



Financial Statements  
September 30, 2021

**Dawson County, Texas**

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## Independent Auditor's Report

The Honorable Judge and Members of the Commissioners Court  
Dawson County, Texas  
Lamesa, 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, 2021, 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 Dawson County, Texas, as of September 30, 2021, 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.

## **Change in Accounting Principle**

As discussed in Notes 1 and 18 to the financial statements, the County has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of custodial fund net position as of October 1, 2020. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information together with the schedule of changes in net pension liability and related ratios, the schedule of employer contributions, the schedule of changes in total OPEB liability and related ratios, and the information about infrastructure assets reported using the modified approach on pages 4-13 and 54-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2022, on our consideration of Dawson County, Texas'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's 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 Dawson County, Texas's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed text.

Abilene, Texas  
March 11, 2022

This section of Dawson County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2021. Please read it in conjunction with the County's financial statements.

### **FINANCIAL HIGHLIGHTS**

- Dawson County's total combined net position was \$14.9 million at September 30, 2021. This represents an increase of \$1,353,899 from September 30, 2020. Of this amount, \$4.9 million (unrestricted net position) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$1,353,899 less than the \$12.9 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$4.5 million; \$4.3 million is available for spending at the government's discretion.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the County's financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-Wide Statements**

The government-wide statements are designed to provide readers with a broad overview of Dawson County's finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Position (Page 14) presents information on all of Dawson County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether Dawson County's financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (Page 15) presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Net position – the difference between the County's assets and liabilities – is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County's tax base.

Both of these government-wide financial statements are designed to distinguish functions of Dawson County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include general government, judicial, elections, financial administration, tax administration, facilities management, law enforcement, fire protection, corrections, road and bridge, sanitation, public transportation, health care, human services, parks and recreation, museums, county extension services, and libraries. These activities are financed primarily by property taxes and grants. The County does not have any business-type activities.

### **Fund Financial Statements**

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

The County has three types of funds:

- **Governmental funds**—Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on Pages 17 and 19 of the basic financial statements section.

The County maintains forty-five individual governmental funds. Information is presented separately in the governmental fund statements for the general fund, precinct fund, district court fund, and the American Rescue fund, all of which are considered to be major funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its funds. Budgetary comparison schedules have been provided in the Required Supplementary section to demonstrate compliance with this budget.

- Fiduciary funds – The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in the separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Fund Net Position. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

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

Dawson County's combined net position was approximately \$14.9 million at September 30, 2021. The largest portion of the County's net position (45%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment), less accumulated depreciation and any related outstanding debt. An additional portion of the County's net position (23%) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors.

	Governmental Activities	
	September 30, 2021	September 30, 2020
Current and Other Assets	\$ 10,454,905	\$ 8,540,620
Capital Assets	7,573,008	7,238,554
Total assets	18,027,913	15,779,174
Deferred Outflows of Resources	1,357,768	432,259
Current Liabilities	1,921,957	777,086
Long Term Liabilities	1,185,207	1,032,929
Total liabilities	3,107,164	1,810,015
Deferred Inflows of Resources	1,344,118	820,918
Net Position		
Net Investment in Capital Assets	6,648,357	6,434,760
Restricted	3,381,308	2,482,393
Unrestricted	4,904,734	4,663,347
Total net position	\$ 14,934,399	\$ 13,580,500



**Changes in Net Position**

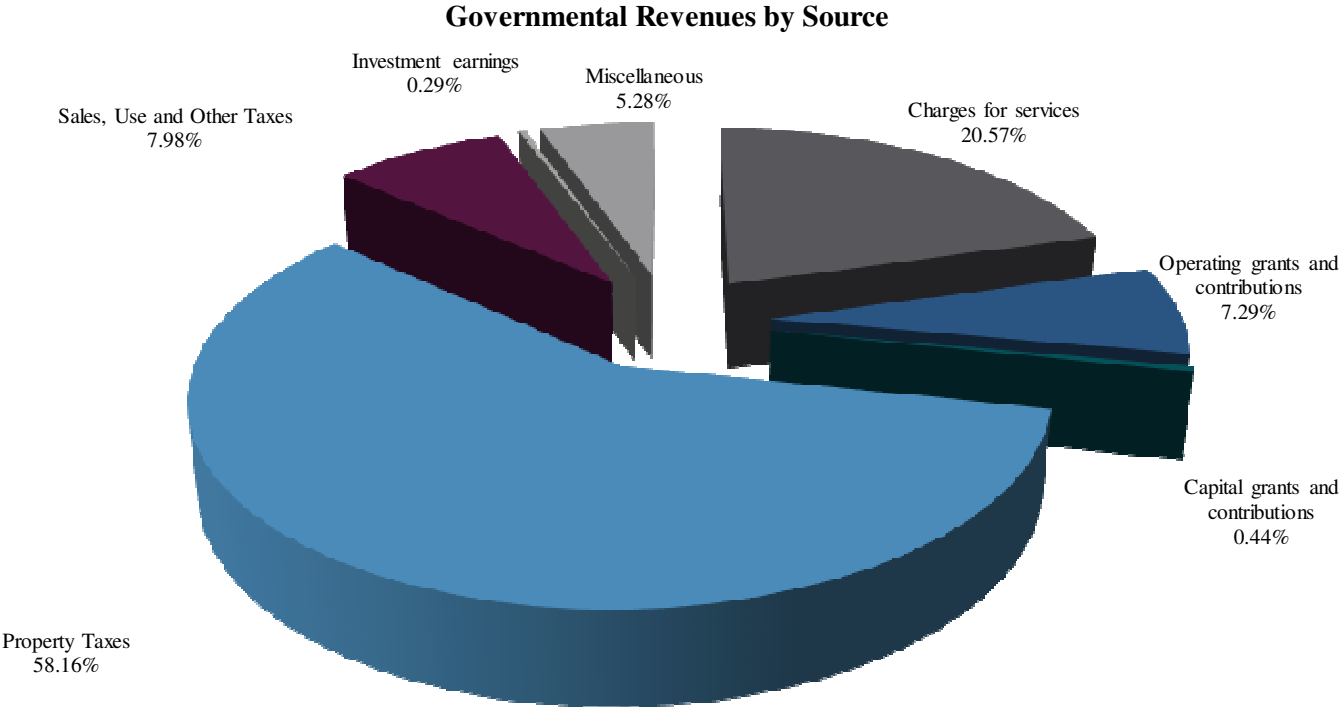
Dawson County's net position increased by \$1,353,899 during the current fiscal year.

	Governmental Activities	
	September 30, 2021	September 30, 2020
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 2,663,297	\$ 2,585,697
Operating grants and contributions	943,856	346,069
Capital grants and contributions	56,498	-
General revenues		
Property taxes	7,530,001	7,691,972
Sales and use and other taxes	1,033,486	906,483
Investment earnings	37,735	96,164
Miscellaneous revenue	537,198	185,247
Gain on sale of assets	146,037	13,335
Total revenues	<u>12,948,108</u>	<u>11,824,967</u>
<b>Expenses</b>		
General government	1,829,888	1,672,167
Judicial	2,825,934	2,836,015
Elections	58,874	35,700
Financial Administration	359,408	367,457
Tax Administration	369,088	402,629
Facilities Management	1,165	20,884
Public safety	-	46,029
Law Enforcement	1,336,977	1,050,773
Fire protection	13,070	194,177
Corrections	1,562,703	1,684,112
Road and bridge	2,213,159	1,790,623
Sanitation	52,755	65,340
Public transportation	10,000	10,000
Health care	63,247	68,746
Human services	326,125	324,082
Parks and recreation	64,589	99,751
Museums	1,000	1,000
County extension service	163,551	142,458
Libraries	311,731	353,181
Interest on long-term debt	30,945	35,000
Total expenses	<u>11,594,209</u>	<u>11,200,124</u>
Change in Net Position	1,353,899	624,843
Beginning net position	<u>13,580,500</u>	<u>12,955,657</u>
Ending Net Position	<u>\$ 14,934,399</u>	<u>\$ 13,580,500</u>

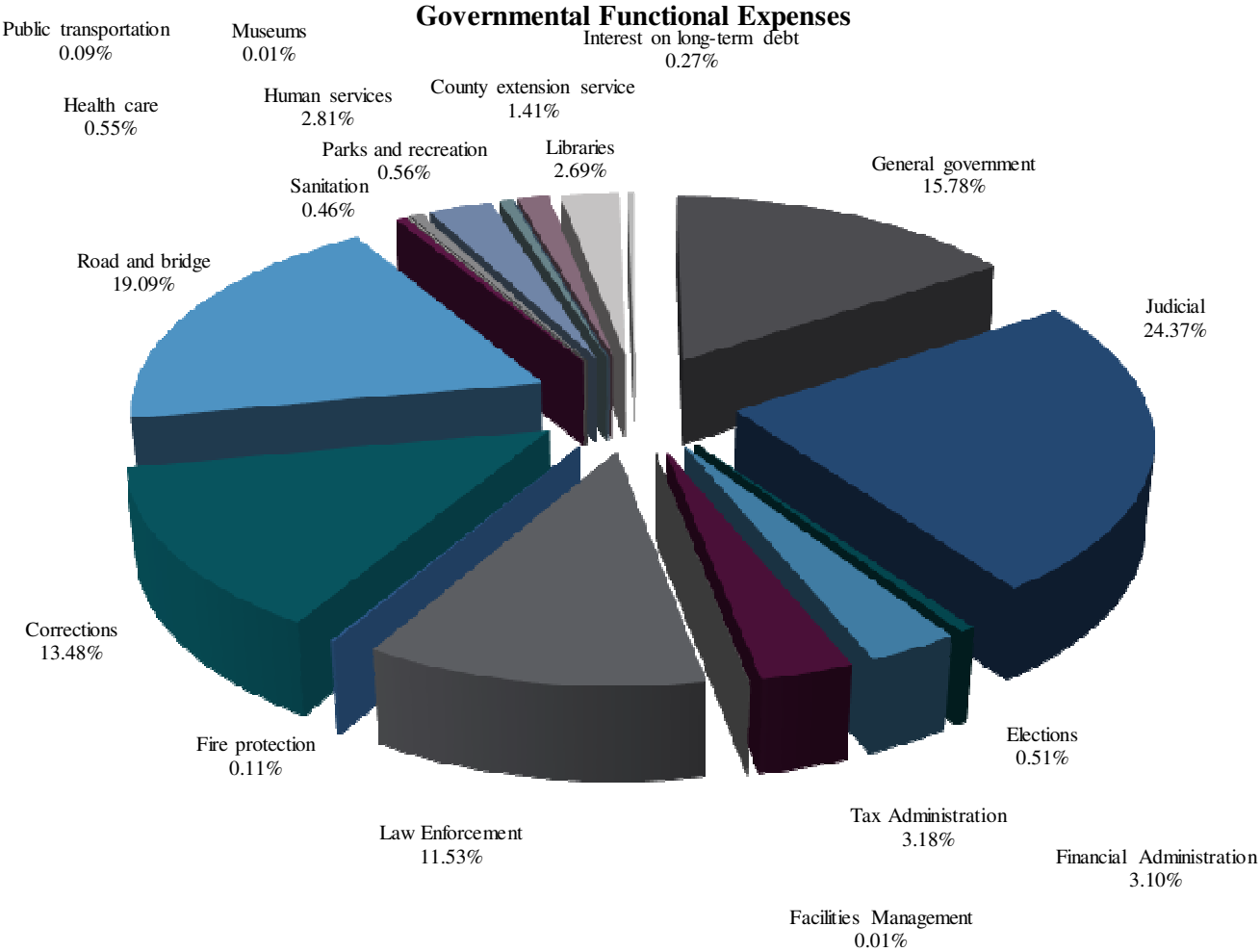
**Governmental Activities**

Total revenues for the fiscal year ending September 30, 2021 were \$12.9 million. Approximately 66% of the County's revenue comes from taxes, with approximately 58% from property taxes alone. Property tax revenue as a percentage of total revenue decreased by 7% compared to the prior year due to a decrease in assessed property values.

Expenditures increased by \$394 thousand from the prior year, due to the net effect of increases in law enforcement, road and bridge, and general government cost.



The total cost for all programs and services totaled \$11.6 million for the year ended September 30, 2021. Of this amount, the largest operating services areas were judicial which totaled \$2.8 million or 24% of total expenses for the year, and road and bridge which totaled \$2.2 million, or 19% of total expenses for the year. In the prior year, these two operating areas comprised 41.3% of total expenses. Costs related to general government (16%) continued to absorb a significant percentage of the County’s total expenses for the current year.



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

As of the end of the fiscal year, Dawson County’s governmental funds reported a combined fund balance of \$7.3 million, an increase of \$653,219 or 10% in comparison with the prior year. Approximately 62% of this total amount (\$4.5 million) is unassigned fund balance, which is available for spending at the government’s discretion. The remainder of fund balance is restricted or assigned, to indicate that it is not available for new spending because it has already been restricted or assigned to: 1) special purposes by virtue of special revenue funds (\$2.8 million).

The General Fund is the chief operating fund of the County. At the end of the fiscal year, the total fund balance was \$4.5 million. Approximately \$4.3 million is unassigned. As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 62% of total General Fund expenditures. Dawson County's General Fund balance increased by \$869,654 during the current fiscal year.

The Precinct Fund had a fund balance of \$736,556 at the end of the year, which is a decrease of \$129,363 in fund balance from prior year fund balance of \$865,919.

The District Court Fund had a fund balance of \$209,004 at the end of the year, which is an increase of \$34,400 in fund balance from prior year fund balance of \$174,604.

The American Rescue Fund had no increase in current year fund balance. During the fiscal year, the County received \$1,236,705, expended \$400,000, and recorded the remaining \$836,705 as unearned revenue.

### **Fund Budgetary Highlights**

Over the course of the year, the County's General Fund budget was revised several times. With these adjustments, actual expenditures were \$1,101,858 below final budgeted amounts. Positive variances from budgeted expenditures resulted from decreases in most expenditure categories. Resources available were \$246,857 less than the final budgeted amount. The revenue decreases were primarily due to loss of fine and fee revenues during the COVID-19 pandemic.

The County's Precinct Fund budget was revised several times over the course of the year. With these adjustments, actual expenditures were \$270,875 over final budgeted amounts. Positive variances from budgeted expenditures resulted from decreases in road and bridge expenditures. These positive variances were offset by a negative variance in capital outlay. Resources available were \$92,749 less than the final budgeted amount. The revenue decreases were primarily due to loss of other revenues during the COVID-19 pandemic.

The County's District Court Fund budget was revised several times over the course of the year. With these adjustments, actual expenditures were \$52,143 under final budgeted amounts. Resources available were \$1,797 more than final budgeted amount.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

As of September 30, 2021, the County had invested \$7.6 million in a broad range of capital assets, including land, buildings, bridges and equipment. This amount represents a net increase (including additions, retirements and adjustments) of \$334,454, or 4.6% over last year.

Major events affecting capital assets during the year were:

- Various equipment and vehicle acquisitions.

More detailed information about the County's capital assets can be found in Note 6 on Page 34 of this report.

	Governmental Activities		Percent Change
	2021	2020	
Land	\$ 159,176	\$ 140,778	13.07%
Buildings and improvements	6,909,685	6,909,685	0.00%
Furniture and fixtures	109,157	109,157	0.00%
Machinery and equipment	6,379,105	6,125,859	4.13%
Transportation equipment	1,525,948	1,170,594	30.36%
<b>Total</b>	<b>15,083,071</b>	<b>14,456,073</b>	<b>4.34%</b>
<b>Total accumulated depreciation</b>	<b>(7,510,063)</b>	<b>(7,217,519)</b>	<b>4.05%</b>
<b>Net Capital Assets</b>	<b>\$ 7,573,008</b>	<b>\$ 7,238,554</b>	<b>4.62%</b>

#### Long-Term Debt

At the end of the year, the County had \$1,000,708 of long-term obligations.

	Governmental Activities		Percent Change
	2021	2020	
Capital leases payable	\$ 924,651	\$ 803,794	15%
Compensated absences	76,057	114,222	-33%
<b>Total</b>	<b>\$ 1,000,708</b>	<b>\$ 918,016</b>	<b>9%</b>

During the year, Dawson County's long-term obligations increased by \$82,692.

The State limits the amount of general obligation debt that a County can issue to 25% of its total assessed valuation. The current debt limitation is \$198 million, which is significantly higher than the County's outstanding general obligation debt.

More detailed information about the County's long-term liabilities can be found in Note 8 on Pages 36 and 37 of this report.

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

Dawson County's elected and appointed officials considered many factors when setting the fiscal year 2022 budget and tax rates. Some key items that should be noted are as follows:

- Mineral net taxable assessed values used for the 2022 budget preparation decreased by \$117,981,110 or 14.89% from 2021. The Commissioners Court fully reviewed the significances the decline could make on the services for the County and the citizens, and they chose to fully fund the budget above the No-New-Revenue (effective) Tax Rate. The net result was that the combined adopted tax rate was set at \$0.970920 cents per \$100 of valuation, the same as the prior year tax rate of \$0.970920. In anticipation of decreased ad valorem revenue and an increase in prices for services and supplies, Dawson County rearranged expenditure budgets to meet future maintenance and operation needs while also maintaining and funding several discretionary services that affect quality of life for Dawson County citizens.
- Sales tax collections were greatly affected by the COVID-19 pandemic. They took a minor upward turn by 14.32% in 2021. As restrictions slowly ease across the State of Texas and the County, the forecast is that sales tax collections will gain momentum again.
- The Commissioners Court increased the base pay for elected officials and employees by 3%. The budget will allow for approximately the same number of employees. The Commissioners Court funded all employee health benefits at the same levels as the previous year. The Commissioners Court made various changes to the Dawson County Personnel Policy Manual so that the policies and procedures in the manual coincide with payroll budgets and benefits.
- The oil industry in the Dawson County area was impacted by the pandemic and the unpredictability in the oil prices. There is the potential for a continued weakness in mineral valuations in this County as world production is driving the cost of oil. There was hope that production would begin on a large-scale basis this next year but that is no longer the case. It is still difficult to accurately predict long-term economic numbers or population 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 businesses and industries 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 the local economy.

These factors and others were taken into consideration when preparing the maintenance and operations budgets for the 2022 fiscal year.

The budgets for capital expenditures, contingency, and transfers were decreased to offset the functional expenditure budgets and to maintain the integrity of the discretionary services.

## **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.

## **ACKNOWLEDGMENTS**

For their assistance and cooperation, thank you to the District Judge of the 106th Judicial District, County Judge, Commissioners Court, the Treasurer, and other elected officials, appointed officials, department heads, foremen, and employees in the various departments. The interest and involvement of the Commissioners Court in planning and conducting the financial operations of Dawson County is appreciated. The Commissioners Court and all officials and employees worked hard and diligently during the budget workshops and throughout the year. This type of cooperation, support, and teamwork allows Dawson County to continue to take care of the community, citizens, and taxpayers.

Respectfully submitted,

*Lucy Valero*

Dawson County, Texas  
Statement of Net Position (Exhibit A-1)  
September 30, 2021

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 8,702,052
Receivables (net of allowance for uncollectibles)	
Taxes	837,112
Other	97,680
Net pension asset	818,061
Capital assets	
Land	159,176
Buildings and improvements, net	3,251,275
Furniture and fixtures, net	18,968
Machinery and equipment, net	3,597,389
Transportation equipment, net	546,200
Total assets	18,027,913
<b>Deferred outflows of resources</b>	
Deferred outflows - pension	1,246,314
Deferred outflows - OPEB	111,454
Total deferred outflows	1,357,768
<b>Liabilities</b>	
Accounts payable and other current liabilities	460,361
Payroll liabilities	200,785
Deferred revenue	1,039,991
Noncurrent liabilities	
Due within one year	220,820
Due in more than one year	779,888
Total OPEB liability	405,319
Total liabilities	3,107,164
<b>Deferred inflows of resources</b>	
Deferred inflows - pension	1,318,537
Deferred inflows - OPEB	25,581
Total deferred inflows	1,344,118
<b>Net Position</b>	
Net investment in capital assets	6,648,357
Restricted for	
Grant	70,825
Road and bridge	844,250
Judicial	624,312
Community improvements	168,181
Pension	745,838
Other restricted	927,902
Unrestricted	4,904,734
Total net position	\$ 14,934,399



Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions
		Charges for Services	Operating Grants and Contributions	
Primary Government				
Governmental activities				
General government	\$ 1,829,888	\$ 74,980	\$ 25,715	\$ -
Judicial	2,825,934	1,471,986	345,845	-
Elections	58,874	-	540,980	-
Financial Administration	359,408	5,930	-	-
Tax Administration	369,088	208,369	-	-
Facilities Management	1,165	165,054	-	-
Law Enforcement	1,336,977	43,912	23,192	38,100
Fire protection	13,070	-	-	-
Corrections	1,562,703	43,516	-	-
Road and bridge	2,213,159	572,269	-	-
Sanitation	52,755	-	-	-
Public transportation	10,000	-	-	-
Health care	63,247	100	-	-
Human services	326,125	63,200	-	-
Parks and recreation	64,589	6,475	564	-
Museums	1,000	-	-	-
County extension service	163,551	-	-	2,278
Libraries	311,731	7,506	7,560	16,120
Interest and fees on long-term debt	30,945	-	-	-
Total governmental activities	<u>11,594,209</u>	<u>2,663,297</u>	<u>943,856</u>	<u>56,498</u>
Total primary government	<u>\$ 11,594,209</u>	<u>\$ 2,663,297</u>	<u>\$ 943,856</u>	<u>\$ 56,498</u>

See Notes to Financial Statements

Dawson County, Texas  
Statement of Activities (Exhibit A-2)  
Year Ended September 30, 2021

	Net (Expense) Revenue and Changes in Net Position	
	Primary Government	
	Governmental Activities	Total
	\$ (1,729,193)	\$ (1,729,193)
	(1,008,103)	(1,008,103)
	482,106	482,106
	(353,478)	(353,478)
	(160,719)	(160,719)
	163,889	163,889
	(1,231,773)	(1,231,773)
	(13,070)	(13,070)
	(1,519,187)	(1,519,187)
	(1,640,890)	(1,640,890)
	(52,755)	(52,755)
	(10,000)	(10,000)
	(63,147)	(63,147)
	(262,925)	(262,925)
	(57,550)	(57,550)
	(1,000)	(1,000)
	(161,273)	(161,273)
	(280,545)	(280,545)
	(30,945)	(30,945)
	(7,930,558)	(7,930,558)
	(7,930,558)	(7,930,558)
General revenues		
Property taxes, levied for general purposes	7,530,001	7,530,001
Sales and other taxes	1,033,486	1,033,486
Gain on sale of assets	146,037	146,037
Investment earnings	37,735	37,735
Miscellaneous income	537,198	537,198
	9,284,457	9,284,457
Total general revenues	9,284,457	9,284,457
Change in net position	1,353,899	1,353,899
Net position at beginning of year	13,580,500	13,580,500
Net position at end of year	\$ 14,934,399	\$ 14,934,399

	General Fund	Precinct Fund	District Court Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 4,452,958	\$ 833,094	\$ 237,324
Receivables (net of allowances for uncollectibles)			
Taxes	723,310	113,802	-
Other	28,334	-	-
Fines and fees	69,346	-	-
Due from other funds	4,626	-	-
Total assets	<u>\$ 5,278,574</u>	<u>\$ 946,896</u>	<u>\$ 237,324</u>
<b>Liabilities, deferred inflows of resources and fund balances</b>			
<b>Liabilities</b>			
Accounts payable and other current liabilities	\$ 88,412	\$ 80,575	\$ 14,749
Payroll liabilities	151,066	20,060	12,462
Unearned revenue	24,836	-	-
Due to other funds	-	2,011	1,109
Total liabilities	<u>264,314</u>	<u>102,646</u>	<u>28,320</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue - property tax	494,007	107,694	-
Unavailable revenue - fines and fees	69,346	-	-
Total deferred inflows of resources	<u>563,353</u>	<u>107,694</u>	<u>-</u>
<b>Fund balances</b>			
<b>Restricted for</b>			
Grant	-	-	-
Judicial	-	-	209,004
Community improvements	153,669	-	-
Road and bridge	-	736,556	-
Other restricted	-	-	-
<b>Assigned for</b>			
Community improvements	-	-	-
Unassigned	4,297,238	-	-
Total fund balances	<u>4,450,907</u>	<u>736,556</u>	<u>209,004</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,278,574</u>	<u>\$ 946,896</u>	<u>\$ 237,324</u>

See Notes to Financial Statements

Dawson County, Texas  
Balance Sheet – Governmental Funds (Exhibit A-3)  
September 30, 2021

American Rescue Fund	Other Governmental Funds	Total Governmental Funds
\$ 836,705	\$ 2,341,971	\$ 8,702,052
-	-	837,112
-	-	28,334
-	-	69,346
-	-	4,626
<u>\$ 836,705</u>	<u>\$ 2,341,971</u>	<u>\$ 9,641,470</u>
\$ -	\$ 276,625	\$ 460,361
-	17,197	200,785
836,705	178,450	1,039,991
-	1,506	4,626
<u>836,705</u>	<u>473,778</u>	<u>1,705,763</u>
-	-	601,701
-	-	69,346
<u>-</u>	<u>-</u>	<u>671,047</u>
-	70,825	70,825
-	415,308	624,312
-	14,512	168,181
-	-	736,556
-	927,902	927,902
-	227,410	227,410
-	212,236	4,509,474
<u>-</u>	<u>1,868,193</u>	<u>7,264,660</u>
<u>\$ 836,705</u>	<u>\$ 2,341,971</u>	<u>\$ 9,641,470</u>

Dawson County, Texas

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit A-4)

September 30, 2021

Total Fund Balance - Governmental Funds \$ 7,264,660

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.

Governmental capital assets	15,083,071	
Accumulated depreciation	<u>(7,510,063)</u>	7,573,008

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Similarly, the net pension asset is not reported in the funds

Capital leases payable	(924,651)	
Compensated absences	(76,057)	
Net pension asset	818,061	
Total OPEB liability	<u>(405,319)</u>	(587,966)

Included in the items related to long-term liabilities is the recognition of the County's deferred outflow of resources, and deferred inflow of resources relating to its pension liability and OPEB liability.

Deferred inflow of resources - pension	(1,318,537)	
Deferred inflow of resources - OPEB	(25,581)	
Deferred outflow of resources - pension	1,246,314	
Deferred outflow of resources - OPEB	<u>111,454</u>	13,650

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.

Unavailable revenue - office fees receivable	69,346	
Unavailable revenue - property taxes	<u>601,701</u>	<u>671,047</u>

Net Position of Governmental Activities - Statement of Net Position \$ 14,934,399

	General Fund	Precinct Fund	District Court Fund
Revenues			
Taxes			
Property taxes	\$ 5,967,195	\$ 1,298,652	\$ -
Other taxes	1,033,486	-	-
License and permits	2,583	481,550	-
Intergovernmental and grants	26,436	-	560,683
Fines and fees	599,809	15,200	-
Rents and recoveries	41,011	-	-
Investment earnings	22,281	-	-
Miscellaneous	392,108	75,519	1,802
Total revenues	<u>8,084,909</u>	<u>1,870,921</u>	<u>562,485</u>
Expenditures			
Current			
General government	1,624,624	-	-
Judicial	1,555,550	-	528,085
Elections	46,739	-	-
Financial administration	370,302	-	-
Tax administration	369,088	-	-
Law enforcement	1,083,073	-	-
Fire protection	13,070	-	-
Corrections	1,069,597	-	-
Road and bridge	-	1,303,431	-
Sanitation	52,755	-	-
Public transportation	10,000	-	-
Health and welfare			
Health care	55,000	-	-
Human services	101,634	-	-
Culture and recreation			
Parks and recreation	21,103	-	-
Museum	1,000	-	-
County extension services	135,822	-	-
Libraries	309,113	-	-
Debt service			
Debt principal	-	454,432	-
Debt interest and agent fees	-	30,945	-
Capital outlay			
Capital outlay	140,940	790,355	-
Total expenditures	<u>6,959,410</u>	<u>2,579,163</u>	<u>528,085</u>
Excess (deficiency) of revenues over (under) expenditures	1,125,499	(708,242)	34,400
Other financing sources (uses)			
Transfers in	13,780	-	-
Transfers out	(269,625)	-	-
Proceeds from capital leases	-	578,879	-
Total other financing sources (uses)	<u>(255,845)</u>	<u>578,879</u>	<u>-</u>
Net change in fund balance	869,654	(129,363)	34,400
Fund balance at beginning of year	3,581,253	865,919	174,604
Fund balance at end of year	<u>\$ 4,450,907</u>	<u>\$ 736,556</u>	<u>\$ 209,004</u>

See Notes to Financial Statements

Dawson County, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit A-5)

Year Ended September 30, 2021

American Rescue Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 7,265,847
-	-	1,033,486
-	-	484,133
400,000	828,631	1,815,750
-	288,579	903,588
-	-	41,011
-	15,454	37,735
-	474,014	943,443
<u>400,000</u>	<u>1,606,678</u>	<u>12,524,993</u>
-	165,979	1,790,603
-	707,106	2,790,741
-	-	46,739
-	-	370,302
-	-	369,088
-	245,818	1,328,891
-	-	13,070
400,000	12,236	1,481,833
-	298,628	1,602,059
-	-	52,755
-	-	10,000
-	-	55,000
-	224,491	326,125
-	-	21,103
-	-	1,000
-	-	135,822
-	-	309,113
-	3,590	458,022
-	-	30,945
-	326,147	1,257,442
<u>400,000</u>	<u>1,983,995</u>	<u>12,450,653</u>
-	(377,317)	74,340
-	269,625	283,405
-	(13,780)	(283,405)
-	-	578,879
<u>-</u>	<u>255,845</u>	<u>578,879</u>
-	(121,472)	653,219
-	1,989,665	6,611,441
<u>\$ -</u>	<u>\$ 1,868,193</u>	<u>\$ 7,264,660</u>

Dawson County, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit A-6)  
Year Ended September 30, 2021

Net Change in Fund Balances - Total Governmental Funds		\$ 653,219
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements.</p>		
Capital outlay and value of assets traded in	1,464,905	
Principal payments	<u>458,022</u>	1,922,927
<p>Assets donated to governmental funds by private parties are not recorded in the governmental fund financial statements whereas in the government-wide financial statements they are recorded as capital contributions.</p>		
		18,398
<p>Depreciation is not recognized as an expenditure 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.</p>		
		(941,386)
<p>Proceeds from capital leases are reported as other financing sources in the fund financial statements but are shown as long term liabilities in the government-wide financial statements.</p>		
		(578,879)
<p>Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase. The County's unrecognized deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the County's share of pension expense must be recognized.</p>		
Change in contributions made after measurement date	(12,498)	
Pension expense	<u>226,958</u>	214,460
<p>Certain expenditures for the OPEB that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to decrease. The County's unrecognized deferred inflows and outflows as of the measurement date must be amortized and the County's share of OPEB expense must be recognized.</p>		
Change in contributions made after measurement date	(2,020)	
OPEB expense	<u>(22,202)</u>	(24,222)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.</p>		
Decrease in office fines and fees receivable	(5,474)	
Increase in unavailable tax revenues	264,154	
Net book value of assets retired	(207,463)	
Decrease in compensated absences	<u>38,165</u>	<u>89,382</u>
Change in Net Position of Governmental Activities - Statement of Activities		<u>\$ 1,353,899</u>



Dawson County, Texas  
Statement of Fiduciary Net Position – Fiduciary Funds (Exhibit A-7)  
September 30, 2021

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	Private Purpose Trust Fund	Custodial Funds
Assets		
Cash and cash equivalents	\$ 2,530,763	\$ 1,254,783
Investments	631,594	-
Total assets	\$ 3,162,357	\$ 1,254,783
Liabilities		
Accounts payable	\$ -	\$ 11,480
Due to others	463,532	-
Total liabilities	463,532	11,480
Net position		
Restricted	2,698,825	1,243,303
Total net position	\$ 2,698,825	\$ 1,243,303

Dawson County, Texas  
Statement of Changes in Fiduciary Fund Net Position – Fiduciary Funds (Exhibit A-8)  
September 30, 2021

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	Private Purpose Trust Fund	Custodial Funds
Additions		
Interest earnings	\$ 570	\$ -
Rents and royalties	264,900	-
Miscellaneous revenue	-	8,123,040
	265,470	8,123,040
Deductions		
Ad valorem taxes	45,214	-
Transfers to county schools	435,414	-
Loss on mineral interests	605,797	-
Other deductions	-	7,834,470
	1,086,425	7,834,470
Change in Net Position	(820,955)	288,570
Net position, beginning of year, restated	3,519,780	954,733
Net position, end of year	\$ 2,698,825	\$ 1,243,303

## **Note 1 - Summary of Significant Accounting Policies**

### **Reporting Entity**

The County of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution and V.A.C.S. Dawson County (the County) operates under a county judge/commissioners court type of government as provided by state statute. The financial and reporting policies of the County conform to generally accepted accounting principles (GAAP) applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units.

The Commissioners' Court has governance responsibilities over all activities related to Dawson County, Texas. The County receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities; however, the County is not included in any other governmental "reporting entity" as defined by authoritative guidance. There are no component units included within the reporting entity. The criteria for including organizations as component units within the County's reporting entity, as set forth in GAAP include whether:

- the organization is legally separate (can sue and be sued in its name)
- the County holds the corporation powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County
- the exclusion of the organization would result in misleading or incomplete financial statements

The County provides the following services to its citizens: public safety (law enforcement and detention, fire and ambulance), public transportation (roads and bridges), health and welfare (indigent care, health clinic facilities, meals for the elderly and indigent health care), culture and recreation facilities, conservation, public facilities, judicial and legal, election functions, and general and financial administrative services.

### **Government-wide and Fund Financial Statements**

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

The Statement of Activities presents a comparison between expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: a) fees, fines and charges paid by the recipients of goods or services offered by the program, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary 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 Balances. 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 agency funds on the government-wide Statement of Net Position.

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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.

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

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

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

The private purpose trust fund is accounted for on a flow of economic resources measurement focus and utilizes 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 Statement of Fiduciary Net Position. The net position is segregated into restricted and unrestricted net position.

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

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

### **Fund Accounting**

The County reports the following major governmental funds:

**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. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.

**District Court Fund** – The District Court Fund is designated to receive and expend monies related to the operation of the district court which is headquartered in Dawson County.

**Precinct Fund** – The Road and Bridge Fund is a special revenue fund that is used to receive and expend the property tax, farm to market taxes, and lateral road monies that are used for precinct road operations.

American Rescue Fund – The American Rescue Fund is a special revenue fund that is used to account for resources restricted by the grantor agency for this federal program.

Additionally, the County reports the following non-major fund types:

### **Governmental Funds**

Special Revenue Funds – The County uses these funds to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted, committed, or assigned to expenditures for specified purposes.

### **Fiduciary Funds**

Private Purpose Trust Fund - 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.

Custodial Funds – The County accounts for resources held for others in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

### **Cash and Cash Equivalents**

Highly liquid investments are considered to be cash equivalents if they have a maturity of six months or less when purchased.

### **Property Taxes**

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature that affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a “Property Tax Code” and provides, among other things, for the establishment of county wide appraisal districts and for the State Property Tax Board which commenced operation on January 1, 1980.

As of October 1, 1981, the appraisal of property within the County was the responsibility of the Appraisal District (the Appraisal District) of Dawson County. The Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. Beginning January 1, 1984, the value of property within the Appraisal District must be reappraised every three years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. However, if the effective tax rates for bonds and other contractual obligations and adjusted for new improvements exceeds the rate for the previous year by more than 8%, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year.

Through a contractual arrangement with the County, the Appraisal District of Dawson County is responsible for the collection of taxes. The Appraisal District is governed by a Board of Directors elected by the governing bodies of the taxing entities within the Appraisal District. The Board of Directors appoints a Chief Appraiser to act as Chief Administrator of the Appraisal District and an Appraisal Review Board to equalize appraised values.

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to \$0.80 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

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

### **Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Generally, a capitalization threshold of \$5,000 and a useful life of two years or more is used.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40-50
Building improvements	15-50
Vehicles	5-10
Other equipment	5-10

### **Infrastructure Assets**

The County has elected to use the modified approach in accounting for its street network (pavement). The modified approach allows governments to report as expenses in lieu of depreciation, infrastructure expenditures which maintain the asset but do not add to or improve the asset. Additions and improvements to the street network are capitalized. The County uses a pavement rating system to rate street condition and quantify the results of maintenance efforts. The rating system uses a measurement scale that is based on a condition index rating from zero for failed pavement to 10 for pavement in perfect condition. The condition index is used to classify roads and streets in five categories: very good (9-10), good (7-8), fair (5-6), poor (3-4), and very poor (0-2). It is the County's desire to maintain 100% of its street system in good or very good condition. See Exhibit B-7 on pages 60 and 61 for additional information.

### **Receivables and Payables Balances**

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unearned revenue.

### **Compensated Absences**

A liability for unused vacation and comp time for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

1. Leave or compensation is attributable to services already rendered
2. Leave or compensation is not contingent on specific event (such as illness)

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued as long-term debt in the government-wide statements.

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 \$76,057 as of September 30, 2021. They are recorded as expenditures when they are paid but are reflected in the Government-Wide Financial Statements.



### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

### **Interfund Activity**

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

### **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In fund financial statements, the face amount of debt issued is reported as other financing sources.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has deferred outflows of resources related to its pension and OPEB plans for changes in assumptions and the difference between projected and actual earnings for its pension plan and contributions made to the pension and OPEB plans after the measurement date, but before the end of the fiscal year.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has deferred inflows of resources for the differences between expected and actual experience related to its pension plan, OPEB plan, and for unavailable revenue, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

## **Pensions**

The fiduciary net position of the Texas County & District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **OPEB**

The fiduciary net position has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from the fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no assets accumulated in a trust fund for the OPEB plan.

## **Implementation of GASB Statement No. 84**

As of October 1, 2020, the County adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The impact to the County resulted in a reclassification of agency funds to custodial funds that resulted in a restatement of net position of custodial funds. The effect of the implementation of this standard on beginning net position is disclosed in Note 18.

## **Note 2 - Stewardship, Compliance and Accountability**

The County Judge and the County Auditor submit an annual budget to the Commissioners Court in accordance with the laws of the State of Texas. The budget is presented to the Commissioners Court for review, budget workshops are held with the various County department officials, and public hearings are held to address priorities and the allocation of resources. Prior to October 1, the Commissioners Court adopts the annual fiscal year budgets for all County operating funds. Once approved, the Commissioners Court may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's approved budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the department level.

Within this control level, management may transfer appropriations between line items. Budget revisions and the line item transfers are subject to final review by the Commissioners Court. Revisions to the budget were made throughout the year.

The budgets for the operating funds are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is incurred. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual required supplementary information is presented on these bases. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end. The American Rescue Plan fund has a project length budget and is not budgeted by fiscal year.

### **Note 3 - Fair Value Measurements**

GASB Statement No. 72, Fair Value Measurement and Application, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

### **Note 4 - Deposits and Investments**

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

**A. Investments**

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

At September 30, 2021, the carrying amount of the County's deposits (cash) was:

	Amortized Cost	Maturity	Credit Quality Rating
Total cash in			
First United Bank	\$ 8,702,052	N/A	N/A
	\$ 8,702,052		

Investment valuation techniques are used to determine fair value. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Oil and gas properties: Valued based on sales of comparable properties within the same geographical location.

The following table sets forth by level, within the fair value hierarchy, the County's assets at fair value as of September 30, 2021:

	Fair Value	Input Level
<b>Permanent School Fund (private purpose trust fund)</b>		
Oil and gas properties	\$ 631,594	Level 2

The Public Funds Investment Act (the Act), (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in: (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices.

#### **B. Investment Accounting Policy**

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

##### **Custodial Credit Risk – Deposits**

This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements is for the safekeeping bank to provide minimum collateral of 110% of the County deposits. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2021 were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

**Interest Rate Risk**

In accordance with its investment policy, the County manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than 365 days.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. County policy limits investments in public funds investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. At year end, the County was not significantly exposed to credit risk.

**Concentration of Credit Risk**

The County's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.

**Note 5 - Receivables**

Receivables at year end, including the applicable allowances for uncollectible accounts, are as follows:

	Property Taxes	Sales Tax	Fines and Fees	Other Receivables	Total Receivables
<b>Governmental Funds</b>					
General fund	\$ 834,456	\$201,286	\$5,752,497	\$ 28,334	\$ 6,816,573
Precinct fund	181,921	-	-	-	181,921
Gross receivables	1,016,377	201,286	5,752,497	28,334	6,998,494
Less: allowance for uncollectibles	(380,551)	-	(5,683,151)	-	(6,063,702)
Total governmental funds	<u>635,826</u>	<u>201,286</u>	<u>69,346</u>	<u>28,334</u>	<u>934,792</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 601,701</u>	<u>\$ -</u>	<u>\$ 69,346</u>	<u>\$ -</u>	<u>\$ 671,047</u>

**Note 6 - Capital Assets**

Capital asset activity for the period ended September 30, 2021 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental activities</b>				
<b>Non-depreciable assets</b>				
Land	\$ 140,778	\$ 18,398	\$ -	\$ 159,176
Total non-depreciable assets	140,778	18,398	-	159,176
<b>Depreciable assets</b>				
Buildings and improvements	6,909,685	-	-	6,909,685
Furniture and fixtures	109,157	-	-	109,157
Machinery and equipment	6,125,859	1,068,385	(815,139)	6,379,105
Transportation equipment	1,170,594	396,520	(41,166)	1,525,948
Total depreciable assets	<u>14,315,295</u>	<u>1,464,905</u>	<u>(856,305)</u>	<u>14,923,895</u>
Total at historic cost	<u>14,456,073</u>	<u>1,483,303</u>	<u>(856,305)</u>	<u>15,083,071</u>
<b>Less accumulated depreciation</b>				
Buildings and improvements	3,444,727	213,683	-	3,658,410
Furniture and fixtures	86,702	3,487	-	90,189
Machinery and equipment	2,812,188	585,437	(615,909)	2,781,716
Transportation equipment	873,902	138,779	(32,933)	979,748
Total accumulated depreciation	<u>7,217,519</u>	<u>941,386</u>	<u>(648,842)</u>	<u>7,510,063</u>
Governmental activities capital assets, net	<u>\$ 7,238,554</u>	<u>\$ 541,917</u>	<u>\$ (207,463)</u>	<u>\$ 7,573,008</u>

Depreciation was charged to functions as follows:

General government	\$	95,493
Judicial		76,509
Elections		12,135
Facilities management		12,933
Law enforcement		71,521
Corrections		80,870
Road and bridge		508,809
Health care		8,247
Parks and recreation		51,335
County extension service		19,276
Libraries		4,258
		4,258
	\$	941,386

**Note 7 - Interfund Balances and Activity**

**Due to and From Other Funds**

Balances due to and due from other funds at September 30, 2021, consisted of the following:

Due to general fund from:		
District Court fund	\$	1,109
Precinct fund		2,011
Nonmajor special revenue funds		1,506
Due from other funds		4,626
	\$	4,626

**Transfers to and From Other Funds**

Transfers to and from other funds at September 30, 2021, consisted of the following:

Transfers from general fund to:		
Nonmajor special revenue funds	\$	269,625
		269,625
	\$	269,625
Transfers from nonmajor special revenue funds to:		
General fund		13,780
	\$	13,780
	\$	13,780

Transfers from the general fund provide additional funding for special projects. Transfers from nonmajor special revenue funds were to release funds to appropriate agencies and departments.



**Note 8 - Long-Term Obligations**

The County's long-term debt consists of capital leases payable. Other long-term debt consists of the accrued liability for employee vested compensated absences.

**A. Capital Leases Payable**

The County has entered into lease agreements as lessee to finance the acquisition of six road graders. These leases qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments as of the date of their inception. The leases carry interest rate ranging from 2.50% to 5.35%. Leases have a term of 60 months and mature in the next five years.

The original cost of the road graders is \$1,502,709 with accumulated depreciation of \$170,810 for a carrying value of \$1,331,899. The related expense is recorded as depreciation expense. Debt service requirements for the leases are funded from the road and bridge fund.

The following table summarizes the annual debt requirements of the capital leases payable at September 30, 2021, to maturity:

<u>Year Ending September 30</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2022	\$ 220,820	\$ 24,166	\$ 244,986
2023	227,961	17,024	244,985
2024	208,443	10,009	218,452
2025	175,867	4,612	180,479
2026	91,560	954	92,514
Total	<u>\$ 924,651</u>	<u>\$ 56,765</u>	<u>\$ 981,416</u>

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2021, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Capital leases					
Caterpillar Financial Services	\$ 79,927	\$ -	\$ (79,927)	\$ -	\$ -
Caterpillar Financial Services	118,617	-	(118,617)	-	-
Caterpillar Financial Services	111,689	-	(111,689)	-	-
Caterpillar Financial Services	141,748	-	(38,846)	102,902	40,976
Caterpillar Financial Services	337,136	-	(67,052)	270,084	69,085
Caterpillar Financial Services	-	191,894	(9,021)	182,873	36,716
Caterpillar Financial Services	-	196,924	(9,258)	187,666	37,678
Caterpillar Financial Services	-	190,061	(8,935)	181,126	36,365
Phone System	14,677	-	(14,677)	-	-
Total capital leases	<u>803,794</u>	<u>578,879</u>	<u>(458,022)</u>	<u>924,651</u>	<u>220,820</u>
Compensated absences	<u>114,222</u>	<u>86,774</u>	<u>(124,939)</u>	<u>76,057</u>	<u>-</u>
Total Governmental Activities	<u>\$ 918,016</u>	<u>\$ 665,653</u>	<u>\$ (582,961)</u>	<u>\$ 1,000,708</u>	<u>\$ 220,820</u>

#### **Note 9 - Compensated Absences**

Accumulated unpaid annual leave amounts are not accrued in governmental funds using the modified accrual basis of accounting but are reflected in the government-wide financial statements. At September 30, 2021, accrued employee benefits recorded as general long-term debt were for annual vacation pay, holiday pay, and comp pay and amounted to \$76,057.

#### **Note 10 - Commitments Under Noncapitalized Leases**

The County uses several copiers under operating lease agreements. The County expended \$25,924 during the current year for lease payments. The minimum future lease payments as of September 30, 2021 are as follows:

Year Ending September 30	Lease Payments
2022	\$ 8,900
2023	173
Total	<u>\$ 9,073</u>

#### **Note 11 - 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 fiscal year 2021, 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.

### **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.

### **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.

## **Note 12 - Retirement Plan**

### **Plan Description**

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of over 800 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 or at <https://www.tcdrs.org>.

### **Benefits Provided**

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service or with 30 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 10 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the 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. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the County's Board within certain guidelines.

### Membership

County membership in the TCDRS plan at December 31, 2020 consisted of the following:

Inactive Employees' Accounts	
Receiving benefits	72
Entitled to but not yet receiving benefits	100
	172
 Total	 172
 Active Employees' Accounts	 113

### Contributions

The County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

Contribution Rates	2020	2021
Member	7.00%	7.00%
Employer	6.28%	6.31%
 Employer contributions	 \$ 287,721	 \$ 290,944
Member contributions	\$ 325,347	\$ 323,176

### Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2020
Actuarial cost method	Entry age normal
Amortization method	Level
Remaining amortization period	20.0 years
Asset valuation method	5 year smoothed market
Discount rate	7.60%
Long-term expected investment rate of return*	7.50%
Salary increases*	4.60%, average
Payroll growth rate	3.25%

*\*Includes inflation of 2.50%*

The plan does not have an automatic cost-of-living adjustment and one is not considered to be substantively automatic under GASB No. 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation. Each year, the plan may elect an ad-hoc COLA for its retirees.

Disability rates for males and females were as follows:

Age	Male and Female Occupational	Male and Female All Other Causes
28-29	-	0.00008
30	-	0.00009
31-32	-	0.00010
33	-	0.00011
34	-	0.00014
35	0.00001	0.00018
36	0.00001	0.00022
37	0.00002	0.00028
38	0.00002	0.00033
39	0.00002	0.00038
40	0.00002	0.00042
41	0.00003	0.00047
42	0.00003	0.00053
43	0.00004	0.00058
44	0.00004	0.00063
45	0.00004	0.00069
46	0.00005	0.00076
47	0.00006	0.00084
48	0.00007	0.00095
49	0.00009	0.00109
50	0.00010	0.00125
51	0.00012	0.00142
52	0.00013	0.00162
53	0.00015	0.00183
54	0.00018	0.00203
55	0.00018	0.00222
56	0.00018	0.00238
57	0.00018	0.00250
58	0.00018	0.00259
59	0.00018	0.00270
60 and above	0.00018	-

Mortality rates for depositing members were based on 90% of the RP-2014 Active Employee Mortality Table for males and females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Service retirees, beneficiaries, and non-depositing members were based on 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Disabled retirees were based on 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the MP-2014 Disabled Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014.

Service retirement rates for males and females were as follows:

Age	Male and Female
40-44	0.045
45-49	0.090
50	0.010
51-53	0.090
54-57	0.100
58-61	0.120
62	0.200
63-64	0.150
65-66	0.250
67	0.220
68-69	0.200
70-74	0.220

The actuarial assumptions were developed from an actuarial experience investigation of TCDRS over the years 2013 - 2016. Assumptions were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees in 2017 and first used in the December 31, 2017 actuarial valuation.

There were no changes in methods reflected in the December 31, 2020 actuarial valuation. The following assumptions changed between the prior year to the current year actuarial valuations: the real rate of return decreased from 5.25% to 5.00%, inflation decreased from 2.75% to 2.50%, the long-term investment return decreased from 8.00% to 7.50%, and the payroll growth percentage decreased from 3.25% to 3.00%.

#### **Discount Rate**

The discount rate used to measure the total pension liability decreased from 8.10% in the prior year valuation to 7.60% in the current year valuation.

In order to determine the discount rate to be used, we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under our funding policy and the legal requirements under the TCDRS Act:

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

Based on the information noted on the prior page, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.5%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2021 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is based on a long term time horizon; the most recent analysis was performed in 2017 based on the period January 1, 2013 – December 31, 2016. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

Asset Class	Benchmark	Target Allocation <sup>a</sup>	Geometric Real Rate of Return <sup>b</sup>
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
International Equities – Developed	MSCI World Ex USA (net) Index	5.00%	4.25%
International Equities – Emerging	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>c</sup>	4.00%	5.70%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.45%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>d</sup>	6.00%	4.90%
Private Equity	Cambridge Associates Global Private Equity and Venture Capital Index <sup>e</sup>	25.00%	7.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-0.70%

<sup>a</sup> Target asset allocation adopted at the March 2021 TCDRS Board meeting.

<sup>b</sup> Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per Cliffwater’s 2021 capital market assumptions.

<sup>c</sup> Includes vintage years 2005 – present of Quarter Pooled Horizon IRRs.

<sup>d</sup> Includes vintage years 2007 – present of Quarter Pooled Horizon IRRs.

<sup>e</sup> Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.



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

At September 30, 2021, the County reported a net pension asset of \$818,061 for its net pension asset measured at December 31, 2020. For the year ended September 30, 2021, the County recognized pension expense of \$151,491.

Changes to the real rate of return, inflation, long-term investment return, and the payroll growth assumptions affected measurement of the total pension liability during the measurement period.

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

Changes in the net pension liability/(asset) for the year ended December 31, 2020 are as follows:

Changes in Net Pension Liability / (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances at December 31, 2019	\$ 24,239,838	\$ 25,218,112	\$ (978,274)
Changes for the year			
Service cost	539,661	-	539,661
Interest on total pension liability <sup>f</sup>	1,946,294	-	1,946,294
Effect of plan changes <sup>g</sup>	-	-	-
Effect of economic/demographic gains or losses	(348,526)	-	(348,526)
Effect of assumptions changes or inputs	1,301,636	-	1,301,636
Refund of contributions	(317,400)	(317,400)	-
Benefit payments	(1,214,790)	(1,214,790)	-
Administrative expenses	-	(19,731)	19,731
Member contributions	-	338,232	(338,232)
Net investment income	-	2,603,534	(2,603,534)
Employer contributions	-	378,448	(378,448)
Other <sup>h</sup>	-	(21,631)	21,631
Balances as of December 31, 2020	<u>\$ 26,146,713</u>	<u>\$ 26,964,774</u>	<u>\$ (818,061)</u>

<sup>f</sup>Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>g</sup>No plan changes valued.

<sup>h</sup>Relates to the allocation of system-wide items.

**Discount Rate Sensitivity Analysis**

The following presents the net pension liability / (asset) of the County, calculated using the discount rate of 7.60%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease (6.60%)	Discount Rate (7.60%)	1% Increase (8.60%)
Total pension liability	\$ 29,205,945	\$ 26,146,713	\$ 23,540,569
Fiduciary net position	26,964,774	26,964,774	26,964,774
Net pension liability / (asset)	\$ 2,241,171	\$ (818,061)	\$ (3,424,205)

At December 31, 2020, the County reported its deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 362,472	\$ 6,250
Changes of assumptions	-	1,027,720
Net difference between projected and actual earnings	956,065	-
Contributions paid to TCDRS subsequent to the measurement date	-	212,344
Total	\$ 1,318,537	\$ 1,246,314

\$212,344 reported as deferred outflows of resources related to pensions resulting from contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended September 30, 2022. The other net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended September 30	
2022	\$ (54,417)
2023	154,017
2024	(265,189)
2025	(118,978)
2026	-
Thereafter	-
Total	\$ (284,567)

**Note 13 - Fund Balance**

The County classifies governmental fund balance in the following categories:

*Nonspendable fund balance* includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. At September 30, 2021, the County had no nonspendable fund balance.

*Restricted fund balance* includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Special revenue fund balance restricted for specific programs included grant, judicial, community improvements, road and bridge, and other and totaled \$70,825, \$624,312, \$168,181, \$736,556, and \$927,902, respectively, as of September 30, 2021.

*Committed fund balance* is established and modified by a resolution from the Commissioners Court and can be used only for the specified purposes determined by the Court's resolution. At September 30, 2021, the County had no committed fund balance.

*Assigned fund balance* is intended to be used by the County for specific purposes but does not meet the criteria to be classified as restricted or committed. Fund balance can be assigned by the Commissioners Court or by a Court designee. At September 30, 2021, the County had \$227,410 in fund balance assigned for community improvements.

*Unassigned fund balance* is the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications, as well as negative unassigned fund balance in other governmental funds.

The County uses restricted amounts first when both restricted and unrestricted fund balances are available. Additionally, the County would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when the expenditures are made.

The County aims to maintain the following minimum fund balances:

General fund: Unassigned fund balance of approximately 20-30% of budgeted expenditures for the fiscal year, to be used for unanticipated needs.

**Note 14 - Postemployment Healthcare Benefits**

**Plan Description**

The County participates in the retiree Group Term Life program for the Texas County & District Retirement System (TCDRS), which is a statewide, multiemployer, public employee retirement system.

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year are eligible for the TCDRS pension plan. Only employers that have elected participation in the retiree Group Term Life (GTL) are included in the OPEB plan. Participation in the retiree GTL program is optional and the employer may elect to out of (or opt into) coverage as of January 1 each year.

Texas Local Government Code Section 157.101 assigns the authority to establish and amend benefit provisions to the Commissioners Court. The plan is not administered by a trust and there are no assets accumulated in a trust.

**Contributions**

Contributions made to the retiree GTL program are held in the GTL Fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan. Benefit terms are established under the TCDRS Act. The county's contribution rate for the GTL program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year death benefit equal to \$5,000. Total contributions paid by the County equaled \$22,710 for the year ended December 31, 2020.

**Benefits Provided**

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

**Membership**

Inactive Employees' Accounts	
Receiving benefits	58
Entitled to but not yet receiving benefits	39
Total	97
Active Employees' Accounts	113

**Actuarial Assumptions**

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2020
Actuarial cost method	Individual entry-age normal
Amortization method	Straight-Line amortization over Expected Working Life
Discount rate	2.12%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far in the future. Examples include assumptions about future employment, mortality, and the health care cost trends. Amounts determined regarding the funded status and the annual required contributions of the County's retiree GTL plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Mortality rates for depositing members were based on 90% of the RP-2014 Active Employee Mortality Table for males and females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Service retirees, beneficiaries, and non-depositing members were based on 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Disabled retirees were based on 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the MP-2014 Disabled Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014.

Disability rates for males and females were as follows:

Ordinary Disability		
Age	Male	Female
25	0.000%	0.000%
30	0.009	0.009
35	0.018	0.018
40	0.042	0.042
45	0.069	0.069
50	0.125	0.125
55	0.222	0.222
60	0.000	0.000

Duty Disability		
Age	Male	Female
25	0.000%	0.000%
30	0.000	0.000
35	0.001	0.001
40	0.002	0.002
45	0.004	0.004
50	0.010	0.010
55	0.018	0.018
60	0.018	0.018

Service retirement rates for males and females were as follows:

Age	Male and Female
40-44	4.5%
45-49	9.0
50	10.0
51-53	9.0
54-57	10.0
58-61	12.0
62	20.0
63-64	15.0
65-66	25.0
67	22.0
68-69	20.0
70-74	22.0
75	100.0

The actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2020, were based on results of an actuarial experience study for the period January 1, 2013 – December 31, 2016 as conducted by TCDRS.

**Discount Rate**

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 2.12% (based on the daily rate closest to but not later than the measurement date of the 20 Year Bond GO Index published by bondbuyer.com). The discount rate was 2.74% as of the prior measurement date.

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At September 30, 2021, the County reported a total OPEB liability of \$405,319 measured at December 31, 2020. For the year ended September 30, 2021, the County recognized OPEB expense of \$36,214.

There was a change in the discount rate from 2.74% as of December 31, 2019, to 2.12% as of December 31, 2020.

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

Changes in the total OPEB liability for the measurement year ended December 31, 2020 are as follows:

	Total OPEB Liability
Changes in Total OPEB Liability	
Balances at December 31, 2019	\$ 353,461
Changes for the year	
Service cost	11,312
Interest on the total OPEB liability	9,804
Changes of benefit terms	-
Difference between expected and actual experience of the total OPEB liability	1,847
Changes of assumptions	42,907
Benefit payments	(14,012)
Balances as of December 31, 2020	\$ 405,319

At December 31, 2020 the County reported its deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 9,731	\$ 7,325
Changes of assumptions	15,850	89,322
Contributions subsequent to the measurement date	-	14,807
	\$ 25,581	\$ 111,454

\$14,807 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ended September 30, 2022. The other net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB, excluding contributions made subsequent to the measurement date, will be recognized in OPEB expense as follows:

Year ended September 30		
2022	\$	15,098
2023		15,098
2024		15,104
2025		18,307
2026		7,459
Thereafter		-
		-
Total	\$	71,066

### Discount Rate Sensitivity Analysis

The following presents the total OPEB liability of the County, calculated using the discount rate of 2.12%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.12%) or 1 percentage point higher (3.12%) than the current rate.

	1% Decrease (1.12%)	Discount Rate (2.12%)	1% Increase (3.12%)
Total OPEB liability	\$ 491,869	\$ 405,319	\$ 339,376



#### **Note 15 - Other Retirement and Miscellaneous Benefits**

The County makes available to all of its full-time employees a deferred compensation plan under Internal Revenue Code Section 457. The County does not contribute to this plan. All contributions are made by employees who elect to participate in the plan. Employees may defer up to 25% of gross income, not to exceed \$7,500 per year. The County remits employee contributions to the plan trustee on a regular basis. The County does not administer the Section 457 plan, nor does it provide investment advice to the plan. Accordingly, the Section 457 plan is not part of the County's reporting entity.

#### **Note 16 - Tax Abatements**

The County has entered into property abatement agreements with local businesses under Texas Local Government Code, Section 501.159. Under the Code, local governments may grant property tax abatements.

The County is under no obligation to provide tax abatement to any specific applicant and reserves the right to do so on a case-by-case basis as stimulation for economic development within the Reinvestment Zones established by the County. The abatements may be granted to any business located within or promising to relocate to the service area of Dawson County.

For fiscal year ended September 30, 2021, the County abated property taxes totaling \$1,496,032 under this program, including the following tax abatement agreements:

##### **Mesquite Creek Wind LLC**

- Commitment: All improvements and equipment related to the operation of wind farms.
- Terms of abatement: 100% exemption from property taxes on all improvements for 10 years.
- The abatement for fiscal year 2021 amounted to \$924,084 for improvements valued at \$95,176,090.

##### **BNB Lamesa Solar LLC**

- Commitment: Improvements physically located on a site (Phase II Site) that supports electricity generation.
- Terms of abatement: 100% exemption from property taxes on certified appraised value of all improvements within the Phase II Site.
- The abatement for fiscal year 2021 amounted to \$571,948 for improvements valued at \$58,907,840.

#### **Note 17 - Coronavirus Pandemic**

During the year ended September 30, 2021, the County has been impacted by the effects of the world-wide coronavirus pandemic. The County continues to closely monitor its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation.

**Note 18 - Adoption of New Standard**

As of October 1, 2020, the County adopted GASB Statement No. 84, Fiduciary Activities (GASB 84). The impact to the County resulted in a reclassification of agency funds to custodial funds that resulted in a restatement of net position of custodial funds.

In addition to the restatements of opening net position, the agency funds previously accounted for various fines, fees and contributions collected on behalf of other taxing districts, entities, and individuals. Those activities are now reported as custodial funds.

The following table describes the effects of the implementation of GASB 84 on beginning net position.

	Custodial Funds
Net position at October 1, 2020, as previously reported	\$ -
Reclassification of agency funds to custodial funds	954,733
Net position at October 1, 2020, as restated	\$ 954,733



Required Supplementary Information  
September 30, 2021

## Dawson County, Texas

Dawson County, Texas  
 Budgetary Comparison Schedule – General Fund (Exhibit B-1)  
 Year Ended September 30, 2021

	Budget Amounts		Actual	Variance from Final Budget
	Original Budget	Final Budget		
<b>Revenues</b>				
Taxes				
Property taxes	\$ 6,069,988	\$ 6,069,988	\$ 5,967,195	\$ (102,793)
Other taxes	925,000	925,000	1,033,486	108,486
License and permits	205	2,205	2,583	378
Intergovernmental and grants	18,007	18,012	26,436	8,424
Fines and fees	848,175	858,175	599,809	(258,366)
Rents and recoveries	7,250	12,320	41,011	28,691
Investment earnings	100,740	100,740	22,281	(78,459)
Miscellaneous	345,326	345,326	392,108	46,782
<b>Total revenues</b>	<b>8,314,691</b>	<b>8,331,766</b>	<b>8,084,909</b>	<b>(246,857)</b>
<b>Expenditures</b>				
Current				
General government	1,892,393	1,881,662	1,624,624	257,038
Judicial	1,628,315	1,628,315	1,555,550	72,765
Elections	34,885	34,885	46,739	(11,854)
Financial administration	414,611	414,611	370,302	44,309
Tax administration	384,876	392,743	369,088	23,655
Law enforcement	1,127,622	1,124,793	1,083,073	41,720
Fire protection	240,728	240,728	13,070	227,658
Corrections	1,489,532	1,482,689	1,069,597	413,092
Sanitation	70,340	70,340	52,755	17,585
Public transportation	10,005	10,005	10,000	5
Health care	66,021	66,021	55,000	11,021
Human services	102,026	102,026	101,634	392
Parks and recreation	23,692	23,692	21,103	2,589
Museum	1,000	1,000	1,000	-
County extension	138,660	138,660	135,822	2,838
Libraries	353,295	353,469	309,113	44,356
Capital outlay				
Capital outlay	95,624	95,629	140,940	(45,311)
<b>Total expenditures</b>	<b>8,073,625</b>	<b>8,061,268</b>	<b>6,959,410</b>	<b>1,101,858</b>
Excess revenues over expenditures	241,066	270,498	1,125,499	855,001
<b>Other financing sources</b>				
Transfers, net	(241,066)	(241,066)	(255,845)	(14,779)
Total other financing uses	(241,066)	(241,066)	(255,845)	(14,779)
Net change in fund balance	-	29,432	869,654	840,222
Fund balance at beginning of year	3,581,253	3,581,253	3,581,253	-
Fund balance at end of year	<u>\$ 3,581,253</u>	<u>\$ 3,610,685</u>	<u>\$ 4,450,907</u>	<u>\$ 840,222</u>

Dawson County, Texas  
 Budgetary Comparison Schedule – Precinct Fund (Exhibit B-2)  
 Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes				
Property taxes	\$ 1,323,250	\$ 1,323,250	\$ 1,298,652	\$ (24,598)
Licenses and permits	495,000	495,000	481,550	(13,450)
Fines and fees	10	10	15,200	15,190
Other revenue	145,410	145,410	75,519	(69,891)
Total revenues	1,963,670	1,963,670	1,870,921	(92,749)
Expenditures				
Current				
Road and bridge	1,443,665	1,443,664	1,303,431	140,233
Debt service				
Principal	239,055	468,410	454,432	13,978
Interest	30,945	30,945	30,945	-
Capital outlay				
Capital outlay	250,005	365,269	790,355	(425,086)
Total expenditures	1,963,670	2,308,288	2,579,163	(270,875)
(Deficiency) of revenues (under) expenditures	-	(344,618)	(708,242)	(363,624)
Other financing sources				
Proceeds from capital leases	-	5	578,879	578,874
Total other financing sources	-	5	578,879	578,874
Net change in fund balance	-	(344,613)	(129,363)	215,250
Fund balance at beginning of year	865,919	865,919	865,919	-
Fund balance at end of year	\$ 865,919	\$ 521,306	\$ 736,556	\$ 215,250

Dawson County, Texas  
 Budgetary Comparison Schedule – District Court Fund (Exhibit B-3)  
 Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Intergovernmental and grants	\$ 560,683	\$ 560,683	\$ 560,683	\$ -
Other revenue	5	5	1,802	1,797
Total revenues	560,688	560,688	562,485	1,797
Expenditures				
Current				
Judicial	580,228	580,228	528,085	52,143
Total expenditures	580,228	580,228	528,085	52,143
Excess (deficiency) of revenues over (under) expenditures	(19,540)	(19,540)	34,400	53,940
Other financing sources				
Transfers, net	5	5	-	(5)
Total other financing sources	5	5	-	(5)
Net change in fund balance	(19,535)	(19,535)	34,400	53,935
Fund balance at beginning of year	174,604	174,604	174,604	-
Fund balance at end of year	\$ 155,069	\$ 155,069	\$ 209,004	\$ 53,935

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Total Pension Liability</b>				
Service cost	\$ 539,661	\$ 462,764	\$ 520,168	\$ 515,742
Interest on total pension liability	1,946,294	1,867,256	1,789,362	1,658,559
Effect of plan changes	-	-	-	-
Effect of assumption changes or inputs	1,301,636	-	-	257,457
Effect of economic/demographic (gains) or losses	(348,526)	(38,254)	(195,312)	31,249
Benefit payments/refund of contributions	<u>(1,532,190)</u>	<u>(1,258,892)</u>	<u>(937,705)</u>	<u>(770,697)</u>
Net change in total pension liability	1,906,875	1,032,874	1,176,513	1,692,310
Total pension liability, beginning	<u>24,239,838</u>	<u>23,206,964</u>	<u>22,030,451</u>	<u>20,338,141</u>
Total pension liability, ending (a)	<u>\$ 26,146,713</u>	<u>\$ 24,239,838</u>	<u>\$ 23,206,964</u>	<u>\$ 22,030,451</u>
<b>Fiduciary Net Position</b>				
Employer contributions	\$ 378,448	\$ 260,646	\$ 250,684	\$ 231,844
Member contributions	338,232	309,755	319,052	308,538
Investment income (loss) net of investment expenses	2,603,534	3,660,417	(434,732)	2,972,664
Benefit payments/refund of contributions	(1,532,190)	(1,258,892)	(937,705)	(770,697)
Administrative expenses	(19,731)	(19,217)	(17,900)	(15,372)
Other	<u>(21,631)</u>	<u>(20,059)</u>	<u>(8,644)</u>	<u>(3,231)</u>
Net change in fiduciary net position	1,746,662	2,932,650	(829,245)	2,723,746
Fiduciary net position, beginning	<u>25,218,112</u>	<u>22,285,462</u>	<u>23,114,707</u>	<u>20,390,961</u>
Fiduciary net position, ending (b)	<u>\$ 26,964,774</u>	<u>\$ 25,218,112</u>	<u>\$ 22,285,462</u>	<u>\$ 23,114,707</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (818,061)</u>	<u>\$ (978,274)</u>	<u>\$ 921,502</u>	<u>\$ (1,084,256)</u>
Fiduciary net position as a percentage of total pension liability	103.13%	104.04%	96.03%	104.92%
Pensionable covered payroll	\$ 4,831,892	\$ 4,425,069	\$ 4,557,883	\$ 4,407,683
Net pension liability as a percentage of covered payroll	-16.93%	-22.11%	20.22%	-24.60%

See Notes to Required Supplementary Information

Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
\$ 552,869	\$ 496,229	\$ 484,715
1,535,283	1,435,047	1,343,391
-	(68,605)	-
-	221,435	-
(97,994)	(172,630)	(144,220)
(657,360)	(597,467)	(666,989)
1,332,798	1,314,009	1,016,897
19,005,343	17,691,334	16,674,438
<u>\$ 20,338,141</u>	<u>\$ 19,005,343</u>	<u>\$ 17,691,335</u>
\$ 248,689	\$ 1,757,925	\$ 1,961,194
305,945	302,987	290,172
1,410,052	(43,475)	1,035,828
(657,360)	(597,467)	(666,989)
(15,339)	(13,198)	(12,553)
120,242	26,695	(63,295)
1,412,229	1,433,467	2,544,357
18,978,733	17,545,264	15,000,908
<u>\$ 20,390,962</u>	<u>\$ 18,978,731</u>	<u>\$ 17,545,265</u>
<u>\$ (52,821)</u>	<u>\$ 26,612</u>	<u>\$ 146,070</u>
100.26%	99.86%	99.17%
\$ 4,370,683	\$ 4,328,392	\$ 4,009,149
-1.21%	0.61%	3.64%



Dawson County, Texas

Schedule of Employer Contributions – Texas County and District Retirement System (Exhibit B-5)

September 30, 2021

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Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2012	\$ 431,524	\$ 431,524	\$ -	\$ 3,697,744	11.7%
2013	452,010	452,010	-	3,711,091	12.2%
2014	490,166	490,166	-	3,965,752	12.4%
2015	523,194	1,961,194	(1,438,000)	4,009,149	48.9%
2016	421,585	1,757,925	(1,336,340)	4,328,392	40.6%
2017	248,689	248,689	-	4,370,637	5.7%
2018	231,844	231,844	-	4,407,683	5.3%
2019	250,684	250,684	-	4,457,883	5.6%
2020	287,721	287,721	-	4,647,840	6.2%
2021	290,944	365,944	(75,000)	4,616,798	7.9%

Dawson County, Texas  
Schedule of Changes in Total OPEB Liability and Related Ratios (Exhibit B-6)  
September 30, 2021

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Total OPEB Liability				
Service cost	\$ 11,312	\$ 6,201	\$ 9,148	\$ 8,344
Interest on total OPEB liability	9,804	11,543	10,139	10,716
Effect of plan changes	-	-	-	-
Effect of assumption changes or inputs	42,907	72,523	(31,702)	12,169
Effect of economic/demographic (gains) or losses	1,847	(7,440)	11,573	(11,135)
Benefit payments	(14,012)	(9,293)	(9,572)	(9,697)
Net change in total OPEB liability	51,858	73,534	(10,414)	10,397
Total OPEB liability, beginning	353,461	279,927	290,341	279,944
Total OPEB liability, ending	<u>\$ 405,319</u>	<u>\$ 353,461</u>	<u>\$ 279,927</u>	<u>\$ 290,341</u>
Covered-employee payroll	\$ 4,831,892	\$ 4,425,069	\$ 4,557,883	\$ 4,407,683
Total OPEB liability as a percentage of covered-employee payroll	8.39%	7.99%	6.14%	6.59%

Note: No assets are accumulated in a trust that meet the criteria in GASB Statement No. 74, paragraph 4 for the OPEB plan.

Note: GASB No. 75 requires ten years of information to be presented in this table. However, until ten years of data is available, the County will present information for those years for which information is available.

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:

1. Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
2. Perform and document replicable condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale.
3. Estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the County.
4. 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.)

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 2021.

**Assessed Conditions**

The following table reports the percentage of pavement meeting the "very good," "good," and "fair" condition ratings, as assessed in 2021. There were no roads in the "Poor" or "Very Poor" categories. 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.

<u>Category</u>	<u>2021</u>
Good	80%
Fair	20%

The County has performed maintenance and repairs to 100 % of the County's paved roads over the past seven years. Because of this extensive maintenance and repair, all County paved roads are considered to be in the "Fair," "Good," or "Very Good" categories.

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

September 30, 2014	\$ 408,819
September 30, 2015	-
September 30, 2016	-
September 30, 2017	225,120
September 30, 2018	264,994
September 30, 2019	289,758
September 30, 2020	-
September 30, 2021	265,460

**Note 1 - Budgetary Information**

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

1. The County Judge, as budget officer, with the assistance of the County Auditor, prepares a budget to cover all proposed expenditures and the means of financing them for the succeeding year, and delivers the proposed budget to Commissioners Court.
2. Commissioners Court holds budget sessions with each department head.
3. Commissioners Court holds budget hearings for the public at which all interested persons' comments concerning the budget are heard.
4. Commissioners Court formally adopts the budget in the open court meeting.
5. The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.
6. The formally adopted budget may legally be amended by commissioners in accordance with article 689A 11 or 689A 20 of Vernon's Annotated Civil Statutes.
7. Annual budgets are legally adopted for the General Fund and Special Revenue Funds. The budgets are adopted on a basis consistent with generally accepted accounting principles.
8. An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about September 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2021 budget were approved by the Commissioners Court as provided by law.
9. Unencumbered appropriation balances lapse at year end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation.

The County had negative budget to actual variances in the following fund:

The General Fund had a negative budget variance in elections and capital outlay. Elections shows a budget variance of \$11,854 due to the purchase of election equipment that was not completely funded by related grants. Capital outlay shows a budget variance of \$45,311 because the related capital outlay was budgeted in various functions, whereas capital outlay is reported on a separate line item in the financial statements.

The Precinct Fund had a negative budget variance in capital outlay. Capital outlay shows a budget variance of \$425,086 because the related capital outlay was budgeted in various functions, whereas capital outlay is reported on a separate line item in the financial statements.

The American Rescue Plan fund has a project length budget and is not budgeted by fiscal year.

**Note 2 - Net Pension Liability – Texas County & District Retirement System**

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20.0 years (based on contribution rate calculated in 12/31/2020 valuation)
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	Varies by age and service. 4.6%, average, over career including inflation
Investment rate of return	7.50%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at services retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

**Changes of Assumptions**

The following assumptions changed between the prior year to the current year actuarial valuations: the real rate of return decreased from 5.25% to 5.00%, inflation decreased from 2.75% to 2.50%, the long-term investment return decreased from 8.00% to 7.50%, and the payroll growth percentage decreased from 3.25% to 3.00%.

**Changes of Benefit Terms**

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

**Changes in the Size or Composition of the Population Covered by the Benefit Terms**

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

**Note 3 - Total OPEB Liability**

The following methods and assumptions were used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Individual entry-age normal
Amortization method	Straight-line
Remaining amortization period	Does not apply
Inflation	Does not apply
Discount rate	2.12%
Salary increases	Does not apply
Retirement Age	Members are assumed to retire at the later of age 60 or their earliest retirement eligibility date.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. 90% of the RP-2014 Employee Annuitant Table for active males and females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

**Changes in Assumptions**

There was a change in the discount rate from 2.74% as of December 31, 2019 to 2.12% as of December 31, 2020.

**Changes of Benefit Terms**

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

**Changes in the Size or Composition of the Population Covered by the Benefit Terms**

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.



Supplementary Information  
September 30, 2021

## Dawson County, Texas



	Law Library	Child Welfare	Appellate Judicial	Family Protection	Court Reporter Service
<b>Assets</b>					
Cash and cash equivalents	\$ 13,623	\$ 10,697	\$ 1,261	\$ 3,682	\$ 19,401
Total assets	<u>\$ 13,623</u>	<u>\$ 10,697</u>	<u>\$ 1,261</u>	<u>\$ 3,682</u>	<u>\$ 19,401</u>
<b>Liabilities</b>					
Accounts payable	\$ 186	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Payroll liabilities	-	-	-	-	-
Total liabilities	186	-	-	-	-
<b>Fund balance</b>					
Restricted for					
Grant	-	-	-	-	-
Judicial	-	10,697	1,261	3,682	19,401
Community improvement	13,437	-	-	-	-
Other restricted	-	-	-	-	-
Assigned for					
Community improvement	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	<u>13,437</u>	<u>10,697</u>	<u>1,261</u>	<u>3,682</u>	<u>19,401</u>
Total liabilities and fund balance	<u>\$ 13,623</u>	<u>\$ 10,697</u>	<u>\$ 1,261</u>	<u>\$ 3,682</u>	<u>\$ 19,401</u>

Dawson County, Texas  
 Combining Balance Sheet – Nonmajor Special Revenue Funds (Exhibit C-1)  
 September 30, 2021

Unclaimed Property	Criminal Justice Planning	Sheriff Forfeiture	K-9	Courthouse Security	Hot Check Collection	County Attorney Forfeiture
\$ 58,194	\$ 9,607	\$ 12,341	\$ 300	\$ 17,923	\$ 1,518	\$ 7,434
<u>\$ 58,194</u>	<u>\$ 9,607</u>	<u>\$ 12,341</u>	<u>\$ 300</u>	<u>\$ 17,923</u>	<u>\$ 1,518</u>	<u>\$ 7,434</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	9,607	-	-	17,923	-	7,434
-	-	12,341	300	-	-	-
-	-	-	-	-	-	-
58,194	-	-	-	-	1,518	-
<u>58,194</u>	<u>9,607</u>	<u>12,341</u>	<u>300</u>	<u>17,923</u>	<u>1,518</u>	<u>7,434</u>
<u>\$ 58,194</u>	<u>\$ 9,607</u>	<u>\$ 12,341</u>	<u>\$ 300</u>	<u>\$ 17,923</u>	<u>\$ 1,518</u>	<u>\$ 7,434</u>

	County Attorney Pretial Diversion	District Clerk Records	County Records Management and PR	VOCA Grant	Inmate Phones
<b>Assets</b>					
Cash and cash equivalents	\$ 10,465	\$ 11,341	\$ 51,628	\$ 242	\$ 84,621
Total assets	<u>\$ 10,465</u>	<u>\$ 11,341</u>	<u>\$ 51,628</u>	<u>\$ 242</u>	<u>\$ 84,621</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	12	-	-	-	-
Unearned revenue	-	-	-	-	-
Payroll liabilities	136	-	-	-	-
Total liabilities	148	-	-	-	-
<b>Fund balance</b>					
Restricted for					
Grant	-	-	-	242	-
Judicial	10,317	11,341	-	-	-
Community improvement	-	-	-	-	-
Other restricted	-	-	51,628	-	84,621
Assigned for					
Community improvement	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balance	<u>10,317</u>	<u>11,341</u>	<u>51,628</u>	<u>242</u>	<u>84,621</u>
Total liabilities and fund balance	<u>\$ 10,465</u>	<u>\$ 11,341</u>	<u>\$ 51,628</u>	<u>\$ 242</u>	<u>\$ 84,621</u>

Dawson County, Texas  
 Combining Balance Sheet – Nonmajor Special Revenue Funds (Exhibit C-1)  
 September 30, 2021

Jail Commissary	County Clerk Vital Statistics Records	County Clerk Archive	COVID CARES	Records Management	District Attorney	District Attorney Chapter 59 Forfeiture
\$ 49,818	\$ 6,222	\$ 411,321	\$ 178,659	\$ 254,357	\$ 297,993	\$ 33,299
<u>\$ 49,818</u>	<u>\$ 6,222</u>	<u>\$ 411,321</u>	<u>\$ 178,659</u>	<u>\$ 254,357</u>	<u>\$ 297,993</u>	<u>\$ 33,299</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,835	\$ -
-	-	-	-	-	1,065	-
-	-	-	178,450	-	-	-
-	-	-	-	-	12,198	-
-	-	-	178,450	-	17,098	-
-	-	-	209	-	-	-
-	6,222	-	-	-	280,895	-
-	-	-	-	-	-	-
49,818	-	411,321	-	254,357	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	33,299
<u>49,818</u>	<u>6,222</u>	<u>411,321</u>	<u>209</u>	<u>254,357</u>	<u>280,895</u>	<u>33,299</u>
<u>\$ 49,818</u>	<u>\$ 6,222</u>	<u>\$ 411,321</u>	<u>\$ 178,659</u>	<u>\$ 254,357</u>	<u>\$ 297,993</u>	<u>\$ 33,299</u>

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	District Attorney Hot Check	Homeland and Security Grant	HAVA Grant	County Judicial Support	Gates Library
<b>Assets</b>					
Cash and cash equivalents	\$ 338	\$ 5	\$ 50	\$ 18,788	\$ 260
Total assets	<u>\$ 338</u>	<u>\$ 5</u>	<u>\$ 50</u>	<u>\$ 18,788</u>	<u>\$ 260</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Payroll liabilities	-	-	-	-	-
Total liabilities	-	-	-	-	-
<b>Fund balance</b>					
Restricted for					
Grant	-	-	50	-	260
Judicial	-	5	-	18,788	-
Community improvement	-	-	-	-	-
Other restricted	-	-	-	-	-
Assigned for					
Community improvement	-	-	-	-	-
Unassigned	338	-	-	-	-
Total fund balance	<u>338</u>	<u>5</u>	<u>50</u>	<u>18,788</u>	<u>260</u>
Total liabilities and fund balance	<u>\$ 338</u>	<u>\$ 5</u>	<u>\$ 50</u>	<u>\$ 18,788</u>	<u>\$ 260</u>

Dawson County, Texas  
 Combining Balance Sheet – Nonmajor Special Revenue Funds (Exhibit C-1)  
 September 30, 2021

USDA Grant	Unclaimed Capital Credits	Employee Wellness	NCIC Technology	OXY	Information Technology	Clean up Cemetery	Clean up Lamesa
\$ 430	\$ 36,369	\$ 2,229	\$ 450	\$ 366	\$ 31,806	\$ 3,644	\$ 800
<u>\$ 430</u>	<u>\$ 36,369</u>	<u>\$ 2,229</u>	<u>\$ 450</u>	<u>\$ 366</u>	<u>\$ 31,806</u>	<u>\$ 3,644</u>	<u>\$ 800</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
430	-	-	450	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	36,369	-	-	-	-	-	-
-	-	-	-	-	-	3,644	800
-	-	2,229	-	366	31,806	-	-
<u>430</u>	<u>36,369</u>	<u>2,229</u>	<u>450</u>	<u>366</u>	<u>31,806</u>	<u>3,644</u>	<u>800</u>
<u>\$ 430</u>	<u>\$ 36,369</u>	<u>\$ 2,229</u>	<u>\$ 450</u>	<u>\$ 366</u>	<u>\$ 31,806</u>	<u>\$ 3,644</u>	<u>\$ 800</u>

	Airport Grant	Dawson County Cemetery	Chapter 19	Guardianship HB 1295	Election	911
<b>Assets</b>						
Cash and cash equivalents	\$ 33,333	\$ 171,972	\$ 1,364	\$ 10,958	\$ 4,194	\$ 10,631
Total assets	<u>\$ 33,333</u>	<u>\$ 171,972</u>	<u>\$ 1,364</u>	<u>\$ 10,958</u>	<u>\$ 4,194</u>	<u>\$ 10,631</u>
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 972	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	429	-	-	-	-
Unearned revenue	-	-	-	-	-	-
Payroll liabilities	-	4,863	-	-	-	-
Total liabilities	-	6,264	-	-	-	-
<b>Fund balance</b>						
Restricted for						
Grant	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Community improvement	1,075	-	-	-	-	-
Other restricted	-	-	1,364	10,958	4,194	10,631
Assigned for						
Community improvement	32,258	165,708	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	<u>33,333</u>	<u>165,708</u>	<u>1,364</u>	<u>10,958</u>	<u>4,194</u>	<u>10,631</u>
Total liabilities	<u>\$ 33,333</u>	<u>\$ 171,972</u>	<u>\$ 1,364</u>	<u>\$ 10,958</u>	<u>\$ 4,194</u>	<u>\$ 10,631</u>

Dawson County, Texas  
Combining Balance Sheet – Nonmajor Special Revenue Funds (Exhibit C-1)  
September 30, 2021

District Clerk Technology	Capital Repair	Certz Grant	Disaster Relief Fund	Total Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 17,735	\$ 283,488	\$ 69,184	\$ 72,630	\$ 2,316,971	\$ 25,000	\$ 2,341,971
<u>\$ 17,735</u>	<u>\$ 283,488</u>	<u>\$ 69,184</u>	<u>\$ 72,630</u>	<u>\$ 2,316,971</u>	<u>\$ 25,000</u>	<u>\$ 2,341,971</u>
-	254,097	-	17,535	276,625	-	276,625
-	-	-	-	1,506	-	1,506
-	-	-	-	178,450	-	178,450
-	-	-	-	17,197	-	17,197
-	254,097	-	17,535	473,778	-	473,778
-	-	69,184	-	70,825	-	70,825
17,735	-	-	-	415,308	-	415,308
-	-	-	-	14,512	-	14,512
-	-	-	-	927,902	-	927,902
-	-	-	-	202,410	25,000	227,410
-	29,391	-	55,095	212,236	-	212,236
<u>17,735</u>	<u>29,391</u>	<u>69,184</u>	<u>55,095</u>	<u>1,843,193</u>	<u>25,000</u>	<u>1,868,193</u>
<u>\$ 17,735</u>	<u>\$ 283,488</u>	<u>\$ 69,184</u>	<u>\$ 72,630</u>	<u>\$ 2,316,971</u>	<u>\$ 25,000</u>	<u>\$ 2,341,971</u>



	Law Library	Child Welfare	Appellate Judicial	Family Protection	Court Reporter Service
<b>Revenues</b>					
Intergovernmental and grants	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and fees	5,110	-	656	435	1,515
Investment earnings	-	-	-	-	-
Other revenues	-	100	-	-	-
<b>Total revenues</b>	<b>5,110</b>	<b>100</b>	<b>656</b>	<b>435</b>	<b>1,515</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	-	-	-	-	-
Judicial	644	-	640	-	-
Law enforcement	-	-	-	-	-
Corrections	-	-	-	-	-
Road and bridge	-	-	-	-	-
Human services	-	-	-	-	-
<b>Debt service</b>					
Principal	-	-	-	-	-
<b>Capital outlay</b>					
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<b>644</b>	<b>-</b>	<b>640</b>	<b>-</b>	<b>-</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>4,466</b>	<b>100</b>	<b>16</b>	<b>435</b>	<b>1,515</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>4,466</b>	<b>100</b>	<b>16</b>	<b>435</b>	<b>1,515</b>
<b>Fund balances at beginning of year</b>	<b>8,971</b>	<b>10,597</b>	<b>1,245</b>	<b>3,247</b>	<b>17,886</b>
<b>Fund balances at end of year</b>	<b>\$ 13,437</b>	<b>\$ 10,697</b>	<b>\$ 1,261</b>	<b>\$ 3,682</b>	<b>\$ 19,401</b>



	County Attorney Pretrial Diversion	District Clerk Records	County Records Management and PR	VOCA Grant	Inmate Phones
<b>Revenues</b>					
Intergovernmental and grants	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and fees	6,290	676	1,912	-	19,847
Investment earnings	-	-	-	-	-
Other revenues	-	-	-	-	-
<b>Total revenues</b>	<b>6,290</b>	<b>676</b>	<b>1,912</b>	<b>-</b>	<b>19,847</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	-	-	-	-	-
Judicial	9,621	-	-	-	-
Law enforcement	-	-	-	-	-
Corrections	-	-	-	-	7,405
Road and bridge	-	-	-	-	-
Human services	-	-	-	-	-
<b>Debt service</b>					
Principal	-	-	-	-	-
<b>Capital outlay</b>					
Capital outlay	-	-	-	-	-
<b>Total expenditures</b>	<b>9,621</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,405</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>(3,331)</b>	<b>676</b>	<b>1,912</b>	<b>-</b>	<b>12,442</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(3,331)</b>	<b>676</b>	<b>1,912</b>	<b>-</b>	<b>12,442</b>
<b>Fund balances at beginning of year</b>	<b>13,648</b>	<b>10,665</b>	<b>49,716</b>	<b>242</b>	<b>72,179</b>
<b>Fund balances at end of year</b>	<b>\$ 10,317</b>	<b>\$ 11,341</b>	<b>\$ 51,628</b>	<b>\$ 242</b>	<b>\$ 84,621</b>

Dawson County, Texas  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue  
Funds (Exhibit C-2)  
Year Ended September 30, 2021

Jail Commissary	County Clerk Vital Statistics Records	County Clerk Archive	COVID CARES	Records Management	District Attorney	District Attorney Chapter 59 Forfeiture
\$ -	\$ -	\$ -	\$ 20,980	\$ -	\$ 631,614	\$ -
9,258	1,493	79,990	-	81,083	1,824	-
-	-	-	209	-	830	-
-	-	-	-	-	14,508	111,951
9,258	1,493	79,990	21,189	81,083	648,776	111,951
-	1,110	43,672	-	59,360	-	-
-	-	-	-	-	665,961	16,113
4,831	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	20,980	-	-	81,611
4,831	1,110	43,672	20,980	59,360	665,961	97,724
4,427	383	36,318	209	21,723	(17,185)	14,227
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,427	383	36,318	209	21,723	(17,185)	14,227
45,391	5,839	375,003	-	232,634	298,080	19,072
\$ 49,818	\$ 6,222	\$ 411,321	\$ 209	\$ 254,357	\$ 280,895	\$ 33,299

	District Attorney Hot Check	Homeland and Security Grant	HAVA Grant	County Judicial Support	Gates Library
<b>Revenues</b>					
Intergovernmental and grants	\$ -	\$ -	\$ 120,000	\$ -	\$ -
Fines and fees	75	-	-	1,868	-
Investment earnings	1	-	50	-	-
Other revenues	-	-	-	-	-
<b>Total revenues</b>	<b>76</b>	<b>-</b>	<b>120,050</b>	<b>1,868</b>	<b>-</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	-	-	-	-	-
Judicial	-	-	-	-	-
Law enforcement	-	-	-	-	-
Corrections	-	-	-	-	-
Road and bridge	-	-	-	-	-
Human services	-	-	-	-	-
<b>Debt service</b>					
Principal	-	-	-	-	-
<b>Capital outlay</b>					
Capital outlay	-	-	120,000	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>120,000</b>	<b>-</b>	<b>-</b>
<b>Excess (deficit) of revenues over expenditures</b>	<b>76</b>	<b>-</b>	<b>50</b>	<b>1,868</b>	<b>-</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>76</b>	<b>-</b>	<b>50</b>	<b>1,868</b>	<b>-</b>
<b>Fund balances at beginning of year</b>	<b>262</b>	<b>5</b>	<b>-</b>	<b>16,920</b>	<b>260</b>
<b>Fund balances at end of year</b>	<b>\$ 338</b>	<b>\$ 5</b>	<b>\$ 50</b>	<b>\$ 18,788</b>	<b>\$ 260</b>

Dawson County, Texas  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue  
Funds (Exhibit C-2)  
Year Ended September 30, 2021

USDA Grant	Unclaimed Capital Credits	Employee Wellness	NCIC Technology	OXY	Information Technology	Clean Up Cemetery	Clean Up Lamesa
\$ 38,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
7	-	-	-	-	-	-	-
-	29,157	1,500	-	-	-	98	-
38,107	29,157	1,500	-	-	-	98	-
28,455	13,452	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
38,491	-	-	-	-	-	-	-
66,946	13,452	-	-	-	-	-	-
(28,839)	15,705	1,500	-	-	-	98	-
28,864	-	-	-	-	1,500	-	-
-	-	-	-	-	-	-	-
28,864	-	-	-	-	1,500	-	-
25	15,705	1,500	-	-	1,500	98	-
405	20,664	729	450	366	30,306	3,546	800
<u>\$ 430</u>	<u>\$ 36,369</u>	<u>\$ 2,229</u>	<u>\$ 450</u>	<u>\$ 366</u>	<u>\$ 31,806</u>	<u>\$ 3,644</u>	<u>\$ 800</u>

	Airport Grant	Dawson County Cemetery	Chapter 19	Guardianship HB 1295	Election	911
<b>Revenues</b>						
Intergovernmental and grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and fees	-	62,900	-	-	-	-
Investment earnings	-	553	-	13,779	-	-
Other revenues	-	200	540	981	1,726	-
<b>Total revenues</b>	-	63,653	540	14,760	1,726	-
<b>Expenditures</b>						
Current						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-
Corrections	-	-	-	-	-	-
Road and bridge	-	-	-	-	-	-
Human services	-	224,491	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Capital outlay						
Capital outlay	-	11,054	-	-	-	-
<b>Total expenditures</b>	-	235,545	-	-	-	-
<b>Excess (deficit) of revenues over expenditures</b>	-	(171,892)	540	14,760	1,726	-
<b>Other financing sources (uses)</b>						
Transfers in	32,258	193,003	-	-	-	-
Transfers out	-	-	-	(13,780)	-	-
<b>Total other financing sources (uses)</b>	32,258	193,003	-	(13,780)	-	-
<b>Net change in fund balance</b>	32,258	21,111	540	980	1,726	-
<b>Fund balances at beginning of year</b>	1,075	144,597	824	9,978	2,468	10,631
<b>Fund balances at end of year</b>	<u>\$ 33,333</u>	<u>\$ 165,708</u>	<u>\$ 1,364</u>	<u>\$ 10,958</u>	<u>\$ 4,194</u>	<u>\$ 10,631</u>

Dawson County, Texas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds (Exhibit C-2)  
Year Ended September 30, 2021

District Clerk Technology	Capital Repair	Certz Grant	Disaster Relief Fund	Total Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 17,937	\$ -	\$ 828,631	\$ -	\$ 828,631
2,385	-	-	-	288,579	-	288,579
-	-	-	-	15,454	-	15,454
-	-	-	299,454	474,014	-	474,014
2,385	-	17,937	299,454	1,606,678	-	1,606,678
-	-	19,930	-	165,979	-	165,979
1,044	-	-	-	707,106	-	707,106
-	-	-	244,359	245,818	-	245,818
-	-	-	-	12,236	-	12,236
-	298,628	-	-	298,628	-	298,628
-	-	-	-	224,491	-	224,491
-	3,590	-	-	3,590	-	3,590
-	54,011	-	-	326,147	-	326,147
1,044	356,229	19,930	244,359	1,983,995	-	1,983,995
1,341	(356,229)	(1,993)	55,095	(377,317)	-	(377,317)
-	1,500	-	-	257,125	12,500	269,625
-	-	-	-	(13,780)	-	(13,780)
-	1,500	-	-	243,345	12,500	255,845
1,341	(354,729)	(1,993)	55,095	(133,972)	12,500	(121,472)
16,394	384,120	71,177	-	1,977,165	12,500	1,989,665
\$ 17,735	\$ 29,391	\$ 69,184	\$ 55,095	\$ 1,843,193	\$ 25,000	\$ 1,868,193





Governmental Reporting Section  
September 30, 2021

# Dawson County, Texas



**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***

The Honorable Judge and Members of the Commissioners Court  
Dawson County, Texas  
Lamesa, 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, 2021, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated March 11, 2022.

**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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

**Dawson County, Texas's Response to Finding**

Dawson County, Texas's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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.



Abilene, Texas  
March 11, 2022

**Section I - Summary of Auditor's Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

**Section II – Financial Statement Findings**

<b><u>Finding 2021-001:</u></b>	Review of Cash Receipts and Journal Entries
Type of Finding:	Significant Deficiency
Criteria:	Management of the County is responsible for the design and implementation of an internal control system that provides for the documentation of the timely review of all manual journal entries and cash receipts.
Condition:	During our review of the internal control system of the County, we identified manual journal entries and various cash receipt transactions that did not have a documented evidence of review.
Cause:	An internal control process has not been established to require the documentation of review of manual journal entries and certain cash receipt transactions.
Effect:	The lack of a documented review process increases the risk of misstatement to the financial statements, either due to error or fraud.
Recommendation:	The County should design and implement an internal control system that requires documentation of the review of manual journal entries and cash receipt transactions.
Views of Responsible Officials:	Management agrees with the noted finding. Refer to Corrective Action Plan.



Lucy Valero, Dawson County Auditor  
P.O. Box 1268  
Lamesa, Tx 79331

Management's Response to Auditor's Findings:  
Summary Schedule of Prior Audit Findings and  
Corrective Action Plan  
September 30, 2021

Prepared by Management of  
**Dawson County, Texas**

**Review of Cash Receipts and Journal Entries**

*Finding 2020-001*

*Initial Fiscal Year Finding Occurred:* 2020

*Finding Summary:* Management of the County is responsible for the design and implementation of an internal control system that provides for the documentation of the timely review of all manual journal entries and cash receipts. Eide Bailly LLP noted that the current system of internal control did not provide for the documentation of review and approval of all manual journal entries and certain cash receipts.

*Status:* Ongoing. See Finding 2021-001 for management’s Corrective Action Plan.

**Review of Cash Receipts and Journal Entries**

*Finding 2021-001*

*Finding Summary:* Management of the County is responsible for the design and implementation of an internal control system that provides for the documentation of the timely review of all manual journal entries and cash receipts. Eide Bailly LLP noted that the current system of internal control did not provide for the documentation of review and approval of all manual journal entries and certain cash receipts.

*Responsible Individuals:* Lucy Valero

*Corrective Action Plan:* The County will enhance its procedures to ensure that documentation of the review and approval of all manual journal entries and cash receipts is documented.

*Anticipated Completion Date:* Fiscal year 2022