	<u>\$ 65,145</u>	<u>\$ (314,244)</u>



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DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

At December 31, 2017, the County reported a liability of \$65,145 for its proportionate share of the TCDRS net pension liability.

The net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period January 1, 2017 through December 31, 2017.

For the plan year ended December 31, 2017, there were changes in assumptions and plan provisions. The plan reflected new annuity purchase rates which was a change to plan provisions and adopted new mortality tables which was a change in assumptions.

At December 31, 2017, the County reported its proportionate share of the TCDRS deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows/(Inflows) of Resources
Differences Between Expected and Actual Economic Experience	\$ (38,707)
Changes in Assumptions	18,685
Net Difference Between Projected and Actual Earnings	(76,518)
Contributions Paid to TCDRS Subsequent to the Measurement Date	86,098
Total	\$ (10,442)

The net amounts of the employer's balances of deferred outflows related to pensions will be recognized in pension expense as follows:

	Amortization of Deferred Resources
2017	\$ 80,905
2018	6,220
2019	(46,502)
2020	(51,065)
2021	0
Thereafter	0

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DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

At December 31, 2017, the County reported deferred resource outflows for the TCDRS pension plan as follows:

	<u>Deferred Outflows/(Inflows) of Resources</u>	
Total Net Amounts as of December 31, 2016 Measurement Date	\$	258,638
Contributions Made Subsequent to the Measurement Date		86,098
Contributions Made Prior to the Measurement Date		(86,434)
Net Deferred (Inflows)/Outflows related to the year ended December 31, 2017		(295,374)
Amortization of Deferred Inflows/(Outflows)		26,630
Total Net Amounts as of December 31, 2017	\$	<u><u>(10,442)</u></u>

**Pension Expense**

Pension expense for the plan for the year ended December 31, 2017 was \$70,417 and was calculated as follows:

	<u>Pension Expense</u>	
Service Cost	\$	128,036
Interest on Total Pension Liability		345,467
Administrative Expenses		2,903
Member Contributions		(68,993)
Expected Investment Return Net of Investment Expenses		(311,625)
Amortization of Deferred Inflows and Outflows of Resources		(26,628)
Other		1,257
Total Amount as of December 31, 2017	\$	<u><u>70,417</u></u>

**Employees Covered by Benefit Terms:**

At the December 31, 2017 valuation and measurement date, the plan reported the following regarding employees covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	28
Inactive Employees Entitled to but not Yet Receiving Benefits	46
Active Employees	<u>34</u>
Total Plan Employees	<u><u>108</u></u>

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**H. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**Plan Description:**

The County participates in the Group Term Life (GTL) program for the TCDRS, which is a statewide, multiple-employer, public employee retirement system. All full-time and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCDRS pension plan. Only employers that have elected to participate in the GTL program are included in the OPEB plan.

**Benefits Provided:**

The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the GTL program. The OPEB benefit is a fixed \$5,000 lump-sum benefit and no future increases are assumed in the benefit amount.

Contributions made to the retiree GTL program are held in the GTL fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan. The contributions for retiree GTL coverage are assigned to the OPEB plan under GASB 75 and are used to determine the benefit payments shown in the changes in the total OPEB liability.

Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year. The County's contribution rate for the retiree GTL program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year death benefit equal to \$5,000.

**Employees Covered by Benefit Terms:**

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	23
Inactive Employees Entitled to but not Yet Receiving Benefits	9
Active Employees	<u>34</u>
Total Plan Employees	<u><u>66</u></u>

**Total OPEB Liability:**

The County's total OPEB liability of \$117,126 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

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DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**Actuarial Assumptions:**

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/demographic gains and losses and assumptions changes or inputs	Straight-Line Amortization over Expected Working Life
Investment Rate of Return (Discount Rate)	3.44%

The TCDRS GTL program is treated as unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.44% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2017. At transition, GASB 75 also requires that the Total OPEB Liability (TOL) as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index as of the prior fiscal year end. The actuary estimated the TOL as of December 31, 2016 using a discount rate of 3.78% as of December 31, 2016.

Mortality rates were based on the following criteria:

Depositing Members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service Retirees, Beneficiaries and Non- Depositing Members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled Retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

All actuarial assumptions that determined the total OPEB liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 75.

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DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**Changes in the Total OPEB Liability:**

Balance as of December 31, 2016	\$	117,170
Changes for the year:		
Service Cost		4,527
Interest on Total OPEB Liability		4,489
Effect of Economic/Demographic Experience		(6,987)
Effect of Assumptions Changes or Inputs		3,841
Benefit Payments		<u>(5,914)</u>
Balance as of December 31, 2017	\$	<u>117,126</u>

Changes of assumptions or other inputs reflect a change in the discount rate from 3.78% in 2016 to 3.44% in 2017.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

**Sensitivity Analysis:**

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 3.44%, as well as what the Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.44%) or 1 percentage point higher (4.44%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease in <u>Discount Rate (2.44%)</u>	<u>Discount Rate (3.44%)</u>	1% Increase in <u>Discount Rate (4.44%)</u>
Total OPEB Liability	\$ <u>136,837</u>	\$ <u>117,126</u>	\$ <u>101,546</u>

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DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:**

For the year ended September 30, 2018, the County recognized OPEB expense of \$8,230. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,881	\$ 5,241
Changes in Assumptions	4,096	
Contributions Made Subsequent to Measurement Date	6,977	5,241
	\$ 6,977	\$ 5,241

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

	Amortization of Deferred Resources
2018	\$ 3,309
2019	(787)
2020	(786)
2021	0
2022	0
Thereafter	0

**I. BLENDED COMPONENT UNIT**

The County leases the Dickens County Correctional Facility (the Facility) from Dickens County Public Facility Corporation (the Corporation), a legally separate non-profit public corporation. The Corporation purchased the Facility through the issuance of Tax-Exempt Lease Revenue Bonds (the Bonds). The County has no obligation relating to the payments under the Bonds. The Bonds are solely payable from the revenue generated from the Facility.

Operations of the Dickens County Correctional Facility (the Facility) was under an operational contract with Community Education Centers, Inc. (CEC) which expired on January 1, 2011. The contract with CEC was not renewed and the County has not contracted with any other operators to run the Facility. The Facility has been vacant of inmate population since January 1, 2011 when operations under the previous CEC contract ceased.

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**J. TAX ABATEMENT**

The County has entered into a ten year agreement allowed for under Texas State Law for the abatement of property taxes with a company that constructed a transmission line within the County's jurisdiction. This abatement runs through the 2026 tax year. The tax abatement commenced on January 1, 2017. As part of the agreement, the company will pay the County \$1,500 per mile of transmission line for 10 years in lieu of taxes.

**K. LITIGATION, COMMITMENTS, AND SUBSEQUENT EVENTS**

There is no pending litigation against the County at September 30, 2018, that would have a material effect on the financial statements.

Management has evaluated subsequent events through January 8, 2019 the date which the financial statements were available to be issued.

**L. PRIOR PERIOD ADJUSTMENT**

During the year the County adopted new accounting guidance, GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the effect of adopting this standard reduced beginning net position by \$117,170 for the primary government.

REQUIRED SUPPLEMENTARY INFORMATION



**SCHEDULE OF CHANGES IN NET PENSION  
LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>
<b>TOTAL PENSION LIABILITY/(ASSET)</b>				
Service Cost	\$ 119,918	\$ 118,700	\$ 133,444	\$ 128,036
Interest Cost	300,272	313,214	328,758	345,467
Effect of Plan Changes		(8,043)		
Effect of Economic/Demographic Losses	(39,761)	(3,869)	(42,872)	(77,415)
Effect of Assumptions Changes or Inputs		49,580		37,369
Benefit Payments/Refunds of Contributions	<u>(228,274)</u>	<u>(253,043)</u>	<u>(276,508)</u>	<u>(274,772)</u>
Net Change in Total Pension Liability	\$ 152,155	\$ 216,539	\$ 142,822	\$ 158,685
Total Pension Liability, Beginning	<u>3,760,187</u>	<u>3,912,342</u>	<u>4,128,881</u>	<u>4,271,703</u>
Total Pension Liability, Ending	\$ <u>3,912,342</u>	\$ <u>4,128,881</u>	\$ <u>4,271,703</u>	\$ <u>4,430,388</u>
<b>FIDUCIARY NET POSITION</b>				
Employer Contributions	\$ 106,274	\$ 111,547	\$ 111,407	\$ 113,938
Member Contributions	64,852	67,545	67,461	68,993
Investment Income, Net of Expenses	244,901	39,105	274,646	568,953
Benefit Payments/Refunds of Contributions	(228,274)	(253,043)	(276,508)	(274,772)
Administrative Expenses	(2,803)	(2,877)	(2,995)	(2,903)
Other	<u>(21,929)</u>	<u>37,161</u>	<u>(2,872)</u>	<u>(1,258)</u>
Net Change in Fiduciary Net Position	\$ 163,021	\$ (362)	\$ 171,139	\$ 470,951
Fiduciary Net Position, Beginning	<u>3,560,494</u>	<u>3,723,515</u>	<u>3,723,153</u>	<u>3,894,282</u>
Fiduciary Net Position, Ending	\$ <u>3,723,515</u>	\$ <u>3,723,153</u>	\$ <u>3,894,292</u>	\$ <u>4,365,243</u>
<b>NET PENSION LIABILITY</b>	\$ <u>188,827</u>	\$ <u>405,728</u>	\$ <u>377,411</u>	\$ <u>65,145</u>
Fiduciary Net Position as a % of Total Pension Liability	<u>95.17%</u>	<u>90.17%</u>	<u>91.16%</u>	<u>98.53%</u>
County's Covered-Employee Payroll	\$ <u>924,619</u>	\$ <u>964,928</u>	\$ <u>963,724</u>	\$ <u>985,621</u>
Net Pension Asset as a % of Covered-Employee Payroll	<u>20.42%</u>	<u>42.05%</u>	<u>39.16%</u>	<u>6.61%</u>

Note: Only four years of data are presented in accordance with GASBS #68, paragraph 138.

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DICKENS COUNTY, TEXAS

Exhibit B-2

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<u>Year Ending September 30.</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll (1)</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2015	\$ 110,611	\$ 110,611	\$ 0	\$ 958,009	11.55%
2016	111,546	111,546	0	984,926	11.56%
2017	113,153	113,153	0	978,930	11.56%
2018	113,602	113,602	0	982,721	11.56%

Note: Only four years of data are presented in accordance with GASBS #68, paragraph 138.

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**DICKENS COUNTY, TEXAS**  
**SUPPLEMENTAL DEATH BENEFIT FUND**

Exhibit B-3

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**SEPTEMBER 30, 2018**

**REQUIRED SUPPLEMENTARY INFORMATION**

	<u>12/31/2017</u> <u>Total OPEB</u> <u>Liability</u>
Service Cost	\$ 4,527
Interest	4,489
Benefit Payments	(5,914)
Differences between Expected and Actual Experience	(6,987)
Changes in Assumptions	<u>3,841</u>
Net Change	\$ (44)
Beginning Balance	117,170
Ending Balance	<u>\$ 117,126</u>
Total OPEB Liability	<u>\$ 117,126</u>
Covered Employee Payroll	\$ 982,721
Total OPEB Liability as a Percentage of Covered Employee Payroll	11.92%

Note: Only one year of GASB 75 Data Available as of 12/31/2017. The remaining nine years of data will be built on a go forward basis.

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DICKENS COUNTY, TEXAS

Exhibit B-4

**BUDGETARY COMPARISON - GENERAL FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	(Unaudited)		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Budgeted Amounts			
	Original	Final		
<b>Revenue:</b>				
<b>Taxes:</b>				
Property Taxes	\$ 1,799,078	\$ 1,799,078	\$ 1,773,839	\$ (25,239)
Other Taxes	52,700	52,700	61,706	9,006
License and Permits	1,120	1,120		(1,120)
Intergovernmental Revenue and Grants	31,350	31,350	34,275	2,925
Charges for Services	152,050	152,050	207,647	55,597
Fines and Fees	2,050	2,050	9,821	7,771
Investment Earnings	35,000	35,000	29,186	(5,814)
Rents and Royalties	1,800	1,800	428	(1,372)
Other Revenue	8,250	8,250	14,699	6,449
<b>Total Revenues</b>	<u>\$ 2,083,398</u>	<u>\$ 2,083,398</u>	<u>\$ 2,131,601</u>	<u>\$ 48,203</u>
<b>Expenditures:</b>				
<b>Current:</b>				
County Judge	\$ 78,390	\$ 78,390	\$ 75,349	\$ 3,041
County Clerk	73,470	73,470	69,249	4,221
County Treasurer	50,273	50,273	45,519	4,754
Tax Assessor and Collector	84,520	84,520	81,870	2,650
County Sheriff	326,543	326,543	331,031	(4,488)
County Attorney	26,771	26,771	26,666	105
Justice of Peace	45,190	45,190	41,756	3,434
Extension Office	73,552	73,552	72,609	943
Building Maintenance	81,033	96,149	94,700	1,449
County Court	40,050	40,050	17,037	23,013
District Court	69,045	69,045	56,725	12,320
Emergency Management Office	22,732	22,732	18,082	4,650
Indigent Health	134,402	134,402	1,408	132,994
General Administration	768,235	753,119	719,382	33,737
<b>Total Expenditures</b>	<u>\$ 1,874,206</u>	<u>\$ 1,874,206</u>	<u>\$ 1,651,383</u>	<u>\$ 222,823</u>
<b>Excess (Deficiency) of Revenues     Over (Under) Expenditures</b>	<u>\$ 209,192</u>	<u>\$ 209,192</u>	<u>\$ 480,218</u>	<u>\$ 271,026</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	\$ (222,989)	\$ (222,989)	\$ (222,989)	
Sale of Real and Personal Property	1,000	1,000		(1,000)
<b>Total Other Financing Sources</b>	<u>\$ (221,989)</u>	<u>\$ (221,989)</u>	<u>\$ (222,989)</u>	<u>\$ (1,000)</u>
<b>Net Change in Fund Balances</b>	<u>\$ (12,797)</u>	<u>\$ (12,797)</u>	<u>\$ 257,229</u>	<u>\$ 270,026</u>
<b>Fund Balances - Beginning</b>	<u>4,323,116</u>	<u>4,323,116</u>	<u>4,323,116</u>	
<b>Fund Balances - Ending</b>	<u>\$ 4,310,319</u>	<u>\$ 4,310,319</u>	<u>\$ 4,580,345</u>	

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DICKENS COUNTY, TEXAS

Exhibit B-5

**BUDGETARY COMPARISON - ROAD & BRIDGE FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	(Unaudited)		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Budgeted Amounts			
	Original	Final		
<b>Revenue:</b>				
<b>Taxes:</b>				
Property Taxes	\$ 376,260	\$ 376,260	\$ 376,949	\$ 689
License and Permits	150,000	150,000	136,617	(13,383)
Intergovernmental Revenue and Grants	15,000	15,000	14,823	(177)
Charges for Services	18,500	18,500	19,494	994
Fines and Fees	30,000	30,000	31,660	1,660
Investment Earnings	1,000	1,000	1,273	273
Other Revenue	500	500	36,855	36,355
<b>Total Revenues</b>	<u>\$ 591,260</u>	<u>\$ 591,260</u>	<u>\$ 617,671</u>	<u>\$ 26,411</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Road & Bridge	\$ 568,790	\$ 560,140	\$ 551,672	\$ 8,468
Special Road & Bridge	246,459	255,109	387,875	(132,766)
<b>Total Expenditures</b>	<u>\$ 815,249</u>	<u>\$ 815,249</u>	<u>\$ 939,547</u>	<u>\$ (124,298)</u>
Deficiency of Revenues Under Expenditures	<u>\$ (223,989)</u>	<u>\$ (223,989)</u>	<u>\$ (321,876)</u>	<u>\$ (97,887)</u>
<b>Other Financing Sources:</b>				
Transfers In	\$ 222,989	\$ 222,989	\$ 222,989	\$
Sale of Real and Personal Property	1,000	1,000	132,750	131,750
<b>Total Other Financing Sources</b>	<u>\$ 223,989</u>	<u>\$ 223,989</u>	<u>\$ 355,739</u>	<u>\$ 131,750</u>
<b>Net Change in Fund Balances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 33,863</u>	<u>\$ 33,863</u>
<b>Fund Balances - Beginning</b>	<u>38,329</u>	<u>38,329</u>	<u>38,329</u>	
<b>Fund Balances - Ending</b>	<u>\$ 38,329</u>	<u>\$ 38,329</u>	<u>\$ 72,192</u>	

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DICKENS COUNTY, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**A. PENSION PLAN**

**CHANGES OF BENEFIT TERMS**

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

**CHANGES OF ASSUMPTIONS**

There were no changes of assumptions or other inputs that affected the measurement of the total pension liability during the measurement period.

**B. BUDGETARY DATA**

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

1. The County Judge, as budget officer, prepares a budget to cover all proposed expenditures and the means of financing them, for the succeeding year and delivers the proposed budget to Commissioners' Court.
2. Commissioners' Court holds budget sessions with each department head.
3. Commissioners' Court holds budget hearings for the public at which all interested persons' comments concerning the budget are heard.
4. Commissioners' Court formally adopts the budget in the open court meeting.
5. The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.
6. The formally adopted budget may legally be amended by Commissioners' in accordance with article 689A-11 or 689A-20 of Vernon's Annotated Civil Statutes.

An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about September 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2016-2017 budget were approved by the Commissioners' Court as provided by law.

**COMBINING STATEMENTS**

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DICKENS COUNTY, TEXAS

Exhibit C-1

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	<u>Public Facility Corporation Fund</u>	<u>CDBG Grant Fund</u>	<u>Caprock Regional Defender Grant Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$	\$	\$ 906	\$ 906
Grants Receivable		2,337		2,337
Investments - Held by Trustee	129,696			129,696
<b>Total Assets</b>	<b>\$ 129,696</b>	<b>\$ 2,337</b>	<b>\$ 906</b>	<b>\$ 132,939</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$	\$ 2,337	\$	\$ 2,337
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 2,337</b>	<b>\$ 0</b>	<b>\$ 2,337</b>
<b>FUND BALANCES:</b>				
Restricted for:				
Prison Operations	\$ 129,696			\$ 129,696
Enabling Legislation			906	906
<b>Total Fund Balances</b>	<b>\$ 129,696</b>	<b>\$ 0</b>	<b>\$ 906</b>	<b>\$ 130,602</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 129,696</b>	<b>\$ 2,337</b>	<b>\$ 906</b>	<b>\$ 132,939</b>



DICKENS COUNTY, TEXAS

Exhibit C-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Caprock Regional Defender Grant Fund	CDBG Grant Fund	Public Facility Corporation Fund	Total
Revenue:				
Intergovernmental Revenue and Grants	\$ 244,481	\$ 244,481	\$ 1,474	\$ 244,481
Investment Earnings			1,474	1,474
Total Revenues	\$ 244,481	\$ 244,481	\$ 1,474	\$ 245,955
Expenditures:				
Current:				
Prison Facility	\$ 26,880	\$ 244,481	\$ 26,880	\$ 26,880
General Administration		244,481		244,481
Total Expenditures	\$ 26,880	\$ 244,481	\$ 26,880	\$ 271,361
Deficiency of Revenues	\$ 0	\$ 0	\$ (25,406)	\$ (25,406)
Under Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balances	\$ 0	\$ 0	\$ (25,406)	\$ (25,406)
Fund Balances - Beginning	906	0	155,102	156,008
Fund Balances - Ending	\$ 906	\$ 0	\$ 129,696	\$ 130,602

OTHER INFORMATION REQUIRED BY GAO

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**PHONE: (806) 747-3806**

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**8215 NASHVILLE AVENUE**

**LUBBOCK, TEXAS 79423-1954**

**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**

**Independent Auditor's Report**

To the Honorable Judge and  
Members of the Commissioners' Court of  
Dickens County, Texas

We have audited, in accordance with the 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, each major fund, and the aggregate remaining fund information of Dickens County, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Dickens County, Texas' basic financial statements, and have issued our report thereon dated January 8, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Dickens County, Texas' internal control over financial reporting (internal control) 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 Dickens County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Dickens County, 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 a 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 internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Dickens County, Texas' financial statements are free from 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*.

### **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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

January 8, 2019