

**Dawson County
Annual Financial Report
For the Year Ended September 30, 2015**

**DAWSON COUNTY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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Professional Corporations

INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge O'Brien and the Commissioner's Court
Dawson County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dawson County, Texas (the "County"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 of the financial statements, the County adopted the provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

The cumulative effects of applying the provisions of GASB Statements No. 68 and 71 have been reported as a restatement of beginning net position for the year ended September 30, 2015, in accordance with the Statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Texas County and District Retirement System information on pages 3–9 and 37–42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dawson County, Texas' basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State of Texas Single Audit Circular*, and is not a required part of the basic financial statements.

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

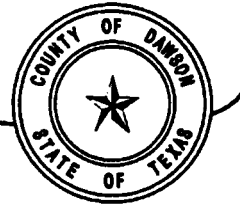
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2016, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Gary, Bowers & Miller

Lubbock, Texas
April 8, 2016

COUNTY OF DAWSON



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

April 8, 2016

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

Honorable Commissioners Court:

Foy O'Brien	County Judge		
Ricky Minjarez	Commissioner, PCT 1	Joe Raines	Commissioner, PCT 2
Nicky Goode	Commissioner, PCT 3	Russell Cox	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, 2015. 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 \$12,656,592. Of this amount, \$4,274,820 was unrestricted net assets.
- The County's net position increased by \$103,978 because of this year's operation.
- The County had expenses of \$11,109,160 as compared to FY 2014 expenses of \$10,519,262.
- The County had revenues of \$11,213,138 as generated in tax and other revenues for governmental programs (before special items). This compares to last year when revenues were \$10,405,241 an increase of 7%.
- The General Fund ended the year with a fund balance of \$3,353,963 as compared to last year's fund balance of \$5,403,332. 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 Position and the Statement of Activities (on pages 10 and 11). 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 Position 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 position 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 Position 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 position (Table I) and changes in net position (Table II) of the County's governmental and business-type activities.

Net position of the County's governmental activities decreased from \$13,927,915 to \$12,656,592. Included in this decrease is a Net Position-Beginning restatement to \$12,552,614 or in simpler terms a decrease of \$1,375,301 which is required by the new GASB 68 requirement that pension actuarial liability costs must be shown on the books of an entity as a deduction from the entities net position starting this year. This will change again next year, but to the county good, because the county has paid off all of its retirement system deficit and that activity will be shown on next year's books.

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 \$4,274,820 at September 30, 2015 as compared to \$5,628,278 at September 30, 2014. This decrease in governmental net position was mainly the result of a combination of an increase in expenditures on capital building projects and necessary equipment purchases, somewhat offset by higher sales tax revenue than in the previous few years.

Table I
Dawson County, Texas
NET POSITION

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Assets:		
Cash and Cash Equivalents	6,518,235	8,477,931
Restricted Assets	414,590	410,219
Capital Assets	6,393,549	6,596,302
Total Assets	13,326,374	15,484,452
Deferred Outflows of Resources	498,421	-
Liabilities:		
Current Liabilities	218,804	311,439
Noncurrent Liabilities	834,023	837,056
Total Liabilities	1,052,827	1,148,495
Deferred Inflows of Resources	115,376	408,042
Net Position:		
Invested in Capital Assets, Net of Related Debt	5,805,746	5,846,438
Restricted	2,576,026	2,453,199
Unrestricted	4,274,820	5,628,278
Total Net Position	12,656,592	13,927,915

Table II
Dawson County, Texas
STATEMENT OF ACTIVITIES

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Revenues:		
Program Revenues:		
Charges for Services	2,668,476	2,443,571
Grants and Contributions	1,452,210	699,492
Capital Grants	0	213,806
Total, Program Revenues:	4,120,686	3,356,869
General Revenues:		
Property Taxes, General Purposes	6,104,553	6,341,620
Property Taxes, Debt Purposes	-	-
Sales Taxes	906,275	976,881
Mixed Beverage Tax	11,312	7,194
Penalty and Interest	62,201	70,146
Miscellaneous Revenue	39	212
Investment Earnings	10,884	5,136
Gain on Disposal of Assets	(2,812)	(352,817)
Total General Revenue and Special Items:	7,092,452	7,048,372
Total Revenue	11,213,138	10,405,241

Table II (Cont.)
Dawson County, Texas
CHANGES IN NET POSITION

Governmental Activities		
Expenses	2015	2014
General Government	1,352,476	1,412,330
Judicial	2,113,559	1,920,004
Elections	36,661	36,872
Financial Administration	305,916	297,057
Tax Administration	310,206	308,472
Facilities Management	687,532	1,004,852
Public Safety	1,895	3,825
Law Enforcement	779,110	761,909
Fire Protection	187,291	573,360
Corrections	1,501,544	1,269,649
Public Works	-	-
Roads & Bridges	3,075,122	1,881,709
Sanitation	65,340	65,340
Public Transportation	10,000	10,000
Health Care	79,474	391,074
Human Services	65,914	54,865
Parks & Recreation	94,234	53,104
Museums	1,000	1,000
County Extension Service	109,007	144,342
Libraries	332,879	392,498
Total Expenses	11,109,160	10,519,262
Change in Net Position	103,978	(114,021)
Net Position at Beginning of Year	13,927,915	14,041,936
GASB 68 required restatement	(1,375,301)	-
Restated Net Position- Beginning	12,552,614	-
Net Position at End of Year	12,656,592	13,927,915

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

1. Mineral and Related taxable values remained fairly stable. Local Property taxable values were up slightly but were consistent with values over the last several years and sales tax numbers increased.

2. County personnel numbers remained the same as the previous year.
3. Officials and department heads controlled their spending and stayed within budgets.

The cost of all governmental activities this year was \$11,109,160. 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 \$6,104,553 because some of the costs were paid with charges for services of \$2,668,476, grants and contributions of \$1,452,210, sales tax of \$906,275 and other various general revenues of \$84,436.

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 \$6,483,422 as compared to last year's total of \$7,943,384. Included in this year's total change in fund balance is a decrease of \$2,049,369 in the County's General Fund.

For fiscal year 2015, actual revenue on a budgetary basis was \$7,010,397 compared to the original revenue budget of \$6,827,662. Reasons for the actual numbers varying from the budget follow:

- In virtually every revenue category, receipts were higher than budgeted.
- Sales tax revenues were higher
- Interest earnings received were higher than budgeted.

For fiscal year 2015, actual expenditures on a budgetary basis for the General Fund were \$8,574,382, compared to the original expenditure budget of \$6,827,657. The actual expenditures were \$1,812,843 more 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:

- Paid cash for much needed repairs to several county facilities
- Paid cash for equipment for the Road and Bridge precinct
- Paid cash to build a new building for the Extension Agent to locate his function beside the fair barn
- Paid cash to renovate offices to allow a much needed expansion for the Justice of the Peace Office.
- Paid cash to purchase a new vehicle for the Sheriff's department, a new trailer for the Extension Agent
- Began a significant upgrade to the internet systems in the courthouse
- Began the process of replacing the phone system in the courthouse
- Paid off a significant portion of the retirements system deficit to reduce the cost of providing that benefit

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 2015, the County had \$5,846,438 invested in a broad range of capital assets (net of related debt), including land, buildings and equipment. By the end of fiscal year 2015 that number had decreased by \$40,692 and ended the year with \$5,805,746 in Capital Assets (net of related debt). 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 \$627,872 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 2016 budget and tax rates. Some key items that should be noted are as follows:

1. Mineral taxable declined substantially (nearly 40%) for this budget and the outlook for next year's mineral valuation points towards a further weakening in mineral valuations. These lower valuations significantly impacted the effective tax rate (ETR). However, the ETR increase was offset by a large wind farm being added unexpectedly to the tax base for just the 2015 tax year. As a result, valuation only dropped about 20% overall.
2. While the county has been the beneficiary of higher than average sales tax collections in the past few years that is beginning to significantly decline. On a positive note, the Mesquite Creek Wind Farm is now operational, and the county should start receiving annual payments for each megawatt (MW) of generation, averaging one thousand dollars per MW for the next 10 years.
3. Of particular note is that for the seventh year in a row, the Commissioner's Court set the tax rate at or below the effective tax rate. One of the significant cost saving steps the court has budgeted for is to pay off the remaining TCDRS 1.3 million dollar retirement system deficit. Paying this deficit off dramatically reduces the percentage of payroll payment required each year and will save hundreds of thousands of dollars each year in employee retirement costs.
4. The budget will allow for approximately the same number of employees in 2016. The Commissioners Court funded all employee benefits at the same levels as last year. The net result was that the adopted tax rate was set at \$0.55 per \$100 of valuation, an increase in the tax rate of 5.59 cents from the prior year. It is important to point out that the mineral devaluation caused a rate increase, but the court did not allow a revenue increase.
5. The Road and Bridge combined precinct's performance is exceeding expectations.

There is the potential for a continued decrease in mineral valuations in this County as world production is driving the cost of oil down. There was hope that production would begin on a large scale basis this next year but that is no longer the case. It is still difficult to accurately predict long-term economic numbers for Dawson County based upon worldwide pricing and other economic considerations that drive the price of oil. 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 Dollahan

Dawson County Auditor

**DAWSON COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015**

	<u>Primary Government Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 6,518,235
Investments	21,366
Receivables (net of allowance for uncollectibles)	369,311
Due from Agency Funds	23,913
Capital Assets	
Land	91,208
Buildings, net	3,661,199
Machinery and Equipment, net	2,641,142
Total Assets	<u><u>\$ 13,326,374</u></u>
Deferred Outflows of Resources	<u>\$ 498,421</u>
Liabilities	
Accounts Payable	\$ 218,804
Non-Current Liabilities	
Due Within One Year	280,528
Due in More Than One Year	407,425
Net Pension Liability	146,070
Total Liabilities	<u><u>\$ 1,052,827</u></u>
Deferred Inflows of Resources	<u>\$ 115,376</u>
Net Position	
Invested in Capital Assets, Net of Related Debt	\$ 5,805,746
Restricted for:	
Federal or State Grants	1,844
Judicial	1,061,627
Road & Bridge	1,063,250
Community Improvement	63,780
Other Purposes	385,525
Unrestricted Net Position	4,274,820
Total Net Position	<u><u>\$ 12,656,592</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, 2015**

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position	
	<u>Expenses</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	\$ 1,352,476	\$ 33,436	\$ 17,710	\$ -	\$ (1,301,330)
Judicial	2,113,559	1,341,074	309,672	-	(462,813)
Elections	36,661	3,600	-	-	(33,061)
Financial Administration	305,916	6,711	-	-	(299,205)
Tax Administration	310,206	446,289	-	-	136,083
Facilities Management	687,532	43,870	-	-	(643,662)
Public Safety	1,895	-	-	-	(1,895)
Law Enforcement	779,110	55,839	-	-	(723,271)
Fire Protection	187,291	-	-	-	(187,291)
Corrections	1,501,544	30,306	-	-	(1,471,238)
Road and Bridges	3,075,122	683,712	1,116,516	-	(1,274,894)
Sanitation	65,340	-	-	-	(65,340)
Public Transportation	10,000	-	-	-	(10,000)
Health Care	79,474	182	-	-	(79,292)
Human Services	65,914	2,580	-	-	(63,334)
Parks & Recreation	94,234	6,125	752	-	(87,357)
Museums	1,000	-	-	-	(1,000)
County Extension Service	109,007	-	-	-	(109,007)
Libraries	332,879	14,752	7,560	-	(310,567)
Total Primary Government:	<u>\$ 11,109,160</u>	<u>\$ 2,668,476</u>	<u>\$ 1,452,210</u>	<u>\$ -</u>	<u>\$ (6,988,474)</u>
General Revenue:					
Taxes:					
Property Taxes, Levied for General Purposes					\$ 6,104,553
Sales Taxes					906,275
Mixed Beverage Tax					11,312
Penalty and Interest					62,201
Miscellaneous Revenue					39
Investment Earnings					10,884
Gain (Loss) on Disposal of Assets					(2,812)
Total General Revenues and Special Items					<u>\$ 7,092,452</u>
					Change in Net Position
					<u>\$ 103,978</u>
Net Position - Beginning					<u>\$ 13,927,915</u>
Restatement					(1,375,301)
Restated Net Position - Beginning					<u>\$ 12,552,614</u>
Net Position - Ending					<u>\$ 12,656,592</u>

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

**DAWSON COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	<u>General Fund</u>	<u>Precinct</u>	<u>FEMA</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and Cash Equivalents	\$ 3,354,194	\$ 1,104,340	\$ -	\$ 2,059,701	\$ 6,518,235
Investments	-	-	-	21,366	21,366
Taxes Receivable	385,960	53,699	-	-	439,659
Allowance for Uncollectible Taxes	(121,084)	(26,298)	-	-	(147,382)
Receivables (Net)	77,033	-	-	-	77,033
Due from Agency Funds	23,913	-	-	-	23,913
Total Assets	<u>\$ 3,720,016</u>	<u>\$ 1,131,741</u>	<u>\$ -</u>	<u>\$ 2,081,067</u>	<u>\$ 6,932,824</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 162,856	\$ 41,090	\$ -	\$ 14,858	\$ 218,804
Total Liabilities	<u>\$ 162,856</u>	<u>\$ 41,090</u>	<u>\$ -</u>	<u>\$ 14,858</u>	<u>\$ 218,804</u>
Deferred Inflows of Resources	<u>\$ 203,197</u>	<u>\$ 27,401</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,598</u>
Fund Balances					
Restricted Fund Balance:					
Grant Restriction	\$ -	\$ -	\$ -	\$ 1,844	\$ 1,844
Judicial	-	-	-	1,061,627	1,061,627
Road & Bridge	-	1,063,250	-	-	1,063,250
Community Improvement	35,422	-	-	28,358	63,780
Other Restricted Fund Balance	-	-	-	385,525	385,525
Assigned Fund Balance:					
Community Improvement	-	-	-	1,948	1,948
Unassigned Fund Balance	3,318,541	-	-	586,907	3,905,448
Total Fund Balances	<u>\$ 3,353,963</u>	<u>\$ 1,063,250</u>	<u>\$ -</u>	<u>\$ 2,066,209</u>	<u>\$ 6,483,422</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 3,720,016</u>	<u>\$ 1,131,741</u>	<u>\$ -</u>	<u>\$ 2,081,067</u>	<u>\$ 6,932,824</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 POSITION
SEPTEMBER 30, 2015**

Total Fund Balances - Governmental Funds **\$ 6,483,422**

Amounts reported for governmental activities in the statement of net position 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 \$11,527,742 and the accumulated depreciation was \$4,931,440. 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 position. 5,759,246

Current year capital outlays and long-term debt principal payments are expenditures in the fund statements, but they are increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase (decrease) net position. 644,913

The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. (685,605)

Deferred Inflows of Resources related to pensions are not financial uses, and Deferred Outflows of Resources related to pensions are not financial resources, and therefore, are not reported in the funds. This is the amount by which Deferred Outflows of Resources exceeds Deferred Inflows of Resources. 383,045

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include 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 position. 71,571

Net Position of Governmental Activities **\$ 12,656,592**

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, 2015

	General Fund	Precinct	FEMA	Other Funds	Total Governmental Funds
Revenues					
Taxes:					
Property Taxes	\$ 5,024,850	\$ 1,132,276	\$ -	\$ -	\$ 6,157,126
General Sales and Use Taxes	906,275	-	-	-	906,275
Mixed Beverage Tax	11,312	-	-	-	11,312
Licenses and Permits	-	489,545	-	-	489,545
Intergovernmental Revenue and Grants	68,773	-	-	1,768,497	1,837,270
Charges for Services	748,217	-	-	83,713	831,930
Fines	183,546	-	-	15,712	199,258
Forfeits	-	-	-	48,051	48,051
Investment Earnings	10,559	-	-	325	10,884
Rents and Royalties	4,250	-	-	-	4,250
Contributions & Donations from Private Sources	-	-	-	1,528	1,528
Other Revenue	52,615	194,165	39	466,388	713,207
Total Revenues	<u>\$ 7,010,397</u>	<u>\$ 1,815,986</u>	<u>\$ 39</u>	<u>\$ 2,384,214</u>	<u>\$ 11,210,636</u>
Expenditures					
General Government	\$ 2,391,032	\$ -	\$ -	\$ 665,690	\$ 3,056,722
Judicial	1,513,829	-	-	583,170	2,096,999
Elections	36,464	-	-	10,740	47,204
Financial Administration	310,653	-	-	-	310,653
Tax Administration	311,286	-	-	-	311,286
Facilities Management	689,208	-	-	-	689,208
Public Safety	-	-	-	1,895	1,895
Law Enforcement	777,153	-	-	-	777,153
Fire Protection	184,813	-	-	-	184,813
Corrections	1,444,930	-	-	13,636	1,458,566
Road and Bridges	92,636	1,578,492	2,020	1,240,573	2,913,721
Sanitation	65,340	-	-	-	65,340
Public Transportation	10,000	-	-	-	10,000
Health and Welfare:					
Health Care	110,350	-	-	-	110,350
Human Services	66,019	-	-	-	66,019
Culture and Recreation:					
Parks and Recreation	104,881	-	-	-	104,881
Museums	1,000	-	-	-	1,000
County Extension Service	135,192	-	-	-	135,192
Libraries	329,596	-	-	-	329,596
Total Expenditures	<u>\$ 8,574,382</u>	<u>\$ 1,578,492</u>	<u>\$ 2,020</u>	<u>\$ 2,515,704</u>	<u>\$ 12,670,598</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (1,563,985)</u>	<u>\$ 237,494</u>	<u>\$ (1,981)</u>	<u>\$ (131,490)</u>	<u>\$ (1,459,962)</u>
Other Financing Sources (Uses)					
Transfers In	\$ 23,892	\$ 728,190	\$ -	\$ 633,333	\$ 1,385,415
Transfers Out	(509,276)	(852,108)	(196)	(23,835)	(1,385,415)
Transfers to Other Governments	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ (485,384)</u>	<u>\$ (123,918)</u>	<u>\$ (196)</u>	<u>\$ 609,498</u>	<u>\$ -</u>
Net Change in Fund Balances	\$ (2,049,369)	\$ 113,576	\$ (2,177)	\$ 478,008	\$ (1,459,962)
Fund Balance, Beginning of Year	<u>\$ 5,403,332</u>	<u>\$ 949,674</u>	<u>\$ 2,177</u>	<u>\$ 1,588,201</u>	<u>\$ 7,943,384</u>
Fund Balance, End of Year	<u>\$ 3,353,963</u>	<u>\$ 1,063,250</u>	<u>\$ -</u>	<u>\$ 2,066,209</u>	<u>\$ 6,483,422</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, 2015

Net Change in Fund Balances - Total Governmental Funds **\$ (1,459,962)**

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 are increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the fiscal year September 30, 2015, capital outlays and debt principal payments is to increase (decrease) net position. 644,913

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 position. (685,605)

Certain expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the government funds. Certain contributions to the pension plan in the current fiscal year are not included on the Statement of Activities 1,612,276

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 inflows of resources 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 position. (7,644)

Change in Net Position of Governmental Activities **\$ 103,978**

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

DAWSON COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2015

	Private Purpose Trust Fund	Agency Funds
Assets		
Cash and Cash Equivalents	\$ 36,364	\$ 1,324,802
Investments	1,410,372	-
Receivables (Net)	1,671,379	77,070
Total Assets	\$ 3,118,115	\$ 1,401,872
Liabilities		
Accounts Payable	\$ -	\$ 2,957
Due to Others	-	759,129
Intergovernmental Payable	495	562,716
Total Liabilities	\$ 495	\$ 1,324,802
Deferred Inflows of Resources	\$ -	\$ 77,070
Net Position		
Restricted for Community Improvement	\$ 3,117,620	\$ -
Total Net Position	\$ 3,117,620	\$ -

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

DAWSON COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Private Purpose Trust Fund</u>
Additions	
Investment Earnings	\$ 8,426
Rents and Royalties	488,617
Total Additions	<u>\$ 497,043</u>
Deductions	
Ad Valorem Taxes	\$ 64,775
Transfers to County Schools	\$ 1,658,427
Decrease in Fair Market Value of Mineral Interests	2,262,549
Total Deductions	<u>\$ 3,985,751</u>
Change in Net Assets	\$ (3,488,708)
Total Net Position, Beginning of Year	<u>\$ 6,606,328</u>
Total Net Position, End of Year	<u><u>\$ 3,117,620</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, 2015

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 Position 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, such as vehicle registrations, provided by a given function or segment of the County. 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, 2015**

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 Position. The net position is segregated into restricted and unrestricted net position.

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.

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.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

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.

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

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

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 pages 39 and 40 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 \$100,150 as of September 30, 2015. They are recorded as expenditures when they are paid but are reflected in the Government-Wide Financial Statements.

Deferred Inflows of Resources – Deferred Inflows of Resources in all fund statements represents the delinquent property taxes and fines expected to be collected in some future period and the FEMA funds received and discussed in Note IV, O, and the differences between expected and actual experience related to the County's pension plan as discussed in note J.

Deferred Outflows of Resources -- Deferred outflow of resources is defined as the current consumption of net assets that is applicable to a future reporting.

GASB 68 and 71 took effect for the County during the current fiscal year. The purpose of this statement is to improve accounting and financial reporting by public agencies for pensions. The implementation of GASB 68 created the County's deferred outflow of resources - the employee pension contribution. This is the same as the current year's employer pension contribution, but deferred for future consumption.

As of September 30, 2015, the County reported a balance of \$498,421 in deferred outflow of resources.

Net Position and Fund Balance –

Government-Wide Financial Statements:

Investment in Capital Assets, Net of Related Debt – The component of net position 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 Position – The component of net position 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 position consists of the Permanent School Fund and is used for Dawson County schools.

DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

Unrestricted Net Position – The difference between the assets and liabilities that is not reported in Net Position Invested in Capital Assets, Net of Related Debt and Net Position 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.

Implementation of new pronouncement--GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. These pronouncements have been implemented for purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense/expenditures. Information about the fiduciary net position of the Texas County & District Retirement System (TCDRS) plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by TCERS.

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. Since Fixed Assets are not included in fund financial statements, the Nonspendable classification does not appear on the balance sheet.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

- **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 Fund.
- **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 POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total government funds on the Governmental Fund Balance Sheet and the net position for governmental activities as reported in the Government-Wide Statement of Net Position. 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:

Capital Assets at the Beginning of the Year	Historic Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Adjustments to Changes in Net Position
Land	\$ 91,208	\$ -	\$ 91,208	
Buildings	5,980,762	2,389,556	3,591,206	
Furniture and Equipment	5,455,772	2,541,884	2,913,888	
Change in Net Position				\$ 6,596,302

DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

Long-Term Liabilities at the Beginning of the Year	Payable at the Beginning of the Year	
Compensation Payable	\$ 87,192	
Capital Leases Payable	749,864	
Change in Net Position		\$ (837,056)
Net Adjustment to Net Position		\$ 5,759,246

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 position 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 government-wide statements. This adjustment affects both the net asset balance and the change in net position.

The details of this adjustment are as follows:

	Amount	Adjustments to Net Position	Adjustments to Changes in Net Position
<u>Current Year Capital Activity</u>			
Land	\$ -		
Buildings and Improvements	242,492		
Furniture and Equipment	243,172		
Basis in Assets Retired	(2,812)		
Total Capital Outlay	\$ 482,852	\$ 482,852	\$ 482,852
<u>Debt Principal Activity</u>			
Capital Lease Payments	\$ 173,785		
Capital Lease Proceeds	(11,724)		
Total Principal Payments	\$ 162,061	162,061	162,061
Total Adjustment to Net Position		\$ 644,913	\$ 644,913

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:

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

	Amount	Adjustments to Net Position	Adjustments to Changes in Net Position
GASB 68 Pension Adjustments			
Certain contributions to the pension plan in the current fiscal year are not included on the statement of activities	\$1,612,276		\$ 1,612,276
Deferred Inflows of Resources, Current Year Change	498,421	\$ 498,421	
Deferred Outflows of Resources, Current Year Change	(115,376)	(115,376)	
Total		<u>\$ 383,045</u>	<u>\$ 1,612,276</u>
Adjustments to Revenue			
Uncollected Taxes (assumed collectible) from Current Year Levy	\$ 9,628	\$ 9,628	\$ 9,628
Uncollected Taxes (assumed collectible) from Prior Year	143,938	143,938	
Uncollected Fees of Office from Prior Year	81,347	81,347	
Uncollected Fees of Office, Current Year Increase	(4,314)	(4,314)	(4,314)
Adjustments for Pensions			
Net Pension Liability, Current Year Increase	(146,070)	(146,070)	
Reclassify Certain Expenditures:			
Increase in Compensated Absences	(12,958)	(12,958)	(12,958)
Total		<u>\$ 71,571</u>	<u>\$ (7,644)</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.

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.

DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

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 is updated as necessary and addresses the following risk:

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, 2015, the total amount on deposit was \$8,974,890. 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 \$12,504,037 as of September 30, 2015, however, only \$8,974,890 of the collateral is applicable due to the amount actually on deposit. Securities collateralizing deposits include bonds of independent school districts, other than those in Dawson County, Fannie Mae securities, and

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

water and sewer bonds of other governments. Investments are selected by the bank and it is the bank's responsibility to select investments of adequate ratings.

Cash deposits held at financial institutions can be categorized according to three levels of risk. These levels of risk are:

- | | |
|------------|---|
| Category 1 | Deposits that are insured or collateralized with securities held by the entity or by its agent in the entity's name. |
| Category 2 | Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. |
| Category 3 | Deposits that are not collateralized. |

Based on the three levels of risk, all of the County's cash deposits are classified as category 2. 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, 2015, (2014 tax levy) was \$0.403237 per \$100 assessed value for County General Fund operations and \$0.090864 for farm-market lateral maintenance and operations for a total rate of \$0.494101. 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, 2015**

D. OTHER ACCOUNTS RECEIVABLE

County accounts receivable at September 30, 2015, were:

County Clerk fines	\$	105,315
District Clerk fines		237,626
Justice of the Peace fines		170,861
		513,802
Allowance for doubtful collection		(436,769)
Net receivables	\$	77,033

E. INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2015, consisted of the following individual fund balances:

	Due from Other Funds	Due to Other Funds
General Fund:		
Agency Fund	\$ 23,913	
Total General Fund	\$ 23,913	
Agency Fund		\$ 23,913
Total		\$ 23,913

The interfund transfers reflected on the Statements of Revenues and Expenditures were for routine purposes. Transfers were eliminated on the Statement of Activities.

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.

Capital asset activity for the County for the year ended September 30, 2015, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirement	Ending Balance
Governmental Activities:				
Land	\$ 91,208	\$ -	\$ -	\$ 91,208
Buildings and Improvements	5,980,762	242,492	-	6,223,254
Machinery and Equipment	5,455,772	243,172	18,227	5,680,717
Totals at Historical Cost	\$ 11,527,742	\$ 485,664	\$ 18,227	\$ 11,995,179

DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

Less Accumulated Depreciation for:

Buildings and Improvements	2,389,556	172,499	-	2,562,055
Machinery and Equipment	2,541,884	513,106	15,415	3,039,575
Total Accumulated Depreciation	<u>\$ 4,931,440</u>	<u>\$ 685,605</u>	<u>\$ 15,415</u>	<u>\$ 5,601,630</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,596,302</u>	<u>\$ (199,941)</u>	<u>\$ 2,812</u>	<u>\$ 6,393,549</u>

Capital assets purchased through capital leases are included in the above amounts. This includes ending balances in Equipment of \$1,421,301 and Accumulated Depreciation on Equipment of \$340,923.

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 49,085
Justice System	54,627
Elections	9,695
Facilities Management	1,968
Law Enforcement	46,906
Fire Protection	2,478
Corrections	60,319
Roads and Bridges	399,889
Health Care	6,724
Parks and Recreation	35,874
County Extension Service	12,460
Libraries	5,580
Total Depreciation Expense	<u>\$ 685,605</u>

G. LONG-TERM LIABILITIES

A summary of changes in general long-term debt for the year ended September 30, 2015, is as follows:

Description	Interest Rate Payable	Interest Current Year	Payable Amounts Outstanding 10/01/14	Issued	Retired	Payable Amounts Outstanding 9/30/15	Due Within One Year
Compensated Absences							
Various Funds	None	None	\$ 87,192	\$ 12,958	\$ -	\$ 100,150	\$ 100,150
Capital Lease							
Precinct	2.38%	\$ 1,666	81,863	-	26,007	55,856	26,633
Capital Lease							
Precinct	3.20%	3,724	131,723	-	33,687	98,036	34,781
Capital Lease							
Precinct	2.70%	4,915	199,570	-	38,475	161,095	39,527
Capital Lease							
Precinct	3.20%	4,840	169,229	-	39,425	129,804	40,705
Capital Lease							
Precinct	2.70%	4,076	167,479	-	36,191	131,288	37,181
Capital Lease							
General Fund	5.78%	-	-	11,724	-	11,724	1,551
Total		<u>\$ 19,221</u>	<u>\$ 837,056</u>	<u>\$ 24,682</u>	<u>\$ 173,785</u>	<u>\$ 687,953</u>	<u>\$ 280,528</u>

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

Interest charged to expense in the Precinct Fund for the current fiscal year was \$19,221.

H. DEBT SERVICE REQUIREMENTS – CAPITAL LEASES

The County has entered into lease agreements as lessee to finance the acquisition of five road graders. 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, 2015.

	Present Value of Minimum Lease Payments	Interest	Total Minimum Lease Payments
Caterpillar – 140 H Grader – Super Precinct	\$ 55,856	\$ 1,443	\$ 57,299
Caterpillar – 140 M Grader – Super Precinct	98,036	4,493	102,529
Caterpillar – 140 M2 Grader – Super Precinct	161,095	8,849	169,944
Caterpillar – 140 M2 Grader – Super Precinct	131,288	6,296	137,584
Caterpillar – 140 M2 Grader – Super Precinct	129,804	6,682	136,486
Phone System – General Fund	11,724	1,804	13,528
Total	<u>\$ 587,803</u>	<u>\$ 29,567</u>	<u>\$ 617,370</u>

These total minimum lease payments are payable as follows:

<u>Year Ending September 30,</u>	Principal	Interest	Total
2016	\$ 180,378	\$ 14,659	\$ 195,037
2017	186,191	9,522	195,713
2018	155,948	4,340	160,288
2019	62,030	920	62,950
2020	2,585	120	2,705
2021	671	6	677
Total Capital Lease Payments	<u>\$ 587,803</u>	<u>\$ 29,567</u>	<u>\$ 617,370</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, 2015, were as follows:

<u>Year Ending September 30,</u>	
2016	\$ 7,793
2017	2,709
Total Minimum Rental	<u>\$ 10,502</u>
Rental Expenditures in Fiscal Year 2015	\$ 10,467

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

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

The County provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County & District Retirement System (TCDRS). The board of trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 677 non-traditional 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 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 10 years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefits Provided

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

Contribution Policy

The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

The County continued using an elected rate of 9.74% for the months of the accounting year in 2014, and 13.05% for the months of the accounting year in 2015.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

The contribution rate payable by the employee members for the calendar years 2014 and 2015 is 7%, as adopted by the governing body of the County. The employee contribution rate and the District's contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

Net Pension Liability

The District's net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/2014
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing Period	5 years
Recognition method	Non-asymptotic
Corridor	None
Funding Valuation	
TCDRS system-wide economic assumptions	
Real Rate of Return	5.00%
Inflation	3.00%
Long Term Investment Return	8.00%
District specific economic assumptions	
Growth in Membership	0.00%
Payroll Growth	0.00%
Discount Rate	8.10%
Long-term expected rate of return	8.00%

Annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% and a merit, promotion, and longevity component that on average approximates 1.4% per year for a career employee.

Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations or the funding valuation.

Mortality rates for depositing members were based on the RP-2000 Active Employee Mortality Table with the projection scale AA, with a two-year set-forward for males and a four year set-back for females.

Mortality rates for service retirees, beneficiaries and non-depositing members were based on the RP-200 Combined Mortality Table with the projection scale AA, with a one year set-forward for males and no age adjustment for females.

Mortality rates for disabled retirees were based on the RP-2000 Disabled Mortality Table with the projection scale AA with no age adjustment for males and a two-year set-forward for females.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

The actuarial assumptions used in the December 31, 2014, valuation were based on the results of an actuarial experience study for the period January 1, 2009 to December 31, 2012, except where required to be different by GASB 68.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30 year time horizon; the most recent analysis was performed in 2013. The target allocation and best estimates of arithmetic real rates of returns for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
US Equities	16.50%	5.35%
Private Equity	12.00%	8.35%
Global Equities	1.50%	5.65%
International Equities-Developed	11.00%	5.35%
International Equities-Emerging	9.00%	6.35%
Investment-Grade Bonds	3.00%	0.55%
High-Yield Bonds	3.00%	3.75%
Opportunistic Credit	5.00%	5.54%
Direct Lending	2.00%	5.80%
Distressed Debt	3.00%	6.75%
REIT Equities	2.00%	4.00%
Commodities	2.00%	-0.20%
Master Limited Partnerships	2.00%	5.30%
Private Real Estate Partnerships	3.00%	7.20%
Hedge Funds	25.00%	5.15%

Discount Rate: The discount rate used to measure the total pension liability was 8.10 percent. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

Changes in Net Pension Liability

	Increase(Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of December 31, 2013	\$16,674,438	\$15,000,908	\$1,673,530
Changes for the year:			
Service Cost	484,715		484,715
Interest on total pension liability	1,343,391		1,343,391
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	(144,220)		(144,220)
Effect of assumptions changes or inputs	-		-
Refund of Contributions	(112,567)	(112,567)	-
Benefit Payments	(554,423)	(554,423)	-
Administrative Expenses		(12,553)	12,553
Member Contributions		290,172	(290,172)
Net Investment Income		1,035,828	(1,035,828)
Employer Contributions		1,961,194	(1,961,194)
Other	-	(63,295)	63,295
Balances as of December 31, 2014	\$17,691,334	\$17,545,264	\$146,070

Sensitivity of the net pension liability to changes in the discount rate: The following represents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1(one) percentage point lower (7.10%), or one percentage point higher (9.10%), than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total Pension Liability	\$19,852,984	\$17,691,334	\$15,883,548
Fiduciary Net Position	17,545,264	17,545,264	17,545,264
Net Pension Liability	\$2,307,720	\$146,070	(\$1,661,716)

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015**

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the District recognized pension expense of \$347,746. At September 30, 2015, the County reported deferred inflows and outflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$115,376	-
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	201,364
Contributions made subsequent to measurement date	-	297,057
	\$115,376	\$498,421

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

Year ended December 31:

2015	\$21,497
2016	21,497
2017	21,497
2018	21,497
2019	-
Thereafter	-

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, 2015

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 is \$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 2013, 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. There was no deficit at September 30, 2015, for the County to absorb.

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. The loss absorbed by the County at September 30, 2015 was \$24,166.

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, 2015, the County returned the unexpended money to FEMA. As a result, only the funding expended was included as revenue during each given fiscal year. The unexpended funding was included as a Deferred Inflow of Resources on the Governmental Funds Balance Sheet. Since the County returned the money to FEMA, revenue was not recognized as a current source of funding as it was not earned (i.e. expended).

P. CLAIMS AND ASSESSMENTS

During the fiscal year ended September 30, 2014, a suit was filed against the County by a third party vendor. The vendor is seeking damages in the amount of \$43,924, which represents retainage on a construction contract with the County. No additional accruals for damages sought are required. The County has filed a counter-suit for damages far exceeding the amount originally sought by the third party vendor. The suits are in discovery as of the date of the financial statements and external legal counsel has advised the County that the suits will likely not be settled until sometime during calendar year 2016. No adjustments have been recorded in the financial statements for this suit.

DAWSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
BUDGETED ON THE GAAP BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Taxes				
Property Taxes	\$5,042,299	\$ 5,042,299	\$ 5,024,850	\$ (17,449)
General Sales and Use Taxes	890,000	890,000	906,275	16,275
Mixed Beverage Tax	2,100	2,100	11,312	9,212
Intergovernmental Revenue and Grants	57,398	57,398	68,773	11,375
Charges for Services	570,870	570,870	748,217	177,347
Fines	222,095	222,095	183,546	(38,549)
Investment Earnings	5,160	5,160	10,559	5,399
Rents and Royalties	3,000	3,005	4,250	1,245
Other Revenue	34,740	34,740	52,615	17,875
Total Revenues	<u>\$6,827,662</u>	<u>\$ 6,827,667</u>	<u>\$ 7,010,397</u>	<u>\$ 182,730</u>
Expenditures				
Current:				
General Government	\$ 980,165	\$ 2,456,940	\$ 2,391,032	\$ 65,908
Judicial	1,581,100	1,625,551	1,513,829	111,722
Elections	29,885	41,902	36,464	5,438
Financial Administration	339,638	339,638	310,653	28,985
Tax Administration	329,022	329,022	311,286	17,736
Facilities Management	652,039	703,408	689,208	14,200
Public Safety:				
Law Enforcement	756,639	795,685	777,153	18,532
Fire Protection	196,745	196,745	184,813	11,932
Corrections	1,068,638	1,466,361	1,444,930	21,431
Public Works:				
Road and Bridges	95,967	95,967	92,636	3,331
Sanitation	67,400	67,400	65,340	2,060
Public Transportation	5,005	5,005	10,000	(4,995)
Health and Welfare:				
Health Care	132,421	134,946	110,350	24,596
Human Services	66,360	67,060	66,019	1,041
Culture and Recreation				
Parks & Recreation	50,294	105,193	104,881	312
Museums	1,000	1,000	1,000	-
County Extension Service	132,037	147,036	135,192	11,844
Libraries	343,302	343,302	329,596	13,706
Total Expenditures	<u>\$6,827,657</u>	<u>\$ 8,922,161</u>	<u>\$ 8,574,382</u>	<u>\$ 347,779</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 5	\$(2,094,494)	\$ (1,563,985)	\$ 530,509
Other Financing Sources (Uses)				
Sale of Real and Personal Property	\$ -	\$ -	\$ -	\$ -
Transfers In	10	24,074	23,892	(182)
Transfers Out	(15)	(509,291)	(509,276)	15
Transfers to Other Governments	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ (5)</u>	<u>\$ (485,217)</u>	<u>\$ (485,384)</u>	<u>\$ (167)</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$(2,579,711)</u>	<u>\$ (2,049,369)</u>	<u>\$ 530,342</u>
Fund Balance, Beginning of Year			<u>\$ 5,403,332</u>	
Fund Balance, End of Year			<u>\$ 3,353,963</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
BUDGETED ON THE GAAP BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Taxes				
Property Taxes	\$ 1,136,208	\$ 1,136,208	\$ 1,132,276	\$ (3,932)
Licenses and Permits	536,400	536,400	489,545	(46,855)
Other Revenue	26,400	26,400	194,165	167,765
Total Revenues	<u>\$ 1,699,008</u>	<u>\$ 1,699,008</u>	<u>\$ 1,815,986</u>	<u>\$ 116,978</u>
Expenditures				
Current:				
Public Works:				
Road and Bridges	\$ 1,699,018	\$ 2,551,126	\$ 1,578,492	\$ 972,634
Total Expenditures	<u>\$ 1,699,018</u>	<u>\$ 2,551,126</u>	<u>\$ 1,578,492</u>	<u>\$ 972,634</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (10)	\$ (852,118)	\$ 237,494	\$ 1,089,612
Other Financing Sources (Uses)				
Sale of Real and Personal Property	\$ 5	\$ 5	\$ -	\$ (5)
Transfers In	5	728,190	728,190	-
Transfers Out	-	(852,108)	(852,108)	-
Total Other Financing Sources (Uses)	<u>\$ 10</u>	<u>\$ (123,913)</u>	<u>\$ (123,918)</u>	<u>\$ (5)</u>
Change in Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ (976,031)</u></u>	<u>\$ 113,576</u>	<u><u>\$ 1,089,607</u></u>
Fund Balance, Beginning of Year			<u>\$ 949,674</u>	
Fund Balance, End of Year			<u><u>\$ 1,063,250</u></u>	

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, 2015

EXHIBIT E-3

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 paved 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, 2015

EXHIBIT E-3

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 2014.

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 2014. 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	2014
Very Good / Good	73%
Fair	27%

The County has performed maintenance and repairs to approximately 80% of the County’s paved roads over the past three years and plans to finish maintenance and repair for the remaining 20% of the County roads over the next year. At that time, all roads will be in the “Good” or “Very Good” categories.

Expenditures to improve County infrastructure assets are as follows for the fiscal years ended:

September 30, 2010	\$	-
September 30, 2011	\$	408,005
September 30, 2012	\$	340,712
September 30, 2013	\$	129,195
September 30, 2014	\$	408,819
September 30, 2015	\$	-

DAWSON COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Pension Liability			
Service cost	\$ 484,715	N/A	N/A
Interest on total pension liability	1,343,391	N/A	N/A
Effect of plan changes	-	N/A	N/A
Effect of assumption changes or inputs	-	N/A	N/A
Effect of economic/demographic (gains) or losses	(144,220)	N/A	N/A
Benefit payments/refunds of contributions	(666,989)	N/A	N/A
Net change in total pension liability	<u>1,016,897</u>	<u>N/A</u>	<u>N/A</u>
Total pension liability, beginning	16,674,438	N/A	N/A
Total pension liability, ending (a)	<u>\$ 17,691,335</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary Net Position			
Employer contributions	\$ 1,961,194	N/A	N/A
Member contributions	290,172	N/A	N/A
Investment income net of investment expenses	1,035,828	N/A	N/A
Benefit payments/refunds of contributions	(666,989)	N/A	N/A
Administrative expenses	(12,553)	N/A	N/A
Other	(63,295)	N/A	N/A
Net change in fiduciary position	<u>\$ 2,544,357</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position, beginning	15,000,908	N/A	N/A
Fiduciary net position, ending (b)	<u>\$ 17,545,265</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability/(asset), ending = (a)-(b)	<u>\$ 146,070</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position as % of total pension liability	99.17%	N/A	N/A
Pensionable covered payroll	\$ 4,009,149	N/A	N/A
Net pension liability as a % of covered payroll	3.64%	N/A	N/A

DAWSON COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2005	Not Available	Not Available	Not Available	Not Available	Not Available
2006	\$ 301,387	\$ 301,387	-	\$ 3,050,476	9.9%
2007	330,682	330,682	-	3,204,285	10.3%
2008	377,352	377,352	-	3,449,286	10.9%
2009	443,535	443,535	-	3,520,120	12.6%
2010	424,129	424,129	-	3,665,764	11.6%
2011	431,524	431,524	-	3,697,744	11.7%
2012	452,010	452,010	-	3,711,091	12.2%
2013	490,166	490,166	-	3,965,752	12.4%
2014	523,194	1,961,194	(1,438,000)	4,009,149	48.9%

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

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



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Judge O'Brien and the Commissioner's Court
Dawson County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dawson County, Texas (the "County"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 8, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Gary, Bowers & Miller

Lubbock, Texas
April 8, 2016

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



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *STATE OF TEXAS SINGLE
AUDIT CIRCULAR*

To the Honorable Judge O'Brien and the Commissioner's Court
Dawson County, Texas

Report on Compliance for Each Major State Program

We have audited Dawson County, Texas' compliance with the types of compliance requirements described in the *State of Texas Single Audit Circular* that could have a direct and material effect on each of Dawson County, Texas' major state programs for the year ended September 30, 2015. Dawson County, Texas' major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Dawson County, Texas' major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *State of Texas Single Audit Circular*. Those standards, and the *State of Texas Single Audit Circular*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Dawson County, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Dawson County, Texas' compliance.

Opinion on Each Major State Program

In our opinion, Dawson County, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2015.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the *State of Texas Single Audit Circular*.

Report on Internal Control Over Compliance

Management of Dawson County, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Dawson County, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing

an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dawson County, Texas' internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

Gary, Bowers & Miller

Gary, Bowers & Miller
Lubbock, Texas
April 8, 2016

**DAWSON COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDING SEPTEMBER 30, 2015**

<u>State Grantor/Pass-Through Grantor/ Program Title</u>	<u>State Identifying Number</u>	<u>State Expenditures</u>
MAJOR PROGRAMS		
State Programs		
Texas Department of Transportation		
County Transportation Infrastructure Fund Grant	CTIF-01-058	\$ 1,116,516

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

**DAWSON COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDING SEPTEMBER 30, 2015**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State awards presents the activity of all state award programs of Dawson County, Texas, for the year ending September 30, 2015. State awards received directly from state agencies, as well as federal awards passed through state agencies, are included in the schedule.

NOTE B-BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of State Awards is presented using the modified accrual basis of accounting, which is described in Note 1C to the County's basic financial statements.