

**Dawson County**  
**Annual Financial Report**  
**For the Year Ended September 30, 2014**

**DAWSON COUNTY  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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## 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, 2014, 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, 2014, 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.

## **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 34–36 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2015, 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 County's internal control over financial reporting and compliance.

*Gary, Bowers & Miller*

Lubbock, Texas  
January 28, 2015

# COUNTY OF DAWSON



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

February 3, 2015

Honorable Carter T. Schildknecht, District Judge, 106<sup>th</sup> 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 analyzes the County's financial performance for the fiscal year ended September 30, 2014. 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 \$13,927,915. Of this amount, \$5,628,278 was unrestricted net assets.
- The County's net position decreased by \$114,021 because of this year's operation.
- The County had expenses of \$10,519,262 as compared to FY 2013 expenses of \$9,277,115.
- The County had revenues of \$10,405,241 as generated in tax and other revenues for governmental programs (before special items). This compares to last year when revenues were \$10,925,233 a decrease of 4.7%.
- The General Fund ended the year with a fund balance of \$5,403,332 as compared to last year's fund balance of \$5,451,852. 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 9 and 10). These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

*The Road to Excellence is Built with Vision*

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

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

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

The analysis of the County's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net 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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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 \$14,041,936 to \$13,927,915. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$5,628,278 at September 30, 2014 as compared to \$5,911,154 at September 30, 2013. This decrease in governmental net position was mainly the result of a combination of an increase in capital building projects and equipment purchases, somewhat offset by higher sales tax revenue than in the previous few years. The county also incurred a significant loss on the disposal of assets as the county ceased providing ambulance services in lieu of the Hospital District taking that function over and subsequently transferring ambulances and equipment to the Hospital District.

Table I  
Dawson County, Texas  
NET POSITION

	Governmental Activities	
	2014	2013
<b>Assets:</b>		
Current and Other Assets	8,477,931	8,787,872
Restricted Assets: Cash	410,219	434,391
Capital Assets	6,596,302	6,315,899
<b>Total Assets</b>	<b>15,484,452</b>	<b>15,538,162</b>
<b>Liabilities:</b>		
Current Liabilities	311,439	1,003,692
Noncurrent Liabilities	837,056	492,534
<b>Total Liabilities</b>	<b>1,148,495</b>	<b>1,496,226</b>
<b>Deferred Inflows of Resources</b>	<b>408,042</b>	
<b>Net Position:</b>		
Invested in Capital Assets, Net of Related Debt	5,846,438	5,904,509
Restricted	2,453,199	2,226,273
Unrestricted	5,628,278	5,911,154
<b>Total Net Position</b>	<b>13,927,915</b>	<b>14,041,936</b>

Table II  
Dawson County, Texas  
CHANGES IN NET POSITION

	Governmental Activities	
	2014	2013
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services	2,443,571	2,211,644
Grants and Contributions	699,492	804,170
Capital Grants	213,806	406,516
<b>Total, Program Revenues:</b>	<b>3,356,869</b>	<b>3,422,330</b>
<b>General Revenues:</b>		
Property Taxes, General Purposes	6,341,620	6,321,328
Property Taxes, Debt Purposes	0	0
Sales Taxes	976,881	929,732
Mixed Beverage Tax	7,194	3,632
Penalty and Interest	70,146	69,482
Miscellaneous Revenue	212	435
Investment Earnings	5,136	6,488
Gain on Disposal of Assets	(352,817)	171,806
<b>Total General Revenue and Special Items:</b>	<b>7,048,372</b>	<b>7,502,903</b>
<b>Total Revenue</b>	<b>10,405,241</b>	<b>10,925,233</b>



	Table II (Cont.) Dawson County, Texas CHANGES IN NET POSITION	
	Governmental Activities	
Expenses	2014	2013
General Government	1,412,330	1,692,385
Judicial	1,920,004	1,565,829
Elections	36,872	34,753
Financial Administration	297,057	270,172
Tax Administration	308,472	312,147
Facilities Management	1,004,852	799,330
Public Safety	3,825	687
Law Enforcement	761,909	761,592
Fire Protection	573,360	162,105
Corrections	1,269,649	856,835
Public Works	0	5,959
Roads & Bridges	1,881,709	2,091,771
Sanitation	65,340	65,340
Public Transportation	10,000	6,837
Health Care	391,074	167,104
Human Services	54,865	61,310
Parks & Recreation	53,104	40,016
Museums	1,000	1,000
County Extension Service	144,342	74,395
Libraries	329,498	307,548
<b>Total Expenses</b>	<b>10,519,262</b>	<b>9,277,115</b>
<b>Change in Net Position</b>	<b>(114,021)</b>	<b>1,648,118</b>
Net Position at Beginning of Year	14,041,936	12,393,818
<b>Net Position at End of Year</b>	<b>13,927,915</b>	<b>14,041,936</b>

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. Sales tax numbers increased significantly.
2. County personnel numbers remained the same as the previous year.
3. The County recorded a loss on the disposal of capital assets (transfer to the Dawson County Hospital District) of \$352,817.

The cost of all governmental activities this year was \$10,519,262. 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 \$7,162,393 because some of the costs were paid with charges for services of \$2,443,571, grants and contributions of \$699,492, capital grants of \$213,806, sales tax of \$976,881 and other various general revenues of \$82,688.

## THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as reported on the Statement of Revenues, Expenditures, and changes in Fund Balance, Exhibit C-3) showed a combined fund balance of \$7,943,384 as compared to last year's total of \$7,988,920. Included in this year's total change in fund balance is a decrease of \$48,520 in the County's General Fund.

For fiscal year 2014, actual revenue on a budgetary basis was \$7,502,195 compared to the original revenue budget of \$6,753,412. Reasons for the actual numbers varying from the budget follow:

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

For fiscal year 2014, actual expenditures on a budgetary basis for the General Fund were \$6,761,539, compared to the original expenditure budget of \$6,675,412. The actual expenditures were \$166,607 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 instead of incurring debt for much needed repairs to several county facilities
- Paid cash for several items of equipment for the Road and Bridge precinct
- Reskinned the fair barn and bought show rings and bleachers to make it a more usable facility
- Purchased a ladder fire truck for city and county use for the Lamesa Fire Department
- Purchased two new pickups for the Sheriff's department
- Leased 3 new caterpillars and purchased a new fence to border the precinct vehicle storage yard

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 2014, the County had \$5,904,509 invested, net of related debt, in a broad range of capital assets, including land, buildings and equipment. By the end of fiscal year 2014 that number had decreased by \$58,071 and ended the year with \$5,846,438 in Capital Assets. More detailed information about the County's capital assets is presented in Note IV, Item F to the financial statements.

As has been the case for the last few years, the County had no Debt. It does lease various pieces of equipment and at year end had \$819,093 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.

There have been no significant changes in the assessed condition of the County's infrastructure assets during 2014. The County's infrastructure remains in the "good" category, as discussed further on page 38 of the financial statements. Additionally, there were no significant differences between the amounts actually expended to maintain the County's infrastructure and the budgeted "estimated" amounts.

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

The County's elected and appointed officials considered many factors when setting the fiscal year 2015 budget and tax rates. Some key items that should be noted are as follows:

1. Mineral taxable values remained fairly stable for this budget, but the outlook for tax year 2015 valuation points towards a major reduction in mineral valuations. Currently, world oil prices are down 35-45%. That will affect next year's effective tax rate. Additionally, it could have an impact upon the record sales tax collections the county is planning for in this budget year. On a more positive note, the Mesquite Creek Wind Farm should be operational later this year and, per the terms of the tax abatement the county gave, we should start receiving annual payments for each turbine, averaging one thousand dollars per turbine for the next 10 years.
2. For the sixth year in a row, the Commissioner's Court set the tax rate at or below the effective tax rate. The largest single adjustment to the budget that allowed them to do this was by not budgeting for county provided EMS services. The local hospital district began to offer that line of business, and the court decided not to compete. In addition, the ambulances were transferred to the hospital district, and that service is still using the county owned facility. In return, the hospital district is providing free medical care and ambulance services for county inmates for a period of three years.
3. The Court also authorized a five percent increase in pay for all county officials and employees, adjusted deputy and precinct hands hourly pay rates to market conditions, and funded all employee benefits at the same levels as last year. The budget will allow for approximately the same number of employees in 2015. The net result was that the adopted tax rate was set at \$0.494101 cents per \$100 of valuation, a decrease of 3.17 cents from the prior year.
4. The Road and Bridge combined precincts' performance is exceeding expectations. Most of the precincts' vehicle needs were met in the prior year. Several county roads will be renovated by contractors under a state transportation grant of about 1.2 million dollars with a 10 % match required of the county. This should improve various roads that are being heavily used by oil field traffic.

There is the potential for a significant increase in mineral valuations in this County if production begins on a large scale basis. However, it is still difficult to accurately predict long-term economic numbers for Dawson County 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, 2014**

	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 8,024,916
Investments - Current	21,355
Receivables (net of allowance for uncollectibles)	408,104
Due from Agency Funds	23,556
Restricted Assets:	
Cash	410,219
Capital Assets	
Land	91,208
Buildings, net	3,591,206
Machinery and Equipment, net	2,913,888
<b>Total Assets</b>	<u><u>\$ 15,484,452</u></u>
<b>Liabilities</b>	
Accounts Payable	\$ 311,439
Non-Current Liabilities	
Due Within One Year	260,978
Due in More Than One Year	576,078
<b>Total Liabilities</b>	<u><u>\$ 1,148,495</u></u>
<b>Deferred Inflows of Resources</b>	<u><u>\$ 408,042</u></u>
<b>Net Position</b>	
Invested in Capital Assets, Net of Related Debt	\$ 5,846,438
Restricted for:	
Federal or State Grants	1,844
Judicial	1,101,502
Road & Bridge	994,849
Community Improvement	2,737
Other Purposes	352,267
Unrestricted Net Position	5,628,278
<b>Total Net Position</b>	<u><u>\$ 13,927,915</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, 2014**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 1,412,330	\$ 160,321	\$ 20,599	\$ -	\$ (1,231,410)
Judicial	1,920,004	1,018,196	670,769	-	(231,039)
Elections	36,872	1,800	-	-	(35,072)
Financial Administration	297,057	6,120	-	-	(290,937)
Tax Administration	308,472	425,149	-	-	116,677
Facilities Management	1,004,852	55,357	-	189,422	(760,073)
Public Safety	3,825	-	-	-	(3,825)
Law Enforcement	761,909	59,836	-	-	(702,073)
Fire Protection	573,360	-	-	-	(573,360)
Corrections	1,269,649	35,045	-	-	(1,234,604)
Road and Bridges	1,881,709	657,534	-	24,384	(1,199,791)
Sanitation	65,340	-	-	-	(65,340)
Public Transportation	10,000	-	-	-	(10,000)
Health Care	391,074	89	-	-	(390,985)
Human Services	54,865	3,108	-	-	(51,757)
Parks & Recreation	53,104	6,450	564	-	(46,090)
Museums	1,000	-	-	-	(1,000)
County Extension Service	144,342	-	-	-	(144,342)
Libraries	329,498	14,566	7,560	-	(307,372)
<b>Total Primary Government:</b>	<u>\$ 10,519,262</u>	<u>\$ 2,443,571</u>	<u>\$ 699,492</u>	<u>\$ 213,806</u>	<u>\$ (7,162,393)</u>
<b>General Revenue:</b>					
<b>Taxes:</b>					
Property Taxes, Levied for General Purposes					\$ 6,341,620
Sales Taxes					976,881
Mixed Beverage Tax					7,194
Penalty and Interest					70,146
Miscellaneous Revenue					212
Investment Earnings					5,136
Gain (Loss) on Disposal of Assets					(352,817)
<b>Total General Revenues and Special Items</b>					<u>\$ 7,048,372</u>
					Change in Net Position
					\$ (114,021)
					<u>\$ 14,041,936</u>
					Net Position - Beginning
					<u>\$ 13,927,915</u>
					Net Position - Ending

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

**DAWSON COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014**

	<u>General Fund</u>	<u>Precinct</u>	<u>FEMA</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 5,418,795	\$ 996,169	\$ -	\$ 1,609,952	\$ 8,024,916
Investments - Current	-	-	-	21,355	21,355
Taxes Receivable	414,566	50,333	-	-	464,899
Allowance for Uncollectible Taxes	(113,493)	(24,649)	-	-	(138,142)
Receivables (Net)	81,347	-	-	-	81,347
Due from Agency Funds	23,556	-	-	-	23,556
<b>Restricted Assets</b>					
Cash	-	-	410,219	-	410,219
<b>Total Assets</b>	<u>\$ 5,824,771</u>	<u>\$ 1,021,853</u>	<u>\$ 410,219</u>	<u>\$ 1,631,307</u>	<u>\$ 8,888,150</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 221,837	\$ 46,496	\$ -	\$ 43,106	\$ 311,439
<b>Total Liabilities</b>	<u>\$ 221,837</u>	<u>\$ 46,496</u>	<u>\$ -</u>	<u>\$ 43,106</u>	<u>\$ 311,439</u>
<b>Deferred Inflows of Resources</b>	<u>\$ 199,602</u>	<u>\$ 25,683</u>	<u>\$ 408,042</u>	<u>\$ -</u>	<u>\$ 633,327</u>
<b>Fund Balances</b>					
<b>Restricted Fund Balance:</b>					
Grant Restriction	\$ -	\$ -	\$ -	\$ 1,844	\$ 1,844
Judicial	-	-	-	1,101,502	1,101,502
Road & Bridge	42,998	949,674	2,177	-	994,849
Community Improvement	-	-	-	2,737	2,737
Other Restricted Fund Balance	-	-	-	352,267	352,267
<b>Assigned Fund Balance:</b>					
Community Improvement	-	-	-	840	840
Unassigned Fund Balance	5,360,334	-	-	129,011	5,489,345
<b>Total Fund Balances</b>	<u>\$ 5,403,332</u>	<u>\$ 949,674</u>	<u>\$ 2,177</u>	<u>\$ 1,588,201</u>	<u>\$ 7,943,384</u>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<u>\$ 5,824,771</u>	<u>\$ 1,021,853</u>	<u>\$ 410,219</u>	<u>\$ 1,631,307</u>	<u>\$ 8,888,150</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, 2014**

**Total Fund Balances - Governmental Funds** **\$ 7,943,384**

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 \$11,268,176 and the accumulated depreciation was \$4,952,277. 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. 5,823,365

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 2014 capital outlays and debt principal payments is to increase (decrease) net position. 643,348

The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. (701,419)

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. 219,237

**Net Position of Governmental Activities** **\$ 13,927,915**

**DAWSON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	General Fund	Precinct	FEMA	Other Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes:					
Property Taxes	\$5,264,136	\$1,143,301	\$ -	\$ -	\$ 6,407,437
General Sales and Use Taxes	976,881	-	-	-	976,881
Mixed Beverage Tax	7,194	-	-	-	7,194
Licenses and Permits	-	541,683	-	-	541,683
Intergovernmental Revenue and Grants	73,201	-	24,384	626,292	723,877
Charges for Services	763,980	-	-	91,283	855,263
Fines	226,037	-	-	17,849	243,886
Forfeits	-	-	-	32,044	32,044
Investment Earnings	4,999	-	-	137	5,136
Rents and Royalties	3,000	-	-	-	3,000
Contributions & Donations from Private Sources	-	-	-	190,932	190,932
Other Revenue	182,767	115,851	212	476,261	775,091
<b>Total Revenues</b>	<u>\$7,502,195</u>	<u>\$1,800,835</u>	<u>\$ 24,596</u>	<u>\$1,434,798</u>	<u>\$ 10,762,424</u>
<b>Expenditures</b>					
General Government	\$ 813,157	\$ -	\$ -	\$ 559,539	\$ 1,372,696
Judicial	1,505,186	-	-	562,688	2,067,874
Elections	24,673	-	-	4,358	29,031
Financial Administration	296,249	-	-	-	296,249
Tax Administration	308,106	-	-	-	308,106
Facilities Management	614,241	-	-	805,411	1,419,652
Public Safety	-	-	-	3,825	3,825
Law Enforcement	767,568	-	-	-	767,568
Fire Protection	168,882	-	-	-	168,882
Corrections	1,218,026	-	-	11,891	1,229,917
Road and Bridges	86,780	1,696,089	-	-	1,782,869
Sanitation	65,340	-	-	-	65,340
Public Transportation	10,000	-	-	-	10,000
Health and Welfare:					
Health Care	338,249	-	-	-	338,249
Human Services	54,245	-	-	620	54,865
Culture and Recreation:					
Parks and Recreation	43,166	-	-	-	43,166
Museums	1,000	-	-	-	1,000
County Extension Service	125,338	-	-	-	125,338
Libraries	321,333	-	-	-	321,333
<b>Total Expenditures</b>	<u>\$6,761,539</u>	<u>\$1,696,089</u>	<u>\$ -</u>	<u>\$1,948,332</u>	<u>\$ 10,405,960</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ 740,656</u>	<u>\$ 104,746</u>	<u>\$ 24,596</u>	<u>\$ (513,534)</u>	<u>\$ 356,464</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	\$ 26,616	\$ 220,964	\$ -	\$ 213,792	\$ 461,372
Transfers Out	(413,792)	-	(24,384)	(23,196)	(461,372)
Transfers to Other Governments	(402,000)	-	-	-	(402,000)
<b>Total Other Financing Sources (Uses)</b>	<u>\$ (789,176)</u>	<u>\$ 220,964</u>	<u>\$ (24,384)</u>	<u>\$ 190,596</u>	<u>\$ (402,000)</u>
<b>Net Change in Fund Balances</b>	\$ (48,520)	\$ 325,710	\$ 212	\$ (322,938)	\$ (45,536)
<b>Fund Balance, Beginning of Year</b>	<u>\$5,451,852</u>	<u>\$ 623,964</u>	<u>\$ 1,965</u>	<u>\$1,911,139</u>	<u>\$ 7,988,920</u>
<b>Fund Balance, End of Year</b>	<u>\$5,403,332</u>	<u>\$ 949,674</u>	<u>\$ 2,177</u>	<u>\$1,588,201</u>	<u>\$ 7,943,384</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, 2014**

**Net Change in Fund Balances - Total Governmental Funds** **\$ (45,536)**

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, 2014, capital outlays and debt principal payments is to increase (decrease) net position. 643,348

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. (701,419)

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. (10,414)

**Change in Net Position of Governmental Activities** \$ (114,021)

**DAWSON COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2014**

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 64,088	\$ 1,403,994
Investments - Current	2,609,209	-
Receivables (Net)	3,933,928	81,347
<b>Total Assets</b>	<u>\$ 6,607,225</u>	<u>\$ 1,485,341</u>
<b>Liabilities</b>		
Accounts Payable	\$ -	\$ -
Due to Others	-	743,215
Intergovernmental Payable	897	660,779
<b>Total Liabilities</b>	<u>\$ 897</u>	<u>\$ 1,403,994</u>
<b>Deferred Inflows of Resources</b>	<u>\$ -</u>	<u>\$ 81,347</u>
<b>Net Position</b>		
Restricted for Community Improvement	<u>\$ 6,606,328</u>	<u>\$ -</u>
<b>Total Net Position</b>	<u>\$ 6,606,328</u>	<u>\$ -</u>

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, 2014**

	<b>Private Purpose Trust Fund</b>
<b>Additions</b>	
Investment Earnings	\$ 43,744
Rents and Royalties	254,457
Other Revenue	39,825
<b>Total Additions</b>	<b>\$ 338,026</b>
<b>Deductions</b>	
Ad Valorem Taxes	\$ 76,156
Transfers to County Schools	11,991,574
<b>Total Deductions</b>	<b>\$ 12,067,730</b>
<b>Change in Net Assets</b>	<b>\$ (11,729,704)</b>
 <b>Total Net Position, Beginning of Year</b>	 <b>\$ 18,336,032</b>
<b>Total Net Position, End of Year</b>	<b>\$ 6,606,328</b>

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, 2014**

**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, 2014**

**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, 2014**

**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, 2014**

**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-4 on pages 37 and 38 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 \$87,192 as of September 30, 2014. 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.

**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.

**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

**DAWSON COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2014**

liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**F. FUND BALANCE CLASSIFICATION**

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified Fixed Assets as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year. Since Fixed Assets are not included in fund financial statements, the Nonspendable classification does not appear on the balance sheet.
- **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.



**DAWSON COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014**

**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	5,339,561	2,247,065	3,092,496	
Furniture and Equipment	5,837,407	2,705,212	3,132,195	
Change in Net Position				\$ 6,315,899
Long-Term Liabilities at the Beginning of the Year			Payable at the Beginning of the Year	
Compensation Payable			\$ 81,144	
Capital Leases Payable			411,390	
Change in Net Position				\$ 492,534
Net Adjustment to Net Position				\$ 5,823,365

**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.

**DAWSON COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014**

The details of this adjustment are as follows:

	Amount	Adjustments to Net Position	Adjustments to Changes in Net Position
<b>Current Year Capital Activity</b>			
Land	\$ -		
Buildings and Improvements	641,201		
Furniture and Equipment	693,439		
Basis in Assets Retired	(352,818)		
<b>Total Capital Outlay</b>	<b>\$ 981,822</b>	<b>\$ 981,822</b>	<b>\$ 981,822</b>
<b>Debt Principal Activity</b>			
Capital Lease Payments	\$ 256,679		
Capital Lease Proceeds	(595,153)		
<b>Total Principal Payments</b>	<b>\$ (338,474)</b>	<b>(338,474)</b>	<b>(338,474)</b>
<b>Total Adjustment to Net Position</b>		<b>\$ 643,348</b>	<b>\$ 643,348</b>

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

	Amount	Adjustments to Net Position	Adjustments to Changes in Net Position
<b>Adjustments to Revenue and Deferred Inflows</b>			
Uncollected Taxes (assumed collectible) from Current Year Levy	\$ 4,328	\$ 4,328	\$ 4,328
Uncollected Taxes (assumed collectible) from Prior Year	139,609	139,609	
Uncollected Fees of Office from Prior Year	90,042	90,042	
Uncollected Fees of Office, Current Year Increase	(8,694)	(8,694)	(8,694)
<b>Reclassify Certain Expenditures:</b>			
Increase in Compensated Absences	(6,048)	(6,048)	(6,048)
<b>Total</b>		<b>\$ 219,237</b>	<b>\$ (10,414)</b>

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

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

**DAWSON COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014**

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

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

**IV. OTHER NOTES ON FUNDS AND ACCOUNTS**

**A. DEPOSITS AND INVESTMENTS**

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act.

Policies Governing Deposits and Investments

In compliance with the Public Fund Investment Act, the County has adopted a deposit and investment policy. That policy is updated as necessary and addresses the following risk:

**DAWSON COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014**

**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, 2014, the total amount on deposit was \$11,967,512. 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 \$17,756,721 as of September 30, 2014, however, only \$11,967,512 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 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, 2014, (2013 tax levy) was \$0.432003 per \$100 assessed value for County General Fund operations and \$0.093825 for farm-market lateral maintenance and operations for a total rate of \$0.525828. The County is subject to a tax rate rollback if the total amount of property taxes imposed in

**DAWSON COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014**

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.

**D. OTHER ACCOUNTS RECEIVABLE**

County accounts receivable at September 30, 2014, were:

County Clerk fines	\$	96,363
District Clerk fines		253,421
Justice of the Peace fines		192,527
		542,311
Allowance for doubtful collection		(460,964)
Net receivables	\$	81,347

**E. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at September 30, 2014, consisted of the following individual fund balances:

	Due from Other Funds	Due to Other Funds
General Fund:		
Agency Fund	\$ 23,556	
Total General Fund	\$ 23,556	
Agency Fund		\$ 23,556
Total		\$ 23,556

The interfund transfers reflected on the Statements of Revenues and Expenditures were for routine purposes. Transfers from the Road and Bridge Fund of \$200,000 were to the Precinct Fund for Precinct operations. A transfer to close the Farm to Market and Lateral Road Fund to the Precinct Fund was made in the amount of \$2,424. \$20,772 was transferred from the Capital Repair Fund to the General Fund to reimburse for expended amounts on repairs. \$213,792 was transferred from the General Fund to the Capital Repair Fund for capital repairs in the County. \$18,540 was transferred from the FEMA Funds to the Precinct and \$5,844 to the General Fund to cover road improvement costs as covered by the FEMA Grant.

**DAWSON COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2014**

**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, 2014, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirement	Ending Balance
<b>Governmental Activities:</b>				
Land	\$ 91,208	\$ -	\$ -	\$ 91,208
Buildings and Improvements	5,339,561	641,201	-	5,980,762
Equipment	4,335,074	636,930	513,657	4,458,347
Transportation Equipment	1,413,296	56,509	561,417	908,388
Furniture and Fixtures	89,037	-	-	89,037
Totals at Historical Cost	<u>\$ 11,268,176</u>	<u>\$ 1,334,640</u>	<u>\$ 1,075,074</u>	<u>\$ 11,527,742</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	2,247,065	142,491	-	2,389,556
Equipment	1,866,930	414,232	449,809	1,831,353
Transportation Equipment	782,150	135,314	272,447	645,017
Furniture and Fixtures	56,132	9,382	-	65,514
Total Accumulated Depreciation	<u>\$ 4,952,277</u>	<u>\$ 701,419</u>	<u>\$ 722,256</u>	<u>\$ 4,931,440</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 6,315,899</u>	<u>\$ 633,221</u>	<u>\$ 352,818</u>	<u>\$ 6,596,302</u>

Capital assets purchased through capital leases are included in the above amounts. The gross amounts included in the ending balances above are Equipment of \$1,409,577 and Accumulated Depreciation on Equipment of \$199,867.

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 48,991
Justice System	54,088
Elections	7,841
Facilities Management	1,968
Law Enforcement	52,067
Fire Protection	2,478
Corrections	59,246
Roads and Bridges	387,028
Health Care	52,825
Parks and Recreation	9,938
County Extension Service	18,910
Libraries	6,039
Total Depreciation Expense	<u>\$ 701,419</u>

**DAWSON COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2014**

**G. LONG-TERM LIABILITIES**

A summary of changes in general long-term debt for the year ended September 30, 2014, is as follows:

Description	Interest Rate Payable	Interest Current Year	Payable Amounts Outstanding 10/01/13	Issued	Retired	Payable Amounts Outstanding 9/30/14	Due Within One Year
Compensated Absences							
Various Funds	None	None	\$ 81,144	\$ 6,048	\$ -	\$ 87,192	\$ 87,192
Capital Lease Precinct	2.38%	\$ 2,277	107,259	-	25,396	81,863	26,007
Capital Lease Precinct	3.20%	4,783	164,351	-	32,628	131,723	33,687
Capital Lease Precinct	3.20%	3,376	139,780	-	139,780	-	-
Capital Lease Precinct	2.70%	456	-	202,730	3,160	199,570	38,475
Capital Lease Precinct	3.20%	5,528	-	204,278	35,049	169,229	39,425
Capital Lease Precinct	2.70%	2,824	-	188,145	20,666	167,479	36,192
Total		\$ 19,244	\$ 492,534	\$ 601,201	\$ 256,679	\$ 837,056	\$ 260,978

Interest charged to expense in the Precinct Fund for the current fiscal year was \$19,244.

**H. DEBT SERVICE REQUIREMENTS – CAPITAL LEASES**

The County has entered into lease agreements as lessee to finance the acquisition of six road graders. Three of these contracts were completed during the year. The County also entered into two new contracts. 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, 2014.

	Present Value of Minimum Lease Payments	Interest	Total Minimum Lease Payments
Caterpillar – 140 H Grader – Super Precinct	\$ 81,863	\$ 3,105	\$ 84,968
Caterpillar – 140 M Grader – Super Precinct	131,723	8,209	139,932
Caterpillar – 140 M2 Grader – Super Precinct	199,570	13,764	213,334
Caterpillar – 140 M2 Grader – Super Precinct	167,479	10,373	177,852
Caterpillar – 140 M2 Grader – Super Precinct	169,229	11,533	180,762
Total	\$ 749,864	\$ 46,984	\$ 796,848

**DAWSON COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014**

These total minimum lease payments are payable as follows:

<u>Year Ending September 30,</u>	Principal	Interest	Total
2015	\$ 173,786	\$ 19,221	\$ 193,007
2016	178,827	14,180	193,007
2017	184,017	8,990	193,007
2018	153,644	3,938	157,582
2019	59,590	655	60,245
<b>Total Capital Lease Payments</b>	<b>\$ 749,864</b>	<b>\$ 46,984</b>	<b>\$ 796,848</b>

**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, 2014, were as follows:

<u>Year Ending September 30,</u>	
2015	\$ 10,120
2016	7,949
2017	4,175
<b>Total Minimum Rental</b>	<b>\$ 22,244</b>

Rental Expenditures in Fiscal Year 2014                      \$ 10,840

**J. EMPLOYEE RETIREMENT BENEFITS**

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

**Texas County and District Retirement System Plan**

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

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



**DAWSON COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2014**

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

**GASB 27 Calculation Information**

	<u>2013</u>	<u>2014</u>
GASB 27 compliant contribution rate	12.36%	13.05%
Assumed return on employer funds	9.00%	9.00%
Actuarial amortization factor	12.4298	12.4298
Contribution rate	12.36%	13.05%

**Actuarial Information**

Actuarial valuation date	12/31/11	12/31/12	12/31/13
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period in years	20	20	20
Asset valuation method			
Subdivision Accumulation Fund	10-yr Smoothed value	10-yr Smoothed value	10-yr Smoothed value
Employees Saving Fund	Fund Value	Fund Value	Fund Value
UAAL as a percentage of covered payroll	76.78%	79.42%	72.51%
Actuarial Assumptions:			
Investment return*	8.00%	8.00%	8.00%
Projected salary increases*	5.40%	5.40%	4.90%
Inflation	3.50%	3.50%	3.00%
Cost-of-living adjustments	0.00%	0.00%	0.00%

\*Includes inflation at the stated rate

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

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

**DAWSON COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014**

**Note Disclosure Variables**

<b>1. Plan Description</b>	<b>2013*</b>	<b>2014*</b>
Number of participating subdivisions	641	656
Years required for vesting and retirement at age 60	8	8
Rule of Dawson County for retirement eligibility	80	80
Service years for retirement at any age	30	30
Partial Lump-sum payment option	Yes	Yes
 <b>2. Funding Policy</b>		
Contribution rate for employer	12.36%	13.05%
Deposit rate for employees	7.00%	7.00%
 <b>3. Other</b>		
Elected rate in effect	No	No

(\*) - relates to the plan year

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

Accounting Year End	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/12	397,433	100%	-
9/30/13	404,529	100%	-
9/30/14	533,693	100%	-

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

**K. CAFETERIA PLAN**

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

**L. HEALTH CARE COVERAGE**

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

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.

**DAWSON COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014**

**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, 2014 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, 2014 was \$21,260.

**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, 2013, expenditures amounting to \$406,516 had been made related to the FEMA Grant Funds. At this time, it is unclear what the plans for the remaining funds are. As a result, only the funding expended was included as revenue of the current period. The unexpended funding was included as a Deferred Inflow of Resources on the Governmental Funds Balance Sheet. If the County uses the remaining funding for the intended purpose, the revenue will be recognized as earned (i.e. as expended). If the County decides to return the money to FEMA, the revenue will not be recognized as a current source of funding.

**P. CLAIMS AND ASSESSMENTS**

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 2015. 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, 2014**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
<b>Taxes</b>				
Property Taxes	\$5,231,482	\$ 5,231,482	\$ 5,264,136	\$ 32,654
General Sales and Use Taxes	750,000	750,000	976,881	226,881
Mixed Beverage Tax	2,100	2,100	7,194	5,094
Intergovernmental Revenue and Grants	43,965	43,965	73,201	29,236
Charges for Services	470,870	470,870	763,980	293,110
Fines	222,095	222,095	226,037	3,942
Investment Earnings	5,160	5,160	4,999	(161)
Rents and Royalties	3,000	3,000	3,000	-
Other Revenue	24,740	24,740	182,767	158,027
<b>Total Revenues</b>	<u>\$6,753,412</u>	<u>\$ 6,753,412</u>	<u>\$ 7,502,195</u>	<u>\$ 748,783</u>
<b>Expenditures</b>				
<b>Current:</b>				
General Government	\$ 949,056	\$ 1,105,330	\$ 813,157	\$ 292,173
Judicial	1,559,121	1,636,442	1,505,186	131,256
Elections	29,885	32,885	24,673	8,212
Financial Administration	324,521	324,521	296,249	28,272
Tax Administration	319,360	319,360	308,106	11,254
Facilities Management	609,212	655,637	614,241	41,396
Public Safety:				
Law Enforcement	716,172	772,889	767,568	5,321
Fire Protection	182,341	182,341	168,882	13,459
Corrections	1,013,320	1,234,320	1,218,026	16,294
Public Works:				
Road and Bridges	83,824	83,824	86,780	(2,956)
Sanitation	67,400	67,400	65,340	2,060
Public Transportation	5,005	5,005	10,000	(4,995)
Health and Welfare:				
Health Care	327,728	361,426	338,249	23,177
Human Services	54,069	54,182	54,245	(63)
Culture and Recreation				
Parks & Recreation	47,744	63,744	43,166	20,578
Museums	1,000	1,000	1,000	-
County Extension Service	128,212	130,212	125,338	4,874
Libraries	335,442	337,542	321,333	16,209
<b>Total Expenditures</b>	<u>\$6,753,412</u>	<u>\$ 7,368,060</u>	<u>\$ 6,761,539</u>	<u>\$ 606,521</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ (614,648)</u>	<u>\$ 740,656</u>	<u>\$ 1,355,304</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Real and Personal Property	\$ -	\$ -	\$ -	\$ -
Transfers In	10	26,616	26,616	-
Transfers Out	(5)	(413,792)	(413,792)	-
Transfers to Other Governments	-	(402,000)	(402,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 5</u>	<u>\$ (789,176)</u>	<u>\$ (789,176)</u>	<u>\$ -</u>
<b>Change in Fund Balance</b>	<u>\$ 5</u>	<u>\$ (1,403,824)</u>	<u>\$ (48,520)</u>	<u>\$ 1,355,304</u>
<b>Fund Balance, Beginning of Year</b>			<u>\$ 5,451,852</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 5,403,332</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, 2014**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Taxes				
Property Taxes	\$ 1,136,208	\$ 1,136,208	\$ 1,143,301	\$ 7,093
Licenses and Permits	536,400	536,400	541,683	5,283
Other Revenue	26,400	26,400	115,851	89,451
<b>Total Revenues</b>	<u>\$ 1,699,008</u>	<u>\$ 1,699,008</u>	<u>\$ 1,800,835</u>	<u>\$ 101,827</u>
<b>Expenditures</b>				
Current:				
Public Works:				
Road and Bridges	\$ 1,699,018	\$ 1,819,940	\$ 1,696,089	\$ 123,851
<b>Total Expenditures</b>	<u>\$ 1,699,018</u>	<u>\$ 1,819,940</u>	<u>\$ 1,696,089</u>	<u>\$ 123,851</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ (10)</b>	<b>\$ (120,932)</b>	<b>\$ 104,746</b>	<b>\$ 225,678</b>
<b>Other Financing Sources (Uses)</b>				
Sale of Real and Personal Property	\$ 5	\$ 5	\$ -	\$ (5)
Transfers In	5	218,540	220,964	2,424
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 10</u>	<u>\$ 218,545</u>	<u>\$ 220,964</u>	<u>\$ 2,419</u>
<b>Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ 97,613</u>	<u>\$ 325,710</u>	<u>\$ 228,097</u>
<b>Fund Balance, Beginning of Year</b>			<u>\$ 623,964</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 949,674</u>	

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

**DAWSON COUNTY, TEXAS  
SCHEDULE OF FUNDING PROGRESS  
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<b>Actuarial Valuation Date</b>	<b>December 31, 2011</b>	<b>December 31, 2012</b>	<b>December 31, 2013</b>
Actuarial Value of Assets	\$ 8,735,064	\$ 9,712,043	\$ 10,735,049
Actuarial accrued liability (AAL) - Entry Age	11,574,151	12,659,222	13,610,753
Unfunded or (overfunded actuarial accrued liability [UAAL or (OAAL)] - Entry Age	2,839,087	2,947,179	2,875,704
Funded Ratio	75.47%	76.72%	78.87%
Annual covered payroll (actuarial)	3,697,744	3,711,091	3,965,752
UAAL or (OAAL) as percentage of covered payroll	76.78%	79.42%	72.51%

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, 2014**

EXHIBIT E-4

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

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

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

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

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

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

**Roads**

The County applies the modified approach only to the 62.65 miles of 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, 2014**

EXHIBIT E-4

**Measurement Scale (Continued)**

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

**Established Condition Level**

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

**Assessed Conditions**

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

<b>Category</b>	<b>2011</b>
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, 2009	\$	-
September 30, 2010	\$	-
September 30, 2011	\$	408,005
September 30, 2012	\$	340,712
September 30, 2013	\$	129,195
September 30, 2014	\$	408,819



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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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 28, 2015.

**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  
January 28, 2015

Steve Gary, C.P.A., PC  
James Bowers, C.P.A., PC  
Eric Miller, C.P.A., PC  
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A Partnership of  
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January 28, 2015

Honorable Judge O'Brien and Commissioners' Court  
Dawson County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dawson County, Texas for the year ended September 30, 2014. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 1, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Principles*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Dawson County, Texas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending September 30, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transaction have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 28, 2015.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

*Gary, Bowers & Miller*

Gary, Bowers and Miller