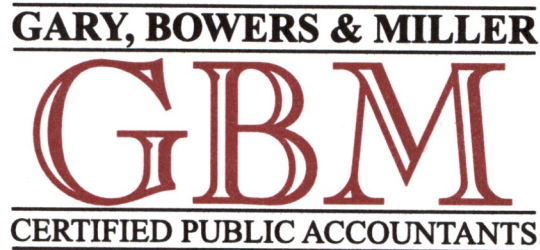


DAWSON COUNTY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

**DAWSON COUNTY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>EXHIBIT</u>	<u>PAGE</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		3
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	A-1	10
Statement of Activities	B-1	11
Government Fund Financial Statements:		
Balance Sheet	C-1	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	C-2	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	C-3	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	C-4	15
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	D-1	16
Statement of Changes in Fiduciary Fund Net Assets	D-2	17
Notes to the Financial Statements		18
Required Supplemental Information:		
Budgetary Comparisons:		
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual-General Fund	E-1	34
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual-Precinct	E-2	35
Other Required Supplemental Information:		
Schedule of Funding Progress – Texas County and District Retirement System	E-3	36
Information About Infrastructure Assets Reported Using the Modified Approach	E-4	37
Compliance and Internal Controls Section		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		39

Steve Gary, C.P.A., PC
James Bowers, C.P.A., PC
Eric Miller, C.P.A., PC
Melvin Eaker, C.P.A., PC



A Partnership of
Professional Corporations

Independent Auditors' Report

Honorable Judge Wells and Commissioners' Court
Dawson County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dawson County, Texas, as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Dawson County, Texas' management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, each major fund, and the aggregate remaining fund information of Dawson County, Texas, as of September 30, 2012, and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2013, on our consideration of Dawson County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, funding progress of the Texas County and District Retirement System, and information about infrastructure assets' on pages 3 through 9 and 34 through 38 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

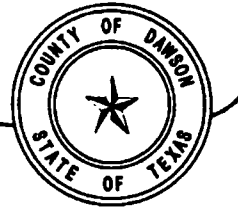
consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not 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.

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

Gary, Bowers & Miller

Gary, Bowers & Miller
Lubbock, Texas
March 13, 2013

COUNTY OF DAWSON



RICK DOLLAHAN, County Auditor
P.O. Box 1268
Lamesa, Texas 79331

March 13, 2013

Honorable Carter T. Schildknecht, District Judge, 106th Judicial District

Honorable Commissioners Court:

Allen Wells	County Judge		
Ricky Minjarez	Commissioner, PCT 1	Tony Hernandez	Commissioner, PCT 2
Nicky Goode	Commissioner, PCT 3	Foy O'Brien	Commissioner, PCT 4

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, the management of Dawson County, Texas, discusses and analyze the County's financial performance for the fiscal year ended September 30, 2012. Please read it in conjunction with the independent auditor's report on page 1 and the County's basic financial statements which begin on page 10.

FINANCIAL HIGHLIGHTS

- At the close of the most recent fiscal year, Dawson County's assets exceeded its liabilities by \$12,208,661. Of this amount, \$5,060, 865 was unrestricted net assets.
- The County's net assets increased \$1,184,583 because of this year's operation.
- The County had expenses of \$8,605,086 as compared to FY 2011 expenses of \$8,533,534.
- The County had revenues of \$9,789,669 as generated in tax and other revenues for governmental programs (before special items). It is important to note that tax revenues actually decreased this year. This compares to last year when revenues were \$9,170,932, an increase of 6.3%.
- The General Fund ended the year with a fund balance of \$4,826,972 as compared to last year's fund balance of \$3,950,174. The fund balance of the General Fund is unreserved and undesignated.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Dawson County's basic financial statements. Dawson County's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements.

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 9 and 10). These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The Road to Excellence is Built with Vision

Fund financial statements (starting on page 12) report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. The fiduciary statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of other county funds or those outside of the County. They show what assets these funds have and who they belong to.

The notes to the financial statements (starting on page 18) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

REPORTING THE COUNTY AS A WHOLE – THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The analysis of the County's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies as opposed to the modified accrual basis used in the prior reporting model.

All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods (e.g. uncollected taxes). The County's revenues are divided into those provided by outside parties who share the costs of some programs such as grants provided by the Texas State Library and Archives Commission to improve the County's libraries and fees for services such as commissions received for property tax collection and revenues provided by the taxpayers and other general revenues. All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the County's net assets and changes in them. The County's net assets (the difference between assets and liabilities) provide one measure of the County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider non-financial factors as well such as changes in the County's property tax base and the condition of the County's facilities.

In the Statement of Net Assets and the Statement of Activities, the County has one kind of activity:

- I. Governmental activities – Most of the basic services are reported here, including general administration, law enforcement, judicial, road and bridge maintenance, cemetery, parks, and airport and library services. Property taxes and fines, fees and vehicle registration fees finance most of these activities.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS – THE FUND FINANCIAL STATEMENTS

The fund financial statements begin on page 12 and provide detailed information about the most significant funds—not the County as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Laws and contracts require the County to establish some funds. The County's administration can establish many other funds to help it control and manage money for particular purposes (e.g. capital projects). All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Each category uses a different accounting approach.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental funds focus on near-term inflows and outflows of spend able resources, as well as on balances of spend able resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) to reflect that focus. The governmental fund statements provide a detailed near-term view of the County's general operations and the basic services it provides.

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 County's near-term financing decisions. Following each of the governmental fund financial statements (the balance sheet and the statement of revenues, expenditures and changes in fund balance) is a reconciliation to facilitate this comparison between the governmental fund financial statements and the government-wide statements.

Fiduciary funds – The County is the trustee, or fiduciary, for money received in numerous offices. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 16. We report the resources these activities produce that are due to County operating funds as an interfund receivable in those funds and as an interfund payable in the Statement of Fiduciary Net Assets. All other resources within the fiduciary activities are excluded from the County's other financial reports because the County cannot use those assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the County's governmental and business-type activities.

Net assets of the County's governmental activities increased from \$11,024,078 to \$12,208,661. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – were \$5,060,865 at September 30, 2012 as compared to \$4,226,851 at September 30, 2011. This increase in governmental net assets was mainly the result of a combination of an increase in capital equipment on hand, higher sales tax revenue than in the previous few years, a capital grant increase and a gain on the disposal of assets.

Table I
Dawson County, Texas
NET ASSETS

	Governmental Activities	
	2012	2011
Assets:		
Current and Other Assets	7,643,565	6,912,388
Restricted Assets:		
Temporarily Restricted Asset-Cash	840,472	943,836
Capital Assets	5,482,077	4,956,553
Total Assets	13,966,114	12,812,777
Liabilities:		
Current Liabilities	1,218,109	1,252,748
Noncurrent Liabilities	539,344	535,951
Total Liabilities	1,757,453	1,788,699
Net Assets:		
Capital Assets, Net of Debt	5,016,300	4,486,179
Restricted	2,131,496	2,311,048
Unrestricted	5,060,865	4,226,851
Total Net Assets	12,208,661	11,024,078

Table II
Dawson County, Texas
CHANGES IN NET ASSETS

	Governmental Activities	
	2012	2011
Revenues:		
Program Revenues:		
Charges for Services	2,040,058	1,943,408
Grants and Contributions	674,069	608,739
Capital Grants	104,040	
Total, Program Revenues:	2,818,167	2,552,147
General Revenues:		
Property Taxes, General Purposes	5,864,322	5,874,693
Property Taxes, Debt Purposes	0	0
Sales Taxes	882,396	642,649
Mixed Beverage Tax	3,514	3,500
Penalty and Interest	77,187	74,625
Miscellaneous Revenue	13,956	854
Investment Earnings	6,457	9,258
Gain on Disposal of Assets	123,670	13,206
Total General Revenue and Special Items:	6,971,502	6,618,785
Total Revenue	9,789,669	9,170,932

	Table II (Cont.) Dawson County, Texas CHANGES IN NET ASSETS	
	Governmental Activities	
Expenses	2012	2011
General Government	1,271,422	1,450,946
Judicial	1,676,876	1,838,397
Elections	24,925	30,225
Financial Administration	256,111	266,715
Tax Administration	318,980	305,057
Facilities Management	567,874	520,869
Public Safety	849	1,415
Law Enforcement	726,399	714,654
Fire Protection	350,202	178,852
Corrections	858,101	923,438
Public Works	18,474	3,695
Roads & Bridges	1,643,632	1,372,118
Sanitation	59,400	59,400
Public Transportation	5,000	7,400
Health Care	354,042	340,584
Human Services	60,523	60,186
Parks & Recreation	43,921	42,633
Museums	1,000	1,000
County Extension Service	76,635	137,860
Libraries	290,720	282,550
Total Expenses	8,605,086	8,533,534
Change in Net Assets	1,184,583	637,398
Net Assets at Beginning of Year	11,024,078	10,386,680
Net Assets at End of Year	12,208,661	11,024,078

Key factors related to the County's financial performance over the last year include the following:

1. Mineral and Related taxable values increased slightly. Local Property taxable values were also up slightly but were consistent with values over the last several years. Sales tax numbers increased significantly.
2. County personnel numbers remained the same as the previous year.
3. The County recorded a gain on the disposal of capital assets (trade-ins) of \$123,670 which helped reduce the cost of new machinery.

The cost of all governmental activities this year was \$8,605,086. However, as shown in the Statement of Activities Exhibit B-1, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$5,864,322 because some of the costs were paid with charges for services of \$2,040,058, grants and contributions of \$674,069, sales tax of \$882,396 and other various general revenues of \$224,784.

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as reported on the Statement of Revenues, Expenditures, and changes in Fund Balance, Exhibit C-3) showed a combined fund balance of \$7,022,284 as compared to last year's total of \$6,366,445. Included in this year's total change in fund balance is an increase of \$876,798 in the County's General Fund.

For fiscal year 2012, actual revenue on a budgetary basis was \$6,979,147 compared to the original revenue budget of \$6,068,325. Reasons for the actual numbers varying from the budget follow:

- In virtually every revenue category receipts were higher than budgeted.
- Interest earnings received were higher than budgeted.

For fiscal year 2012, actual expenditures on a budgetary basis for the General Fund were \$5,906,712, compared to the original expenditure budget of \$6,116,960. The actual expenditures were \$349,834 less than the prior year. The Commissioners' Court revised the County budget several times. These revisions include amendments and supplemental appropriations that were approved during the year to address mid-year situational changes. The primary amendments include:

- Paying cash instead of incurring debt for much needed repairs to facilities
- Paid cash for several items of equipment for the Road and Bridge precinct
- Setting aside money for a renovation of a facility to make it handicap accessible
- Purchased a security and fire alarm system for the courthouse and jail
- Resurfaced approximately 18 miles of asphalt roads to make them safer to drive on
- Completely modernized the courthouse elevators to meet current codes
- Purchased a new Sheriff's vehicle and a new grass spray rig for city use on county fires

Exhibit E-1 provides a detailed comparison of these changes as they relate to the General Funds. This General Fund presentation reflects a combination of the General, Jury and the Road & Bridge funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At the beginning of fiscal year 2012, the County had \$4,956,553 invested in a broad range of capital assets, including land, buildings and equipment. By the end of fiscal year 2012 the County added to that total by \$525,524 and ended the year with \$5,482,077 in Capital Assets. More detailed information about the County's capital assets is presented in Note IV, Item F to the financial statements.

As has been the case for the last few years, the County had no Debt. It does lease various pieces of equipment and at year end had \$498,649.00 in Capital and Operating leases. More detailed information about the County's long-term liabilities is presented in Note IV, Items H and I to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2013 budget and tax rates. Some key items that should be noted are as follows:

1. Mineral taxable values continued to increase this year. The new valuation methodology adopted by the Texas legislature has produced a much fairer representation of the value of minerals and stabilized revenue planning for the entities that rely on minerals so heavily. Minerals account for over 66% of the total property value of Dawson County now, a significant uptick from just a few years ago.
2. The Commissioner's Court made it a point to do all that they could to keep the tax rate for the citizens as low as possible. Additionally, the officials and department heads did not ask for large increases in their operating budgets. However, the Juvenile probation budget was increased substantially for housing, and the reserve line was increased as well after being minimized in the last several budgets.
3. The Court also authorized a five percent increase in pay for all county officials and employees and fully funded their benefits at the same levels as last year. The budget will allow for approximately the same number of employees in 2013. The net result was that the adopted tax rate was set at \$0.509529 cents per \$100 of valuation, a decrease of 4.44 cents from the prior year.
4. The Road and Bridge combined precinct's performance is exceeding expectations and its budget is higher with the anticipation of FEMA funds being transferred in when several road rebuilding projects are successfully completed. Most of the precincts vehicle needs were met in the prior year. However, the court budgeted for the lease purchase of two new maintainers contingent upon meeting the requirement for the FEMA money to be transferred in to the precinct to pay for them. In addition, the county resolved to permanently maintain approximately 2.7 miles of streets within the City of Lamesa that are county owned and anticipate substantial costs restoring these streets to county standards.
5. The oil and agriculture industries in our area have had successful years but continue to be very unpredictable. There is a dramatic increase in oil and gas exploration in a five county area of which Dawson County is included. Significant technique changes have made oil that was virtually unavailable just a few years ago within reach.

There is the potential for a significant increase in mineral valuations in this County if production begins on a large scale basis. However, it is still difficult to accurately predict long-term economic numbers for Dawson County. Possibilities that will help strengthen and expand existing business and industry remain a focal point for economic development, along with seeking and pursuing opportunities not directly linked to oil, wind, and agriculture to help create stability and diversification for our local economy.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, consumers, investors and creditors with a general overview of Dawson County's finances and to show the County's accountability for the money it receives. For questions concerning any information provided in this report or requests for additional financial information, contact the County Auditor, Dawson County, Texas, PO Box 1268, Lamesa, Texas, 79331.

Respectfully submitted,

Rick Dallahan

Dawson County Auditor

**DAWSON COUNTY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

	<u>Primary Government Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 7,338,032
Investments - Current	21,334
Receivables (net of allowance for uncollectibles)	243,644
Due from Agency Funds	40,555
Restricted Assets:	
Cash	840,472
Capital Assets	
Land	56,019
Buildings, net	2,593,801
Machinery and Equipment, net	2,832,257
Total Assets	<u><u>\$ 13,966,114</u></u>
Liabilities	
Accounts Payable	\$ 379,167
Deferred Revenues	838,942
Non-Current Liabilities	
Due Within One Year	191,054
Due in More Than One Year	348,290
Total Liabilities	<u><u>\$ 1,757,453</u></u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ 5,016,300
Restricted for:	
Federal or State Grants	1,844
Judicial	997,985
Road & Bridge	853,484
Community Improvement	5,073
Other Purposes	273,110
Unrestricted Net Assets	5,060,865
Total Net Assets	<u><u>\$ 12,208,661</u></u>

The notes to the Financial Statements are an integral part of this statement.

**DAWSON COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 1,271,422	\$ 63,714	\$ 36,270	\$ -	\$ (1,171,438)
Judicial	1,676,876	948,837	584,495	-	(143,544)
Elections	24,925	2,900	-	-	(22,025)
Financial Administration	256,111	6,578	-	-	(249,533)
Tax Administration	318,980	256,645	-	-	(62,335)
Facilities Management	567,874	50,319	-	-	(517,555)
Public Safety	849	1,153	-	-	304
Law Enforcement	726,399	48,394	-	-	(678,005)
Fire Protection	350,202	-	-	-	(350,202)
Corrections	858,101	9,818	-	-	(848,283)
Public Works	18,474	-	18,474	-	-
Road and Bridges	1,643,632	632,553	25,518	104,040	(881,521)
Sanitation	59,400	-	-	-	(59,400)
Public Transportation	5,000	-	-	-	(5,000)
Health Care	354,042	80	-	-	(353,962)
Human Services	60,523	2,526	-	-	(57,997)
Parks & Recreation	43,921	3,375	752	-	(39,794)
Museums	1,000	-	-	-	(1,000)
County Extension Service	76,635	-	-	-	(76,635)
Libraries	290,720	13,166	8,560	-	(268,994)
Total Primary Government:	<u>\$ 8,605,086</u>	<u>\$ 2,040,058</u>	<u>\$ 674,069</u>	<u>\$ 104,040</u>	<u>\$ (5,786,919)</u>

General Revenue:

Taxes:	
Property Taxes, Levied for General Purposes	\$ 5,864,322
Sales Taxes	882,396
Mixed Beverage Tax	3,514
Penalty and Interest	77,187
Miscellaneous Revenue	13,956
Investment Earnings	6,457
Gain on Disposal of Assets	123,670
Total General Revenues and Special Items	<u>\$ 6,971,502</u>
Change in Net Assets	\$ 1,184,583
Net Assets - Beginning	<u>\$ 11,024,078</u>
Net Assets - Ending	<u>\$ 12,208,661</u>

The notes to the Financial Statements are an integral part of this statement.

**DAWSON COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	<u>General Fund</u>	<u>Precinct</u>	<u>FEMA</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and Cash Equivalents	\$ 5,061,486	\$ 672,657	\$ -	\$1,603,889	\$ 7,338,032
Investments - Current	-	-	-	21,334	21,334
Taxes Receivable	232,676	40,622	-	-	273,298
Allowance for Uncollectible Taxes	(113,947)	(19,894)	-	-	(133,841)
Receivables (Net)	104,187	-	-	-	104,187
Due from Agency Funds	40,555	-	-	-	40,555
Restricted Assets					
Cash	-	-	840,472	-	840,472
Total Assets	<u>\$ 5,324,957</u>	<u>\$ 693,385</u>	<u>\$ 840,472</u>	<u>\$1,625,223</u>	<u>\$ 8,484,037</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 275,070	\$ 29,052	\$ -	\$ 75,045	\$ 379,167
Deferred Revenues	222,915	20,729	838,942	-	1,082,586
Total Liabilities	<u>\$ 497,985</u>	<u>\$ 49,781</u>	<u>\$ 838,942</u>	<u>\$ 75,045</u>	<u>\$ 1,461,753</u>
Fund Balances					
Restricted Fund Balance:					
Grant Restriction	\$ -	\$ -	\$ -	\$ 1,844	\$ 1,844
Judicial	-	-	-	997,985	997,985
Road & Bridge	207,456	643,604	-	2,424	853,484
Community Improvement	-	-	-	5,073	5,073
Other Restricted Fund Balance	-	-	1,530	273,110	274,640
Assigned Fund Balance:					
Community Improvement	-	-	-	410	410
Unassigned Fund Balance	4,619,516	-	-	269,332	4,888,848
Total Fund Balances	<u>\$ 4,826,972</u>	<u>\$ 643,604</u>	<u>\$ 1,530</u>	<u>\$1,550,178</u>	<u>\$ 7,022,284</u>
Total Liabilities and Fund Balances	<u>\$ 5,324,957</u>	<u>\$ 693,385</u>	<u>\$ 840,472</u>	<u>\$1,625,223</u>	<u>\$ 8,484,037</u>

The notes to the Financial Statements are an integral part of this statement.

**DAWSON COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

Total Fund Balances - Governmental Funds **\$ 7,022,284**

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$9,223,768 and the accumulated depreciation was \$4,267,215. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets. 4,420,602

Current year capital outlays and long-term debt principal payments are expenditures in the fund statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2012 capital outlays and debt principal payments is to increase (decrease) net assets. 1,086,102

The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (555,981)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets. 235,654

Net Assets of Governmental Activities **\$ 12,208,661**

The notes to the Financial Statements are an integral part of this statement.

DAWSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Precinct	FEMA	Other Funds	Total Governmental Funds
Revenues					
Taxes:					
Property Taxes	\$ 5,052,147	\$ 882,050	\$ -	\$ -	\$ 5,934,197
General Sales and Use Taxes	882,396	-	-	-	882,396
Mixed Beverage Tax	3,514	-	-	-	3,514
Licenses and Permits	-	566,027	-	-	566,027
Intergovernmental Revenue and Grants	65,027	-	104,040	608,042	777,109
Charges for Services	547,096	-	-	70,950	618,046
Fines	263,232	-	-	23,288	286,520
Forfeits	-	-	-	43,374	43,374
Investment Earnings	6,331	-	-	126	6,457
Rents and Royalties	3,000	-	-	-	3,000
Contributions & Donations from Private Sources	-	-	-	2,246	2,246
Other Revenue	156,404	190	676	379,230	536,500
Total Revenues	<u>\$ 6,979,147</u>	<u>\$ 1,448,267</u>	<u>\$ 104,716</u>	<u>\$ 1,127,256</u>	<u>\$ 9,659,386</u>
Expenditures					
General Government	\$ 917,650	\$ -	\$ -	\$ 478,218	\$ 1,395,868
Judicial	1,236,388	-	-	464,170	1,700,558
Elections	39,920	-	-	723	40,643
Financial Administration	255,881	-	-	-	255,881
Tax Administration	318,835	-	-	-	318,835
Facilities Management	530,109	-	-	36,983	567,092
Public Safety	-	-	-	849	849
Law Enforcement	704,808	-	-	55	704,863
Fire Protection	157,881	-	-	189,111	346,992
Corrections	842,154	-	-	8,784	850,938
Public Works	-	-	-	18,474	18,474
Road and Bridges	79,630	1,896,193	-	-	1,975,823
Sanitation	59,400	-	-	-	59,400
Public Transportation	5,000	-	-	-	5,000
Health and Welfare:					
Health Care	312,841	-	-	-	312,841
Human Services	54,680	-	-	5,843	60,523
Culture and Recreation:					
Parks and Recreation	39,486	-	-	-	39,486
Museums	1,000	-	-	-	1,000
County Extension Service	65,505	-	-	-	65,505
Libraries	285,544	-	-	1,000	286,544
Total Expenditures	<u>\$ 5,906,712</u>	<u>\$ 1,896,193</u>	<u>\$ -</u>	<u>\$ 1,204,210</u>	<u>\$ 9,007,115</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 1,072,435</u>	<u>\$ (447,926)</u>	<u>\$ 104,716</u>	<u>\$ (76,954)</u>	<u>\$ 652,271</u>
Other Financing Sources (Uses)					
Sale of Real and Personal Property	\$ -	\$ 3,568	\$ -	\$ -	\$ 3,568
Transfers In	51,674	129,557	-	263,595	444,826
Transfers Out	(247,311)	(51,674)	(104,040)	(41,801)	(444,826)
Total Other Financing Sources (Uses)	<u>\$ (195,637)</u>	<u>\$ 81,451</u>	<u>\$ (104,040)</u>	<u>\$ 221,794</u>	<u>\$ 3,568</u>
Net Change in Fund Balances	\$ 876,798	\$ (366,475)	\$ 676	\$ 144,840	\$ 655,839
Fund Balance, Beginning of Year	<u>\$ 3,950,174</u>	<u>\$ 1,010,079</u>	<u>\$ 854</u>	<u>\$ 1,405,338</u>	<u>\$ 6,366,445</u>
Fund Balance, End of Year	<u>\$ 4,826,972</u>	<u>\$ 643,604</u>	<u>\$ 1,530</u>	<u>\$ 1,550,178</u>	<u>\$ 7,022,284</u>

The notes to the Financial Statements are an integral part of this statement.

DAWSON COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net Change in Fund Balances - Total Governmental Funds **\$ 655,839**

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

Current year capital outlays and long-term debt principal payments are expenditures in the fund statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2012 capital outlays and debt principal payments is to increase (decrease) net assets. 1,086,102

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets. (555,981)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets. (1,377)

Change in Net Assets of Governmental Activities \$ 1,184,583

The notes to the Financial Statements are an integral part of this statement.

**DAWSON COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2012**

	Private Purpose Trust Fund	Agency Funds
Assets		
Cash and Cash Equivalents	\$ 81,210	\$ 1,047,493
Investments - Current	19,319,414	-
Receivables (Net)	4,506,384	104,187
Total Assets	\$ 23,907,008	\$ 1,151,680
Liabilities		
Accounts Payable	\$ -	\$ 3,017
Due to Others	-	399,244
Intergovernmental Payable	8,268	645,232
Deferred Revenues	-	104,187
Total Liabilities	\$ 8,268	\$ 1,151,680
Net Assets		
Restricted for Community Improvement	\$ 23,898,740	\$ -
Total Net Assets	\$ 23,898,740	\$ -

The notes to the Financial Statements are an integral part of this statement.

DAWSON COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Private Purpose Trust Fund
Additions	
Investment Earnings	\$ 1,641,160
Rents and Royalties	1,137,404
Other Revenue	123,900
Total Additions	<u>\$ 2,902,464</u>
Deductions	
Ad Valorem Taxes	\$ 45,604
Transfers to County Schools	836,211
Total Deductions	<u>\$ 881,815</u>
Change in Net Assets	\$ 2,020,649
Total Net Assets, Beginning of Year	<u>\$ 21,878,091</u>
Total Net Assets, End of Year	<u><u>\$ 23,898,740</u></u>

The notes to the Financial Statements are an integral part of this statement.

DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Dawson County, Texas (the "County"), was created in 1905 by the Texas Legislature. The County operates under the authority of the elected Commissioners' Court (the "Court") and provides the following services: Law Enforcement, Judicial, Health, Safety, Welfare, Culture, Road & Bridge Maintenance, and General Administrative services.

A. REPORTING ENTITY

The Commissioners' Court (the "Court") consists of four County Commissioners and the County Judge who are elected by the public. The Court has the primary accountability for fiscal matters, and is therefore, a financial reporting entity. As required by accounting principles generally accepted in the United States of America, these financial statements present Dawson County, Texas.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of Dawson County, Texas, with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The County currently has no business-type activities. The *primary government* would be reported separately from certain legally separate *component units* for which the primary government is financially accountable. However, there are currently no component units.

The Statement of Activities demonstrates how other people or entities that participate in programs the County operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use or directly benefit from goods or services provided by a given function or segment of the County such as vehicle registrations. The "grants and contributions" column includes amounts paid by organizations outside the County to help meet the operational or capital requirements of a given function. If revenue is not program revenue, it is general revenue used to support all of the County's functions. The County's taxes are always reported 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 reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. 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.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

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, as do the fiduciary fund financial statements. 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).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The County considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are both measurable and available.

The fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the modified 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. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Fund Statement of Net Assets. The net assets are segregated into restricted and unrestricted net assets.

D. FUND ACCOUNTING

The County reports the following major governmental funds:

The General Fund – The General Fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. For this presentation, the General Fund and Road and Bridge Fund have been combined. These funds are operated and maintained separately by the Commissioners' Court decision, but there are not any outside requirements for the self-imposed separation, and the funds can be used for general County operations.

DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

Other Major Governmental Funds – Farm to Market and Lateral Road Fund and the Precinct Funds are the County’s Special Revenue Funds designated to receive and expend the farm to market taxes and lateral road monies that are used for precinct road operations.

Other Governmental Funds:

Special Revenue Funds – The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in special revenue funds. Most federal and some State financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods. Most of the County’s special revenue funds are not from grants but simply have restrictions on their use.

Fiduciary Funds:

Private Purpose Trust Funds - The County accounts for funds that both the principal and the income must be used for purposes that benefit parties other than the County. The only Private Purpose Trust Fund is the Permanent School Fund.

Agency Funds – The County accounts for resources held for others in a custodial capacity in agency funds. The County’s agency funds are the County Attorney’s funds, Sheriff’s funds, Justice of the Peace’s funds, County Clerk’s funds, Tax Assessor Collector’s funds, and District Clerk’s funds.

E. OTHER ACCOUNTING POLICIES

Cash Equivalents – The County considers investments to be cash equivalents if they have maturity of six months or less when purchased.

Consumable Materials and Supplies – Disbursements for the purchase of consumable materials and supplies are recorded as expenditures. Therefore, inventories of such items are not included in the balance sheet.

Due From (To) Other Funds – Interfund receivables and payables arise from interfund transactions and are recorded in the affected funds in the period in which transactions are executed. See Note IV, E for additional discussion of interfund receivables, payables, and transfers.

Capital Assets – Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities columns in the Government-Wide Financial Statements. The County defines capital assets 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

Major outlays for capital assets and improvements are capitalized as projects are constructed. Land is not depreciated.

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

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Building Improvements	15-50
Vehicles	5-10
Other Equipment	5-10

Infrastructure Assets – The County has elected to use the modified approach in accounting for its street network (pavement). The modified approach allows governments to report as expenses in lieu of depreciation, infrastructure expenditures which maintain the asset but do not add to or improve the asset. Additions and improvements to the street network are capitalized. The County uses a pavement rating system to rate street condition and quantify the results of maintenance efforts. The rating system uses a measurement scale that is based on a condition index rating from zero for failed pavement to 10 for pavement in perfect condition. The condition index is used to classify roads and streets in five categories: very good (9-10), good (7-8), fair (5-6), poor (3-4), and very poor (0-2). It is the County’s desire to maintain 100% of its street system in good or very good condition. See Exhibit E-3 on page 36 for additional information.

Long-Term Debt and Bond Issue Costs - In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Compensated Absences – The County has a policy of paying for unused vacation, compensatory and holiday time. Sick time is allowed to accumulate to a maximum of 480 hours, but the County does not pay for unused sick time. The liability for these items has been estimated at approximately \$73,567 as of September 30, 2012. They are recorded as expenditures when they are paid but are reflected in the Government-Wide Financial Statements.

Deferred Revenue – Deferred revenue in all fund statements represents the delinquent taxes and fines expected to be collected in some future period and the FEMA funds received and discussed in Note IV, O.

Net Assets and Fund Balance –

Government-Wide Financial Statements:

Investment in Capital Assets, Net of Related Debt – The component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction, or improvement of these capital assets.

Restricted Net Assets – The component of net assets that is restricted by a constraint placed on the use of assets that is either imposed externally or by law through constitutional provisions or enabling legislation. The Private Purpose Trust Fund restricted net assets consist of the Permanent School Fund and are used for Dawson County schools.

DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

Unrestricted Net Assets – The difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, Net of Related Debt and Net Assets Restricted for the Private Purpose Trust Fund.

Governmental Fund Financial Statements:

In the fund financial statements, governmental funds report fund balances as Nonspendable, Restricted, Committed, Assigned or Unassigned. These are discussed further in Note F below.

Management's Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F. FUND BALANCE CLASSIFICATION

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified Fixed Assets as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The County has restricted resources.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County Commissioners (the highest level of decision-making authority). These amounts cannot be used for any other purpose unless the County Commissioners remove or change the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The County does not currently have committed funds.
- **Assigned:** This classification includes amounts that are constrained by the County Commissioners' intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County Commissioners or through the County Commissioners delegating this responsibility to another individual through the budgetary process. This classification is used in the Clean Up Cemetery and Clean Up Lamesa Funds.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

- Unassigned: This classification includes the residual fund balance for the General Fund except for a portion of the General Fund Fund Balance that is classified as Restricted.

The County would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENT FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Exhibit C-2 provides the reconciliation between the fund balance for total government funds on the Governmental Fund Balance Sheet and the net assets for governmental activities as reported in the Government-Wide Statement of Net Assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the Year</u>	Historic Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Adjustments to Changes in Net Assets
Land	\$ 56,019	\$ -	\$ 56,019	
Buildings	4,639,059	2,053,637	2,585,422	
Furniture and Equipment	4,528,690	2,213,578	2,315,112	
Change in Net Assets				<u>\$ 4,956,553</u>
 <u>Long-Term Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Compensation Payable			\$ 65,577	
Capital Leases Payable			470,374	
Change in Net Assets				<u>\$ 535,951</u>
 Net Adjustment to Net Assets				<u><u>\$ 4,420,602</u></u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES.

Exhibits C-2 and C-4 provide a reconciliation between the net changes in fund balance as shown on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the changes in net assets of governmental activities as reported on the Government-Wide Statement of Activities. One element of the reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements but should be shown as increases in capital assets and decreases in long-term debt in the

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS-
CONTINUED**

government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	Amount	Adjustments to Net Assets	Adjustments to Changes in Net Assets
<u>Current Year Capital Activity</u>			
Buildings and Improvements	\$ 102,564		
Furniture and Equipment	1,313,750		
Basis in Assets Retired	(334,809)		
Total Capital Outlay	<u>\$ 1,081,505</u>	\$ 1,081,505	\$ 1,081,505
<u>Debt Principal Activity</u>			
Capital Lease Payments	\$ 218,961		
Capital Lease Proceeds	(214,364)		
Total Principal Payments	<u>\$ 4,597</u>	4,597	4,597
Total Adjustment to Net Assets		<u>\$ 1,086,102</u>	<u>\$ 1,086,102</u>

Another element of the reconciliation on Exhibit C-2 and C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Net Assets	Adjustments to Changes in Net Assets
<u>Adjustments to Revenue and Deferred Revenue</u>			
Uncollected Taxes (assumed collectible) from Current Year Levy	\$ 7,312	\$ 7,312	\$ 7,312
Uncollected Taxes (assumed collectible) from Prior Year Levy	132,145	132,145	
Uncollected Fees of Office from Prior Year	104,886	104,886	
Uncollected Fees of Office, Current Year Increase	699	(699)	(699)
<u>Reclassify Certain Expenditures:</u>			
Increase in Compensated Absences	7,990	(7,990)	(7,990)
Total		<u>\$ 235,654</u>	<u>\$ (1,377)</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Commissioners' Court adopts an "appropriated budget" for the General Fund and Special Revenue Funds. The budgets are prepared on the modified accrual basis to comply with the Constitution of the State of Texas. The adopted and final amended budgeted revenues and expenditures for the General Fund and the Precinct Fund are presented in Exhibit E-1 through E-2.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY-CONTINUED

The following procedures are used in establishing the budgetary data reflected in the Required Supplemental Information Budgetary Comparisons:

1. In July, the County Judge, with assistance of the County Auditor, prepares a budget for the succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is filed with the County Clerk and is open to public inspection. The Commissioners' Court is required to hold at least one public hearing on the budget no less than 15 days subsequent to the filing by the County Judge.
3. Prior to October 1, the Commissioners' Court legally enacts the budget through passage of a resolution. Once a budget is approved, it can only be amended at object, department, and fund level by approval of a majority of the members of the Commissioners' Court. The law requires that such amendments are made before the fact, are reflected in the official minutes of the Commissioners' Court, and are not made after fiscal year end. The County had several budget amendments during the year.
4. Each Budget is controlled at the revenue and expenditure function/object level in accordance with Texas statutory guidance. The County Auditor audits and approves legal expenditures. The Commissioners' Court audits and settles claims against the County but can spend money only in accordance with the adopted budget. The Treasurer disburses money after ordered by the Court if the expenditure is in accordance with Texas statutes. All budget appropriations lapse at year end.

IV. OTHER NOTES ON FUNDS AND ACCOUNTS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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 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.

Policies Governing Deposits and Investments

In compliance with the Public Fund Investment Act, the County has adopted a deposit and investment policy. That policy was reviewed in 2008 and addresses the following risk:

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

Custodial Credit Risk – Cash and investment deposits: This is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The County’s policy regarding types of deposits allowed and collateral requirements states that all deposits must be insured by FDIC or secured in another manner provided by law. All deposits of the County are held at First United Bank of Lamesa. At September 30, 2012, the total amount on deposit was \$28,571,303. Collateral for deposits consists of numerous security bonds, held in the name of First United Bank and marked as pledged to Dawson County, with a market value of \$31,313,517 as of September 30, 2012. The County’s deposits were covered by depository insurance or pledged securities held by the pledging financial institution’s trust department or agent at all times during the year.

The County’s investments consisted completely of certificates of deposit and interest bearing checking accounts at First United Bank, Lamesa, Texas. Though all the certificates were written with one-month maturities, the rates provided by the depository were consistent to jumbo certificates of one year duration.

B. PROPERTY TAXES

In accordance with State law, the Dawson County Central Appraisal District makes all appraisals for tax purposes. Assessed values are based upon 100 percent of appraised market value and are reviewed every three years. Taxpayers have the right to challenge the assessed value.

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

The tax rate for the fiscal year ended September 30, 2012, (2011 tax levy) was \$0.471601 per \$100 assessed value for County General Fund operations and \$0.082336 for farm-market lateral maintenance and operations for a total rate of \$0.553937. The County is subject to a tax rate rollback if the total amount of property taxes imposed in any year, as defined by statute, exceeds the total amount of property taxes imposed in the preceding year by 8 percent.

C. DELINQUENT TAXES RECEIVABLE

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

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

D. OTHER ACCOUNTS RECEIVABLE

County accounts receivable at September 30, 2012, were:

	<u>September 30, 2012</u>
County Clerk fines	\$ 95,263
District Clerk fines	277,303
Justice of the Peace fines	322,012
	694,578
Allowance for doubtful collection	(590,391)
Net receivables	\$ 104,187

E. INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2012, consisted of the following individual fund balances:

	Due from Other Funds	Due to Other Funds
General Fund:		
Agency Fund	\$ 40,555	
Total General Fund	\$ 40,555	
Agency Fund		\$ 40,555
Total		\$ 40,555

The interfund transfers reflected on the Statements of Revenues and Expenditures were for routine purposes. Transfers from the Farm to Market & Lateral Road Fund of \$25,517 were to the Precinct Fund for Precinct operations. \$51,674 was a transfer from the Precinct Fund to the Road & Bridge Fund to supplement cost for the new road superintendent. \$247,311 was transferred from the General Fund to the Capital Repair Fund for capital repairs in the County. \$104,040 was transferred from the FEMA Funds to the Precinct to cover road improvement costs as covered by the FEMA Grant. \$16,284 was transferred from the Clean Up Cemetery and Clean Up Lamesa Funds to the Pretrial Diversion Fund.

F. CAPITAL ASSET ACTIVITY

Capital assets have been combined into an accumulating account over an extended period. Since 1993, the costs have been maintained in sufficient detail to calculate depreciation, but the costs before 1993 were commingled into totals. Estimates have been used to establish prior year recordings and costs.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

Capital asset activity for the County for the year ended September 30, 2012, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirement	Ending Balance
Governmental Activities:				
Land	\$ 56,019	\$ -	\$ -	\$ 56,019
Buildings and Improvements	4,639,059	102,564	-	4,741,623
Equipment	3,199,796	1,035,821	335,232	3,900,385
Transportation Equipment	1,254,604	263,182	228,350	1,289,436
Furniture and Fixtures	74,290	14,747	-	89,037
Totals at Historical Cost	<u>\$ 9,223,768</u>	<u>\$ 1,416,314</u>	<u>\$ 563,582</u>	<u>\$ 10,076,500</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	2,053,637	94,185	-	2,147,822
Equipment	1,517,948	318,731	189,534	1,647,145
Transportation Equipment	657,401	134,544	39,239	752,706
Furniture and Fixtures	38,229	8,521	-	46,750
Total Accumulated Depreciation	<u>\$ 4,267,215</u>	<u>\$ 555,981</u>	<u>\$ 228,773</u>	<u>\$ 4,594,423</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,956,553</u>	<u>\$ 860,333</u>	<u>\$ 334,809</u>	<u>\$ 5,482,077</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 36,992
Justice System	26,010
Elections	6,197
Facilities Management	-
Law Enforcement	55,063
Fire Protection	2,478
Corrections	49,924
Roads and Bridges	319,398
Health Care	41,201
Parks and Recreation	4,435
County Extension Service	11,110
Libraries	3,173
Total Depreciation Expense	<u>\$ 555,981</u>

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

G. LONG-TERM LIABILITIES

A summary of changes in general long-term debt for the year ended September 30, 2012, is as follows:

Description	Interest Rate Payable	Interest Current Year	Payable Amounts Outstanding 10/01/11	Issued	Retired	Payable Amounts Outstanding 9/30/12	Due Within One Year
Compensated Absences							
Various Funds	None	None	\$ 65,577	\$ 7,990	\$ -	\$ 73,567	\$ 73,567
Capital Lease							
Precinct 1	4.75%	\$ 10	21,448	-	21,448	-	-
Precinct 1	6.75%	1,401	91,028	-	91,028	-	-
Precinct 1	3.20%	5,325	-	214,364	33,351	181,013	41,233
Precinct 2	3.50%	2,875	93,191	-	24,243	68,948	25,105
Precinct 3	4.40%	4,174	109,307	-	31,752	77,555	33,178
Precinct 4	4.75%	7,012	155,400	-	17,139	138,261	17,971
Total		\$ 20,797	\$ 535,951	\$ 222,354	\$ 218,961	\$ 539,344	\$ 191,054

Interest charged to expense in the Precinct Fund for the current fiscal year was \$20,797.

H. DEBT SERVICE REQUIREMENTS – CAPITAL LEASES

The County has entered into lease agreements as lessee to finance the acquisition of five road graders. Two of these contracts were completed during the year. The County also entered into one new contract. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is a schedule of the capital lease commitments as of September 30, 2012.

	Present Value of Minimum Lease Payments	Interest	Total Minimum Lease Payments
Caterpillar – 140 M2 Grader – Precinct 1	\$ 181,013	\$ 12,804	\$ 193,817
Caterpillar – 140 H Grader – Precinct 2	68,948	3,367	72,315
Caterpillar – 140 H Grader – Precinct 3	77,555	4,085	81,640
Caterpillar – 140 M Grader – Precinct 4	138,261	7,126	145,387
Total	\$ 465,777	\$ 27,382	\$ 493,159

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

These total minimum lease payments are payable as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 117,487	\$ 16,224	\$ 133,711
2014	223,552	7,246	230,798
2015	71,558	2,823	74,381
2016	45,458	1,057	46,515
2017	7,722	32	7,754
Total Capital Lease Payments	<u>\$ 465,777</u>	<u>\$ 27,382</u>	<u>\$ 493,159</u>

I. COMMITMENTS UNDER NONCAPITALIZED LEASES

The future minimum rental commitments under operating (non-capitalized) lease agreements were for several copiers. The minimum future rental payments as of September 30, 2012, were as follows:

<u>Year Ending September 30,</u>	
2013	\$ 8,597
2014	8,597
2015	7,673
2016	5,501
2017	2,504
Total Minimum Rental	<u>\$ 32,872</u>
Rental Expenditures in Fiscal Year 2012	\$ 6,979

J. EMPLOYEE RETIREMENT BENEFITS

The County provides two separate retirement benefit plans. One plan is the defined benefit plan that is provided through the Texas County and District Retirement System. The County also offers a deferred compensation plan to its employees.

Texas County and District Retirement System Plan

Plan Description. Dawson County, Texas, provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the stateside agent multiple-employer public employee retirement system consisting of 602 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age or when the sum of their age and years of service equals 80 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

receive any employer-financed benefit. Members who withdraw their personal deposits 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 deposits 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 TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

GASB 27 Calculation Information

	<u>2011</u>	<u>2012</u>
GASB 27 compliant contribution rate	11.67%	12.18%
Assumed return on employer funds	9.00%	9.00%
Actuarial amortization factor	12.4298	12.4298
Contribution rate	11.67%	12.18%

Actuarial Information

Actuarial valuation date	12/31/09	12/31/10	12/31/11
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period in years	20	20	20
Asset valuation method			
Subdivision Accumulation Fund	10-yr Smoothed value	10-yr Smoothed value	10-yr Smoothed value
Employees Saving Fund	Fund Value	Fund Value	Fund Value
Actuarial Assumptions:			
Investment return*	8.00%	8.00%	8.00%
Projected salary increases*	5.40%	5.40%	5.40%
Inflation	3.50%	3.50%	3.50%
Cost-of-living adjustments	0.00%	0.00%	0.00%

*Includes inflation at the stated rate

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

1. The annual covered payroll is based on the employee contributions received by TCDRS for the year ending with the valuation date.
2. Revised economic and demographic assumptions due to an experience review were reflected in this valuation.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

Note Disclosure Variables

1. Plan Description	2011*	2012*
Number of participating subdivisions	618	624
Years required for vesting and retirement at age 60	8	8
Rule of Dawson County for retirement eligibility	80	80
Service years for retirement at any age	30	30
Partial Lump-sum payment option	Yes	Yes
 2. Funding Policy		
Contribution rate for employer	11.67%	12.18%
Deposit rate for employees	7.00%	7.00%
 3. Other		
Elected rate in effect	No	No

(*) - relates to the plan year

Trend Information for the Retirement Plan for the Employees of Dawson County, Texas

Accounting Year End	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/10	369,543	100%	-
9/30/11	378,452	100%	-
9/30/12	397,433	100%	-

Deferred Compensation Plan. The County offers a deferred compensation plan for employees who elect to participate. Participants may defer up to 25% of gross income not to exceed \$7,500 per year. Withdrawals are permitted because of death, emergency as defined by the Internal Revenue Service, termination of employment or retirement. The County does not contribute to the plan, and all assets in the plan belong to the employees.

K. CAFETERIA PLAN

The County entered into a Pre-Tax Premium Plan which qualifies as a “cafeteria plan.” The insurance premiums that qualify for the plan are medical, life, and accidental death and dismemberment. The individuals who are eligible to participate are all employees who are covered or who are eligible to be covered under the County’s group health plan.

L. HEALTH CARE COVERAGE

The County provides group health insurance coverage to all full time employees. Employees may elect to cover dependents at their own expense. County employee premiums are paid with County funds.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

Coverage includes a \$500 annual deductible or \$1,500 for the family. Medical expenses exceeding the deductible are paid at 90% in plan and 70% out of plan. The maximum out of pocket cost to the employee should be \$2,000 per person or \$6,000 per family.

M. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2012, the County purchased commercial insurance to cover these risks. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

N. JOINT VENTURE ARRANGEMENTS

The County is involved in the following joint ventures with the City of Lamesa:

The County has a 50% financial interest in the municipal airport. The County provides \$5,000 annually for working capital. No significant accumulations of financial resources or deficits are in this joint venture.

The County has a 50% financial interest in the city swimming pool. The County is billed annually by the City for its share of the loss. Financial records reflecting the operations are available at the City of Lamesa offices.

O. FEMA FUNDS

The County received federal funds from the Federal Emergency Management Agency (FEMA) to assist with the costs of road repairs needed due to damages caused by Hurricane Alex in 2010. During the fiscal year ended September 30, 2012, repairs had begun, and expenditures amounting to \$104,040 had been made related to the FEMA Grant Funds. At this time, it is unclear what the plans for the remaining funds are. As a result, only the funding expended was included as revenue of the current period. The unexpended funding was included as a Deferred Revenue on the Governmental Funds Balance Sheet. If the County uses the remaining funding for the intended purpose, the revenue will be recognized as earned (i.e. as expended). If the County decides to return the money to FEMA, the revenue will not be recognized as a current source of funding.

P. CLAIMS AND ASSESSMENTS

Since the close of the fiscal year ending September 30, 2012, certain claims against the County have arisen. These claims are asserted against the County stemming from a civil suit filed by a former Dawson County Jail inmate. The County believes it has liability coverage, but as of the date of this report, it is uncertain as to the amount of the potential loss, if any. The County is working with outside legal counsel and the insurance company to limit liability as much as possible. No liability has been accrued in the current year financial statements as the amount of the liability, if any, cannot be reasonably estimated.

DAWSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Taxes				
Property Taxes	\$ 4,956,900	\$ 4,956,900	\$ 5,052,147	\$ 95,247
General Sales and Use Taxes	525,000	525,000	882,396	357,396
Mixed Beverage Tax	2,100	2,100	3,514	1,414
Intergovernmental Revenue and Grants	43,965	43,965	65,027	21,062
Charges for Services	300,870	300,870	547,096	246,226
Fines	194,095	194,095	263,232	69,137
Investment Earnings	6,660	6,660	6,331	(329)
Rents and Royalties	3,000	3,000	3,000	-
Other Revenue	35,735	49,015	156,404	107,389
Total Revenues	<u>\$ 6,068,325</u>	<u>\$ 6,081,605</u>	<u>\$ 6,979,147</u>	<u>\$ 897,542</u>
Expenditures				
Current:				
General Government	\$ 615,714	\$ 968,512	\$ 917,650	\$ 50,862
Judicial	1,385,388	1,423,768	1,236,388	187,380
Elections	40,000	40,000	39,920	80
Financial Administration	331,904	340,713	255,881	84,832
Tax Administration	313,100	320,291	318,835	1,456
Facilities Management	571,789	586,179	530,109	56,070
Public Safety:				
Law Enforcement	678,740	713,411	704,808	8,603
Fire Protection	171,778	171,778	157,881	13,897
Corrections	970,895	970,895	842,154	128,741
Public Works:				
Road and Bridges	81,269	87,269	79,630	7,639
Sanitation	59,400	59,400	59,400	-
Public Transportation	5,005	5,005	5,000	5
Health and Welfare:				
Health Care	327,728	330,132	312,841	17,291
Human Services	53,577	54,681	54,680	1
Culture and Recreation				
Parks & Recreation	38,942	44,840	39,486	5,354
Museums	1,000	1,000	1,000	-
County Extension Service	158,447	151,137	65,505	85,632
Libraries	312,284	313,734	285,544	28,190
Total Expenditures	<u>\$ 6,116,960</u>	<u>\$ 6,582,745</u>	<u>\$ 5,906,712</u>	<u>\$ 676,033</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (48,635)</u>	<u>\$ (501,140)</u>	<u>\$ 1,072,435</u>	<u>\$ 1,573,575</u>
Other Financing Sources (Uses)				
Sale of Real and Personal Property	\$ -	\$ -	\$ -	\$ -
Transfers In	51,684	51,684	51,674	(10)
Transfers Out	(15)	(247,326)	(247,311)	15
Total Other Financing Sources (Uses)	<u>\$ 51,669</u>	<u>\$ (195,642)</u>	<u>\$ (195,637)</u>	<u>\$ 5</u>
Change in Fund Balance	<u>\$ 3,034</u>	<u>\$ (696,782)</u>	<u>\$ 876,798</u>	<u>\$ 1,573,580</u>
Fund Balance, Beginning of Year			<u>\$ 3,950,174</u>	
Fund Balance, End of Year			<u>\$ 4,826,972</u>	

The notes to the Financial Statements are an integral part of this statement.

DAWSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PRECINCT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Taxes				
Property Taxes	\$ 860,000	\$ 860,000	\$ 882,050	\$ 22,050
Licenses and Permits	536,400	536,400	566,027	29,627
Investment Earnings	395	395	-	(395)
Other Revenue	5	5	190	185
Total Revenues	<u>\$ 1,396,800</u>	<u>\$ 1,396,800</u>	<u>\$ 1,448,267</u>	<u>\$ 51,467</u>
Expenditures				
Current:				
Public Works:				
Road and Bridges	<u>\$ 1,422,805</u>	<u>\$ 2,030,513</u>	<u>\$ 1,896,193</u>	<u>\$ 134,320</u>
Total Expenditures	<u>\$ 1,422,805</u>	<u>\$ 2,030,513</u>	<u>\$ 1,896,193</u>	<u>\$ 134,320</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (26,005)	\$ (633,713)	\$ (447,926)	\$ 185,787
Other Financing Sources (Uses)				
Sale of Real and Personal Property	\$ 5	\$ 5	\$ 3,568	\$ 3,563
Transfers In	26,000	26,000	129,557	103,557
Transfers Out	51,674	51,674	(51,674)	(103,348)
Total Other Financing Sources (Uses)	<u>\$ 77,679</u>	<u>\$ 77,679</u>	<u>\$ 81,451</u>	<u>\$ 3,772</u>
Change in Fund Balance	<u>\$ 51,674</u>	<u>\$ (556,034)</u>	\$ (366,475)	<u>\$ 189,559</u>
Fund Balance, Beginning of Year			<u>\$ 1,010,079</u>	
Fund Balance, End of Year			<u>\$ 643,604</u>	

The notes to the Financial Statements are an integral part of this statement.

**DAWSON COUNTY, TEXAS
SCHEDULE OF FUNDING PROGRESS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Actuarial Valuation Date	December 31, 2009	December 31, 2010	December 31, 2011
Actuarial Value of Assets	\$ 7,515,523	\$ 7,978,336	\$ 8,735,064
Actuarial accrued liability (AAL)	10,093,564	10,729,264	11,574,151
Unfunded or (overfunded actuarial accrued liability [UAAL or (OAAL)])	2,578,041	2,750,928	2,839,087
Funded Ratio	74.46%	74.36%	75.47%
Annual covered payroll (actuarial)	3,520,120	3,665,764	3,697,744
UAAL or (OAAL) as percentage of covered payroll	73.24%	75.04%	76.78%

The notes to the Financial Statements are an integral part of this statement.

DAWSON COUNTY, TEXAS
INFORMATION ABOUT INFRASTRUCTURE ASSETS
REPORTED USING THE MODIFIED APPROACH
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT E-4

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the County has adopted an alternative method for reporting costs associated with certain infrastructure assets. Under this alternative method, referred to as the “modified approach,” infrastructure assets are not depreciated, and maintenance and preservation costs are expensed. The County capitalizes costs related to new construction, major replacements, and improvements that increase the capacity and/or efficiency of infrastructure assets reported under the modified approach.

In order to use the modified approach, the County is required to:

Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.

Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.

Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the County.

Document that the infrastructure assets are being preserved approximately at or above the condition level established by the County.

Roads

The County applies the modified approach only to the 62.65 miles of roads that are owned by the County and maintained by the County’s Precinct. The goal of the County in conjunction with adopting the modified approach is to develop and provide a cost effective pavement maintenance and rehabilitation program that preserves the County’s investment in its road network and enhances public transportation and safety.

Measurement Scale

The condition of road pavement is measured using the County Pavement Measurement System. This system uses a measurement scale that considers the condition of the highways and roads as denoted by a Pavement Condition Index (PCI), ranging from 0 to 10. The PCI is used to classify roads into categories as follows:

Category	PCI Rating Range	Description
Very Good	9 – 10	New or nearly new pavement which provides a very smooth ride and is mainly free of distress. (No maintenance work needed.)
Good	7 – 8	Pavement which provides an adequate ride and exhibits few, if any, visible signs of distress. (Minor maintenance may be needed.)
Fair	5 – 6	Surface defects such as cracking, rutting, and raveling are affecting the ride. (Major maintenance is likely needed.)

DAWSON COUNTY, TEXAS
INFORMATION ABOUT INFRASTRUCTURE ASSETS
REPORTED USING THE MODIFIED APPROACH
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT E-4

Measurement Scale (Continued)

Poor	3 – 4	These roadways have deteriorated to such an extent that they are in need of resurfacing and the ride is noticeably rough. (Structural improvements, in addition to major maintenance, are likely needed.)
Very Poor	0 – 2	Pavement in this category is severely deteriorated and the ride quality is unacceptable. (Complete road reconstruction is likely needed.)

Established Condition Level

It is the County’s desire to maintain at least 100% of its roads at or above the “good” condition level, and none at a “very poor” condition. Condition assessments are performed at least every three years with the most recent occurring in 2011.

Assessed Conditions

The following table reports the percentage of pavement meeting the “very good” and “good” condition ratings, as well as those falling into the “fair” category, as assessed in 2011. There were no roads in the “Poor” or “Very Poor” category. The assessment takes into account if any of the three graded categories, Ride, Surface, and Structure, fell into the respective category. For instance, if the Ride graded a 6, but the Surface and Structure were both 8, the road is still considered to be in the “Fair” category.

Category	2011
Very Good / Good	73%
Fair	27%

The County has performed maintenance and repairs to approximately 60% of the County’s paved roads over the past two years and plans to finish maintenance and repair for the remaining 40% of the County roads over the next two years. At that time, all roads will be in the “Good” or “Very Good” categories.

For the fiscal years ending September 30, 2011 and 2012, the County has expended \$408,005 and \$340,712, respectively, to improve County infrastructure assets. This represents repairs on approximately 60% of the County paved roads. The County has plans to complete repairs over the next two years.

GARY, BOWERS & MILLER

Steve Gary, C.P.A., PC
James Bowers, C.P.A., PC
Eric Miller, C.P.A., PC
Melvin Eaker, C.P.A., PC



A Partnership of
Professional Corporations

**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**

Honorable Judge Wells and Commissioners' Court
Dawson County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dawson County, Texas, as of and for the year ended September 30, 2012, which collectively comprise Dawson County, Texas' basic financial statements and have issued our report thereon dated March 13, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dawson County, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could

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

This report is intended solely for the information and use of the audit committee, management, County Commissioners, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gary, Bowers & Miller

Gary, Bowers & Miller
Lubbock, Texas
March 13, 2013