

DAWSON COUNTY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2010

**DAWSON COUNTY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>EXHIBIT</u>	<u>PAGE</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		2
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	A-1	9
Statement of Activities	B-1	10
Government Fund Financial Statements:		
Balance Sheet	C-1	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	C-2	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	C-3	13
Reconciliations of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	C-4	14
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	D-1	15
Statement of Changes in Fiduciary Fund Net Assets	D-2	16
Notes to the Financial Statements		17
Required Supplemental Information:		
Budgetary Comparisons:		
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual-General Fund	E-1	32
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual-Precinct 1 Fund	E-2	33
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual-Precinct 2 Fund	E-3	34
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual-Precinct 3 Fund	E-4	35
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual-Precinct 4 Fund	E-5	36
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual-Farm to Market and Lateral Road	E-6	37
Compliance and Internal Controls Section		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		38

GARY, BOWERS & MILLER

GBM

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

A Partnership of
Professional Corporations

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

Honorable Judge Wells and Commissioners' Court
Dawson County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Dawson County, Texas, as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These statements are the responsibility of Dawson County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, each major fund and the aggregate remaining fund information of Dawson County, Texas, as of September 30, 2010, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2011, on our consideration of Dawson County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Gary, Bowers & Miller

Gary, Bowers & Miller
Lubbock, Texas
January 28, 2011

COUNTY OF DAWSON



RICK DOLLAHAN, County Auditor

P.O. Box 1268
Lamesa, Texas 79331

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

Honorable Commissioners Court:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, the management of Dawson County, Texas, discuss and analyze the County's financial performance for the fiscal year ended September 30, 2010. Please read it in conjunction with the independent auditor's report on page 1 and the County's basic financial statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- At the close of the most recent fiscal year, Dawson County's assets exceeded its liabilities by \$10,386,680. Of this amount, \$5,869,522 was unrestricted net assets.
- The County's net assets increased \$1,381,119 because of this year's operation.
- The County had expenses of \$7,515,239 as compared to FY 2009 expenses of \$7,447,587, an increase of 1%.
- The County had revenues of \$8,896,358 as generated in tax and other revenues for governmental programs (before special items). This compares to last year when revenues were \$9,106,481, a decrease of 2.0%.
- The General Fund ended the year with a fund balance of \$3,851,840 as compared to last year's fund balance of \$3,649,673. The fund balance of the General Fund is unreserved and undesignated.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Road to Excellence is Built with Vision

Fund financial statements (starting on page 11) report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. The fiduciary statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of other County funds or those outside of the County. They show what assets these funds have and who they belong to.

The notes to the financial statements (starting on page 17) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

The analysis of the County's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies as opposed to the modified accrual basis used in the prior reporting model.

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

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

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

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

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

The fund financial statements begin on page 11 and provide detailed information about the most significant funds—not the County as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Laws and contracts require the County to establish some funds. The County's administration can establish many other funds to help it control and manage money for particular purposes (e.g. capital projects). All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Each category uses a different accounting approach.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Following each of the governmental fund financial statements (the balance sheet and the statement of revenues, expenditures and changes in fund balance) is a reconciliation to facilitate this comparison between the governmental fund financial statements and the government-wide statements.

Fiduciary funds – The County is the trustee, or fiduciary, for money received in numerous offices. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 17. We report the resources these activities produce that are due to County operating funds as an interfund receivable in those funds and as an interfund payable in the Statement of Fiduciary Net Assets. All other resources within the fiduciary activities are excluded from the County's other financial reports because the County cannot use those assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net assets of the County's governmental activities increased from \$9,005,561 to \$10,386,680. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – were \$5,869,522 at September 30, 2010 as compared to \$5,245,538 at September 30, 2009. This increase in governmental net assets was mainly the result of a combination of continued spending discipline and budgetary compliance and a more accurate inventory of fixed assets that increased that category of assets as well.

Table I
Dawson County, Texas
NET ASSETS

	Governmental Activities	
	2010	2009
Assets:		
Current and Other Assets	6,049,784	5,407,335
Capital Assets	5,080,069	4,159,432
Total Assets	11,129,853	9,566,767
Liabilities:		
Current Liabilities	104,087	91,686
Long-Term Liabilities	639,086	469,520
Total Liabilities	743,173	561,206
Net Assets:		
Capital Assets, Net of Debt	4,517,158	3,760,023
Restricted	0	0
Unrestricted	5,869,522	5,245,538
Total Net Assets	10,386,680	9,005,561

Table II
Dawson County, Texas
CHANGES IN NET ASSETS

	Governmental Activities	
	2010	2009
Revenues:		
Program Revenues:		
Charges for Services	1,651,757	1,583,088
Grants and Contributions	696,718	616,764
General Revenues:		
Property Taxes, General Purposes	5,804,050	5,935,721
Property Taxes, Debt Purposes	0	0
Sales Taxes	572,202	593,853
Dealer Inventory Tax	0	22,342
Mixed Beverage Tax	4,099	3,812
Penalty and Interest	67,652	67,296
Investment Earnings	8,810	13,435
Gain on Disposal of Assets	91,070	308,708
Total Revenue	8,896,358	9,145,019

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

	Governmental Activities	
	2010	2009
Expenses		
General Government	952,445	520,409
Judicial	1,630,508	1,916,794
Elections	52,831	38,681
Financial Administration	271,169	253,076
Tax Administration	301,683	288,147
Facilities Management	450,662	580,202
Law Enforcement	671,478	643,101
Fire Protection	158,596	142,553
Corrections	748,357	839,195
Public Works	67,103	8,590
Roads & Bridges	1,276,146	1,348,090
Sanitation	59,400	56,700
Public Transportation	27,640	5,000
Health Care	311,906	296,685
Human Services	59,101	53,733
County Extension Service	151,231	122,145
Parks & Recreation	41,433	45,829
Museums	1,000	1,000
Libraries	282,550	287,657
Total Expenses	7,515,239	7,447,587
Increase in Net Assets	1,381,119	1,697,432
Inclusion of District Attorney Fund	0	71,063
Net Assets at Beginning of Year	9,005,561	7,237,067
Net Assets at End of Year	10,386,680	9,005,561

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

1. Mineral and Related taxable values increased slightly. Local Property taxable values were also up slightly but were consistent with values over the last several years. Sales tax numbers decreased.
2. County personnel numbers remained the same as the previous year.
3. The County recorded a gain on the disposal of capital assets (trade-ins) of \$91,070 which helped reduce the cost of new machinery.

The cost of all governmental activities this year was \$7,515,239. However, as shown in the Statement of Activities Exhibit B-1, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$5,804,050 because some of the costs were paid with charges for services of \$1,651,757, grants and contributions of \$696,718, sales tax of \$572,202 and other various general revenues of \$171,631.

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as reported on the balance sheet Exhibit C-1) showed a combined fund balance of \$6,053,025 compared to last year's total of \$5,026,246. Included in this year's total change in fund balance is an increase of \$202,167 in the County's General Fund.

For fiscal year 2010, actual expenditures on a budgetary basis for the General Fund were \$5,331,023, compared to the original expenditure budget of \$5,907,534. Actual revenue on a budgetary basis was \$6,275,348 compared to the original revenue budget of \$5,904,690. Reasons for the actual numbers varying from the budget follow:

- All departments controlled their expenditures, were well below budget and the County saved substantial resources by paying cash instead of financing commercial insurance.
- Efficiencies were achieved by changing procurement practices to get the most bang for the buck
- Virtually every revenue category was higher than budgeted.
- Interest earnings received were higher than budgeted.

Over the course of the year, the County's Commissioners' Court revised the County budget several times. These revisions include amendments and supplemental appropriations that were approved during the year to address mid-year situational changes. The primary amendments include:

- Paying cash instead of incurring debt for much needed capital repairs to facilities:
 - The court spent over \$345,115 to reroof all existing county structures
 - Upgraded the lighting fixtures in the courthouse to energy efficient ones for \$47,878
 - Replaced all the courthouse windows with energy efficient windows for \$85,379
- Purchased or refinanced several heavy equipment items to modernize the precinct fleets
- Purchased new vehicles for the Sheriff's department, JPO, Pct 2 & 3

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At the end of fiscal year 2010, the County had \$5,080,069 invested in a broad range of capital assets, including land, buildings and equipment. The County's fiscal year 2009 capital outlays called for expenditures of around \$1,493,092. More detailed information about the County's capital assets is presented in Note IV, Item F to the financial statements.

Debt – At year end the County had \$639,086 in total Capital and Operating lease debt. More detailed information about the County's long-term liabilities is presented in Note IV, Items H and I to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2011 budget and tax rates. Some key items that should be noted are as follows:

1. Mineral taxable values were slightly higher this year.
2. The Commissioner's Court made it a point to do anything that they had to keep the tax rate for the citizens at the effective tax rate. The Commissioners' Court was resolved to do what it could to meet this challenge. As a result, they conducted a top down review of the budget and cut several expenditure lines which subsequently reduced the needed revenue to fund this budget. They were able to provide a cost of living raise for the employees of 3%. The net result was that the adopted tax rate was set at exactly the Effective Tax Rate of .56657 cents per \$100 of valuation.
3. General Fund revenues are projected to be flat and almost all capital requirements were dealt with out of the FY 2010 budget reserves. There will be a slight increase in licenses and permits, charges for services and miscellaneous income for 2011 due to State increases. Projected interest income from the County's invested funds are projected to be flat due to the weak economy.
4. Projected expenses in the General Fund remain essentially flat. The budget will allow for approximately the same number of employees in 2011. The other special revenue funds are projecting no major changes.
5. The oil and agriculture industries in our area have had successful years but continue to be very unpredictable. Dawson County has also allowed an abatement for a proposed wind energy farm East of Lamesa. If that project goes forward, the Commissioners will see a commission of \$1,000 per tower average each year for the 10 year duration of the abatement. There is a dramatic increase in oil and gas exploration in a five county area of which Dawson County is included. Significant technique changes have made oil that was virtually unavailable just a few years ago, is now within reach.

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

REQUEST FOR INFORMATION

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

Respectfully submitted,



Dawson County Auditor

DAWSON COUNTY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 5,746,574
Investments - Current	21,295
Receivables (net of allowance for uncollectibles)	258,712
Due from Fiduciary Funds	23,203
Capital Assets:	
Land	47,250
Buildings, net	2,636,906
Machinery and Equipment, net	2,395,913
Total Assets	11,129,853
LIABILITIES	
Accounts Payable	103,865
Intergovernmental Payable	222
Noncurrent Liabilities	
Due Within One Year	168,727
Due in More Than One Year	470,359
Total Liabilities	743,173
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	4,517,158
Unrestricted Net Assets	5,869,522
Total Net Assets	\$ 10,386,680

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

DAWSON COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT B-1

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 952,445	\$ 105,354	\$ 15,619	\$ (831,472)
Judicial	1,630,508	772,484	561,224	(296,800)
Elections	52,831	1,595	-	(51,236)
Financial Administration	271,169	2,038	-	(269,131)
Tax Administration	301,683	115,460	-	(186,223)
Facilities Managment	450,662	7,350	8,811	(434,501)
Law Enforcement	671,478	46,123	2,000	(623,355)
Fire Protection	158,596	-	-	(158,596)
Corrections	748,357	7,304	-	(741,053)
Public Works	67,103	-	67,103	-
Road and Bridges	1,276,146	579,498	25,636	(671,012)
Sanitation	59,400	-	-	(59,400)
Public Transportation	27,640	-	-	(27,640)
Health Care	311,906	940	-	(310,966)
Human Services	59,101	-	716	(58,385)
Parks & Recreation	41,433	-	752	(40,681)
Museums	1,000	-	-	(1,000)
County Extension Service	151,231	-	-	(151,231)
Libraries	282,550	13,611	14,857	(254,082)
TOTAL PRIMARY GOVERNMENT:	\$ 7,515,239	\$ 1,651,757	\$ 696,718	(5,166,764)

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	5,804,050
Sales Taxes	572,202
Mixed Beverage Tax	4,099
Penalty and Interest	67,652
Investment Earnings	8,810
Gain on Disposal of Assets	91,070
Total General Revenues and Special Items	6,547,883
Change in Net Assets	1,381,119
Net Assets--Beginning	9,005,561
Net Assets--Ending	\$ 10,386,680

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

Precinct 3	Precinct 4	Farm to Market and Lateral Road	Other Funds	Total Governmental Funds
\$ 204,044	\$ 209,704	\$ 2,424	\$ 1,059,792	\$ 5,746,574
-	-	-	21,295	21,295
-	-	44,885	-	302,002
-	-	(21,981)	-	(147,897)
-	-	-	-	104,607
-	-	-	3,241	26,444
<u>\$ 204,044</u>	<u>\$ 209,704</u>	<u>\$ 25,328</u>	<u>\$ 1,084,328</u>	<u>\$ 6,053,025</u>
\$ 5,316	\$ 6,406	\$ -	\$ 18,829	\$ 103,153
(6)	-	-	-	712
-	-	-	222	222
-	-	-	-	3,241
-	-	22,904	-	258,711
<u>5,310</u>	<u>6,406</u>	<u>22,904</u>	<u>\$ 19,051</u>	<u>366,039</u>
-	-	-	-	3,851,840
<u>198,734</u>	<u>203,298</u>	<u>2,424</u>	<u>1,065,277</u>	<u>1,835,146</u>
<u>198,734</u>	<u>203,298</u>	<u>2,424</u>	<u>\$ 1,065,277</u>	<u>5,686,986</u>
<u>\$ 204,044</u>	<u>\$ 209,704</u>	<u>\$ 25,328</u>	<u>\$ 1,084,328</u>	<u>\$ 6,053,025</u>

DAWSON COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2010

Total Fund Balances - Governmental Funds	\$	5,686,986
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$7,714,090 and the accumulated depreciation was \$3,554,658. In addition, long-term liabilities, including capital leases and compensated absences, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.		3,689,912
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. The net effect of including the 2010 capital outlays and debt principal payments is to increase net assets.		1,493,092
The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(452,508)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of capital leases as an increase in capital leases payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.		(30,802)
Net Assets of Governmental Activities	\$	10,386,680

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

Precinct 3	Precinct 4	Farm to Market and Lateral Road	Other Funds	Total Governmental Funds
\$ 152,323	\$ 152,323	\$ 261,776	\$ -	\$ 5,860,866
-	-	-	-	572,202
-	-	-	-	4,099
137,370	137,370	-	-	549,482
-	-	25,636	543,921	620,088
-	-	-	62,993	410,076
-	-	-	19,420	237,737
-	-	-	102	8,810
-	-	-	-	3,250
-	-	-	9,527	9,527
-	-	-	478,482	559,842
<u>289,693</u>	<u>289,693</u>	<u>287,412</u>	<u>1,114,445</u>	<u>8,835,979</u>
-	-	-	958,159	1,578,447
-	-	-	359,677	1,628,343
-	-	-	-	48,362
-	-	-	-	270,926
-	-	-	-	301,544
-	-	-	908	448,807
-	-	-	842	682,636
-	-	-	-	156,118
-	-	-	5,955	699,800
-	-	-	67,103	67,103
562,286	389,847	-	-	1,782,506
-	-	-	-	59,400
-	-	-	22,640	27,640
-	-	-	-	281,233
-	-	-	10,648	59,101
-	-	-	3,035	37,689
-	-	-	-	1,000
-	-	-	-	140,078
-	-	-	7,262	279,025
<u>562,286</u>	<u>389,847</u>	<u>-</u>	<u>1,436,229</u>	<u>8,549,758</u>
<u>(272,593)</u>	<u>(100,154)</u>	<u>287,412</u>	<u>(321,784)</u>	<u>286,221</u>
-	5,210	-	-	91,070
159,225	-	-	-	283,449
71,853	71,853	-	742,158	1,029,570
-	-	(287,412)	-	(1,029,570)
<u>231,078</u>	<u>77,063</u>	<u>(287,412)</u>	<u>742,158</u>	<u>374,519</u>
<u>(41,515)</u>	<u>(23,091)</u>	<u>-</u>	<u>420,374</u>	<u>660,740</u>
<u>240,249</u>	<u>226,389</u>	<u>2,424</u>	<u>644,903</u>	<u>5,026,246</u>
<u>\$ 198,734</u>	<u>\$ 203,298</u>	<u>\$ 2,424</u>	<u>\$ 1,065,277</u>	<u>\$ 5,686,986</u>

DAWSON COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

Total Net Change in Fund Balances - Governmental Funds	\$	660,740
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. The net effect of removing the 2010 capital outlays and debt principal payments is to increase net assets.		1,493,092
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(452,508)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of capital leases, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.		(320,205)
Change in Net Assets of Governmental Activities	\$	<u>1,381,119</u>

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

DAWSON COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2010

EXHIBIT D-1

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 54,162	\$ 1,718,729
Investments - Current	17,970,657	-
Mineral Interests	3,103,270	-
Total Assets	<u>21,128,089</u>	<u>\$ 1,718,729</u>
LIABILITIES		
Intergovernmental Payable	19,340	\$ 328,049
Due to Other Funds	-	23,203
Due to Others	-	1,367,477
Total Liabilities	<u>19,340</u>	<u>\$ 1,718,729</u>
NET ASSETS		
Restricted Net Assets	<u>21,108,749</u>	
Total Net Assets	<u>\$ 21,108,749</u>	

The accompanying notes are an integral part of this statement.

DAWSON COUNTY, TEXAS
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Private Purpose Trust Fund
ADDITIONS:	
Investment Earnings	\$ 271,126
Rents and Royalties	815,685
Increase in Royalty Valuation	225,270
Total Additions	<u>1,312,081</u>
DEDUCTIONS:	
Ad Valorem Taxes	45,911
Transfers to County Schools	498,766
Total Deductions	<u>544,677</u>
Change in Net Assets	767,404
Total Net Assets - October 1 (Beginning)	20,215,485
Prior Period Adjustment	<u>125,860</u>
Total Net Assets - September 30 (Ending)	<u>\$ 21,108,749</u>

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

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

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

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

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

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

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

The fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Fund Statement of Net Assets. The fund equity is segregated into restricted and unrestricted net assets.

D. FUND ACCOUNTING

The County reports the following major governmental funds:

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

DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

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

Other Governmental Funds:

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

Fiduciary Funds:

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

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

E. OTHER ACCOUNTING POLICIES

Change in reporting of funds – In previous years, a portion of the District Court Fund, a Special Revenue Fund, was separated into the Jury Fund, a General Fund. However, the County's purpose for the District Court Fund is to remain intact. Therefore, during the current year, the Fund Balance of the Jury Fund accumulated from prior years was transferred to the District Court Fund as an operating transfer. The Jury Fund has been dissolved.

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

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

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

Capital Assets – Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities columns in the Government-Wide Financial Statements. The County defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure assets such as roads are not capitalized and are therefore excluded from the capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

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

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

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

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

Compensated Absences – The County has a policy of paying for unused vacation, compensatory and holiday time. Sick time is allowed to accumulate to a maximum of 480 hours, but the County does not pay for unused sick time. The liability for these items has been estimated at approximately \$76,175 as of September 30, 2010. They are recorded as expenditures when they are paid but are reflected in the Government-Wide Financial Statements.

Deferred Revenue – Deferred revenue in all fund statements represents the delinquent taxes and fines expected to be collected in some future period.

Net Assets and Fund Balance –

Government-Wide Financial:

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

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

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

Governmental Fund Financial Statements:

In the fund financial statement, governmental funds report fund balances as either a reserved fund balance or an unreserved fund balance.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

Reserved Fund Balance – The portion of fund balance, which is not available for appropriation or which has been legally segregated for a specific purpose. The County does not currently have a reserved fund balance.

Unreserved and Undesignated Fund Balance – This balance is composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting of future operations. Designated fund balances represent tentative plans for future use of financial resources. As of September 30, 2010, the County has no designated fund balances.

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Assets</u>
Land	\$ 47,250	\$ -	\$ 47,250	
Buildings	4,093,507	1,882,790	2,210,717	
Furniture and Equipment	3,573,333	1,671,868	1,901,465	
Change in Net Assets				<u>\$ 4,159,432</u>
 <u>Long-Term Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Compensation Payable			\$ 70,111	
Capital Leases Payable			399,409	
Change in Net Assets				<u>\$ 469,520</u>
Net Adjustment to Net Assets				<u>\$ 3,689,912</u>

DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010

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

Exhibits C-2 and C-4 provide a reconciliation between the net changes in fund balance as shown on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the changes in net assets of governmental activities as reported on the Government-Wide Statement of Activities. One element of the reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements but should be shown as increases in capital assets and decreased in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	Amount	Adjustments to Net Assets	Adjustments to Changes in Net Assets
<u>Current Year Capital Outlay</u>			
Buildings and Improvements	\$ 503,795		
Furniture and Equipment	869,350		
Total Capital Outlay	\$ 1,373,145	\$ 1,373,145	\$ 1,373,145
<u>Debt Principal Payments</u>			
Capital Lease Payments	\$ 119,947		
Total Principal Payments	\$ 119,947	119,947	119,947
Total Adjustment to Net Assets		\$ 1,493,092	\$ 1,493,092

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

	Amount	Adjustments to Net Assets	Adjustments to Changes in Net Assets
<u>Adjustments to Revenue and Deferred Revenue</u>			
Uncollected Taxes (assumed collectible)			
from Current Year Levy	\$ 10,836	\$ 10,836	\$ 10,836
Uncollected Taxes (assumed collectible)			
from Prior Year Levy	143,268	143,268	
Uncollected Fees of Office from Prior Year	146,135	146,135	
Uncollected Fees of Office, Current Year Increase	41,528	(41,528)	(41,528)
Capital Lease Proceeds	283,449	(283,449)	(283,449)
<u>Reclassify Certain Expenditures:</u>			
Increase in Compensated Absences	6,064	(6,064)	(6,064)
Total		\$ (30,802)	\$ (320,205)

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010**

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Commissioners' Court adopts an "appropriated budget" for the General Fund and Special Revenue Funds. The budgets are prepared on the modified accrual basis to comply with the Constitution of the State of Texas. The adopted and final amended budgeted revenues and expenditures for the General Fund, Precinct Funds, and Farm to Market and Lateral Road Fund are presented in Exhibit E-1 through E-6. The over expenditures in Precincts 1 and 4 were generated by the purchase of equipment using lease purchase agreements. The lease purchase did not require the expenditure of cash.

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

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

IV. OTHER NOTES ON FUNDS AND ACCOUNTS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

portfolio, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act.

Policies Governing Deposits and Investments

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

Custodial Credit Risk – Cash and investment deposits: This is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements states that all deposits must be insured by FDIC or secured in another manner provided by law. The County was not exposed to custodial credit risks for its deposits because all were covered by depository insurance or pledged securities at all times during the year.

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

B. PROPERTY TAXES

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

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

The tax rate for the fiscal year ended September 30, 2010, (2009 tax levy) was \$.497906 per \$100 assessed value for County General Fund operations and \$.110410 for farm-market lateral maintenance and operations for a total rate of \$.608316. The County is subject to a tax rate rollback if the total amount of property taxes imposed in any year, as defined by statute, exceeds the total amount of property taxes imposed in the preceding year by 8 percent.

C. DELINQUENT TAXES RECEIVABLE

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

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

D. OTHER ACCOUNTS RECEIVABLE

County accounts receivable at September 30, 2010, were:

	<u>September 30, 2010</u>
County Clerk fines	\$ 30,682
District Clerk fines	393,179
Justice of the Peace fines	194,884
	618,745
Allowance for doubtful collection	(514,138)
Net receivables	\$ 104,607

E. INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2010, consisted of the following individual fund balances:

	Due from Other Funds		Due to Other Funds
General Fund:			
Non-major Governmental Fund			\$ 3,241
Agency Fund	\$ 23,203		
Total General Fund	\$ 23,203		\$ 3,241
Non-major Governmental Fund	\$ 3,241		\$ 23,203
Agency Fund			
Total	\$ 3,241		\$ 23,203

The interfund transfers reflected on the Statements of Revenues and Expenditures were for routine purposes. Transfers from the Road and Bridge and the Farm to Market Funds were to corresponding precinct funds for precinct operations. \$221,517 of the transfer from the General Fund was a separation of the 106th District Court fund balance, which was a shared balance with Gaines, Garza and Lynn County. \$7,499 of the transfer from the General Fund to the 911 Fund was to supplement cost in the 911 Fund. \$497,845 was transferred from the General Fund to the Capital Projects Fund for capital improvements in the County Buildings. \$1,000 of the transfer from the General Fund was to the Appellate Judicial Fund. \$13,007 of the transfer from the General Fund was to the Airport Grant Fund. \$1,290 of the transfer from the General Fund was to the Tocker Foundation Fund.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

F. CAPITAL ASSET ACTIVITY

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

Capital asset activity for the County for the year ended September 30, 2010, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirement	
Governmental Activities:				
Land	\$ 47,250	\$ -	\$ -	\$ 47,250
Buildings and Improvements	4,093,507	503,795	-	4,597,302
Equipment	2,662,650	590,447	96,431	3,156,666
Transportation Equipment	836,393	278,903	35,399	1,079,897
Furniture and Fixtures	74,290	-	-	74,290
Totals at Historical Cost	<u>\$ 7,714,090</u>	<u>\$ 1,373,145</u>	<u>\$ 131,830</u>	<u>\$ 8,955,405</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	1,882,790	77,606	-	1,960,396
Equipment	1,129,038	246,389	96,431	1,278,996
Transportation Equipment	520,415	120,606	35,399	605,622
Furniture and Fixtures	22,415	7,907	-	30,322
Total Accumulated Depreciation	<u>3,554,658</u>	<u>452,508</u>	<u>131,830</u>	<u>3,875,336</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,159,432</u>	<u>\$ 920,637</u>	<u>\$ -</u>	<u>\$ 5,080,069</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 25,458
Justice System	19,335
Elections	4,469
Facilities Management	1,427
Law Enforcement	55,230
Fire Protection	2,478
Corrections	47,884
Roads and Bridges	241,617
Health Care	36,623
Parks and Recreation	3,744
County Extension Service	11,110
Libraries	3,133
Total Depreciation Expense	<u>\$ 452,508</u>

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

G. LONG-TERM LIABILITIES

A summary of changes in general long-term debt for the year ended September 30, 2010, is as follows:

Description	Interest Rate Payable	Interest Current Year	Payable Amounts Outstanding 10/01/09	Issued	Retired	Payable Amounts Outstanding 9/30/10	Due Within One Year
Compensated Absences							
Various Funds	None	None	\$ 70,111	\$ 6,064	\$ -	\$ 76,175	\$ 76,175
Capital Lease Precinct 1	4.75%	\$ 1,784	40,925	-	9,515	31,410	9,977
Capital Lease Precinct 1	6.51%	7,564	114,931	-	11,471	103,460	12,432
Capital Lease Precinct 2	4.75%	1,589	40,925	-	40,925	-	-
Capital Lease Precinct 2	3.50%	1,416	-	124,224	7,623	116,601	23,410
Capital Lease Precinct 3	4.70%	154	15,669	-	15,669	-	-
Capital Lease Precinct 3	4.40%	4,421	-	159,225	19,530	139,695	30,388
Capital Lease Precinct 4	4.72%	8,936	186,959	-	15,214	171,745	16,345
Total		\$ 25,864	\$ 469,520	\$ 289,513	\$ 119,947	\$ 639,086	\$ 168,727

H. DEBT SERVICE REQUIREMENTS – CAPITAL LEASES

The County has entered into lease agreements as lessee to finance the acquisition of six road graders. Two of these contracts were completed during the year. The County also entered into two new contracts. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is a schedule of the capital lease commitments as of September 30, 2010.

	Present Value of Minimum Lease Payments	Interest	Total Minimum Lease Payments
Caterpillar – 140 H Grader – Precinct 1	\$ 31,410	\$ 2,353	\$ 33,763
Caterpillar – 120 M Grader – Precinct 1	103,460	18,205	121,665
Caterpillar – 140 H Grader – Precinct 2	116,601	9,950	126,551
Caterpillar – 140 H Grader – Precinct 3	139,695	13,798	153,493
Caterpillar – 140 M Grader – Precinct 4	171,745	21,942	193,687
Total	\$ 562,911	\$ 66,248	\$ 629,159

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

These total minimum lease payments are payable as follows:

<u>Year Ending September 30,</u>	
2011	\$ 117,484
2012	117,484
2013	117,485
2014	248,841
2015	27,865
Total Capital Lease Payments	<u>\$ 629,159</u>

I. COMMITMENTS UNDER NONCAPITALIZED LEASES

The future minimum rental commitments under operating (non-capitalized) lease agreements were for several copiers. The minimum future rental payments as of September 30, 2010, were as follows:

<u>Year Ending September 30,</u>	
2011	\$ 11,486
2012	1,504
Total Minimum Rental	<u>\$ 12,990</u>
Rental Expenditures in Fiscal Year 2010	\$ 12,664

J. EMPLOYEE RETIREMENT BENEFITS

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

Texas County and District Retirement System Plan

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

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

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

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

Funding Policy. The employer 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 employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. It was 12.60% for the three months ending December 31, 2009 and 11.57% for the nine months ending September 30, 2010. The deposit rate payable by the employee members is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost. For the employer's accounting year ending September 30, 2010, the annual pension cost for the TCDRS plan for its employees was \$369,543, and the actual contributions were \$369,543. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2007, December 31, 2008, and December 31, 2009, as the basis for determining the contribution rates for calendar year 2008, 2009, and 2010. The December 31, 2009, actuarial valuation is the most recent valuation.

	Actuarial Valuation Information		
	12/31/07	12/31/08	12/31/09
	entry age	entry age	entry age
	level percentage of	level percentage of	level percentage of
	payroll, closed	payroll, closed	payroll, closed
	15	20	20
	SAF: 10-yr	SAF: 10-yr	SAF: 10-yr
	Smoothed value	Smoothed value	Smoothed value
	ESF: Fund Value	ESF: Fund Value	ESF: Fund Value
Actuarial Assumptions:			
Investment return	8.00%	8.00%	8.00%
Projected salary increases*	5.30%	5.30%	5.40%
Inflation	3.50%	3.50%	3.50%
Cost-of-living adjustments	0.00%	0.00%	0.00%
*Includes inflation at the stated rate			

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

**Schedule of Funding Progress for the Retirement Plan
for the Employees of Dawson County**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll* (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/07	6,410,763	8,424,257	2,013,494	76.10%	3,204,285	69.72%
12/31/08	6,565,686	9,185,445	2,649,759	71.15%	3,449,286	76.82%
12/31/09	7,515,523	10,093,564	2,578,041	74.46%	3,520,120	73.24%

*The annual covered payroll is based on the employee contributions received by TCDRS for the year ending with the valuation date.

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

K. CAFETERIA PLAN

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

L. HEALTH CARE COVERAGE

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

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

M. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2010, 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.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2010**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

N. JOINT VENTURE ARRANGEMENTS

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

The County has a 50% financial interest in the municipal airport. The County provides \$5,000 annually for working capital. No significant accumulations of financial resources or deficits are in this joint venture. In 2007, an airport improvement grant began with a projected cost of \$1,850,000. The County set aside \$92,857.50 for their share of the match but the project was completed under budget last fiscal year.

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

O. PRIOR PERIOD ADJUSTMENT

The mineral interest valuation included in the Fiduciary Funds Statement of Net Assets is determined by the Gaines County Appraisal District on an annual basis. During the prior fiscal year, the value reported in the financial statements was understated by \$125,860 which caused the Net Assets to be understated by \$125,860.

DAWSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT E-1

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 4,926,400	\$ 4,926,400	\$ 4,989,798	\$ 63,398
General Sales and Use Taxes	425,000	425,000	572,202	147,202
Mixed Beverage Tax	2,100	2,100	4,099	1,999
Intergovernmental Revenue and Grants	58,260	58,260	50,531	(7,729)
Charges for Services	247,430	247,430	347,083	99,653
Fines	208,705	208,710	218,317	9,607
Investment Earnings	6,855	6,855	8,708	1,853
Rents and Royalties	3,000	3,000	3,250	250
Other Revenue	26,940	26,940	81,360	54,420
Total Revenues	5,904,690	5,904,695	6,275,348	370,653
EXPENDITURES:				
Current:				
General Government	635,215	758,210	620,288	137,922
Judicial	1,313,229	1,351,767	1,268,666	83,101
Elections	40,000	49,243	48,362	881
Financial Administration	315,665	316,428	270,926	45,502
Tax Administration	311,576	316,111	301,544	14,567
Facilities Management	567,283	580,259	447,899	132,360
Public Safety:				
Law Enforcement	662,055	740,679	681,794	58,885
Fire Protection	165,783	169,658	156,118	13,540
Corrections	1,017,058	1,017,114	693,845	323,269
Public Works:				
Road and Bridges	5	5	-	5
Sanitation	59,400	59,400	59,400	-
Public Transportation	5,005	5,005	5,000	5
Health and Welfare:				
Health Care	277,463	302,452	281,233	21,219
Human Services	48,035	49,267	48,453	814
Culture and Recreation	500	500	-	500
Parks & Recreation	40,942	43,823	34,654	9,169
Museums	1,000	1,000	1,000	-
County Extension Service	159,768	159,768	140,078	19,690
Libraries	286,042	291,431	271,763	19,668
Conservation and Development:				
Conservation	1,505	1,505	-	1,505
Capital Outlay:				
Capital Outlay	5	5	-	5
Total Expenditures	5,907,534	6,213,630	5,331,023	882,607
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,844)	(308,935)	944,325	1,253,260
OTHER FINANCING SOURCES (USES):				
Transfers In	15	15	-	(15)
Transfers Out (Use)	(10)	(510,771)	(742,158)	(231,387)
Total Other Financing Sources (Uses)	5	(510,756)	(742,158)	(231,402)
Change in Fund Balance	(2,839)	(819,691)	202,167	1,021,858
Fund Balance - October 1 (Beginning)	-	3,649,673	3,649,673	-
Fund Balance - September 30 (Ending)	\$ (2,839)	\$ 2,829,982	\$ 3,851,840	\$ 1,021,858

The accompanying notes are an integral part of this statement.

DAWSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PRECINCT 1 FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT E-2

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ 221,500	\$ 152,323	\$ (69,177)
Licenses and Permits	134,100	134,100	137,371	3,271
Investment Earnings	100	100	-	(100)
Total Revenues	<u>134,200</u>	<u>355,700</u>	<u>289,694</u>	<u>(66,006)</u>
EXPENDITURES:				
Current:				
Public Works:				
Road and Bridges	355,700	355,700	305,548	50,152
Total Expenditures	<u>355,700</u>	<u>355,700</u>	<u>305,548</u>	<u>50,152</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(221,500)</u>	<u>-</u>	<u>(15,854)</u>	<u>(15,854)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	71,853	71,853
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>71,853</u>	<u>71,853</u>
Change in Fund Balance	(221,500)	-	55,999	55,999
Fund Balance - October 1 (Beginning)	-	76,595	76,595	-
Fund Balance - September 30 (Ending)	<u>\$ (221,500)</u>	<u>\$ 76,595</u>	<u>\$ 132,594</u>	<u>\$ 55,999</u>

The accompanying notes are an integral part of this statement.

DAWSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PRECINCT 2 FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT E-3

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ 221,500	\$ 152,323	\$ (69,177)
Licenses and Permits	134,100	134,100	137,371	3,271
Investment Earnings	100	100	-	(100)
Total Revenues	134,200	355,700	289,694	(66,006)
EXPENDITURES:				
Current:				
Public Works:				
Road and Bridges	355,705	483,512	524,825	(41,313)
Total Expenditures	355,705	483,512	524,825	(41,313)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(221,505)	(127,812)	(235,131)	(107,319)
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	85,860	85,860
Proceeds from Capital Leases	-	-	124,224	124,224
Transfers In	5	5	71,853	71,848
Total Other Financing Sources (Uses)	5	5	281,937	281,932
Change in Fund Balance	(221,500)	(127,807)	46,806	174,613
Fund Balance - October 1 (Beginning)	-	186,013	186,013	-
Fund Balance - September 30 (Ending)	\$ (221,500)	\$ 58,206	\$ 232,819	\$ 174,613

The accompanying notes are an integral part of this statement.

DAWSON COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - PRECINCT 3 FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT E-4

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ 221,500	\$ 152,323	\$ (69,177)
Licenses and Permits	134,100	134,100	137,370	3,270
Investment Earnings	100	100	-	(100)
Total Revenues	<u>134,200</u>	<u>355,700</u>	<u>289,693</u>	<u>(66,007)</u>
EXPENDITURES:				
Current:				
Public Works:				
Road and Bridges	355,700	484,396	562,286	(77,890)
Total Expenditures	<u>355,700</u>	<u>484,396</u>	<u>562,286</u>	<u>(77,890)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(221,500)</u>	<u>(128,696)</u>	<u>(272,593)</u>	<u>(143,897)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Capital Leases	-	-	159,225	159,225
Transfers In	-	-	71,853	71,853
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>231,078</u>	<u>231,078</u>
Change in Fund Balance	(221,500)	(128,696)	(41,515)	87,181
Fund Balance - October 1 (Beginning)	-	240,249	240,249	-
Fund Balance - September 30 (Ending)	<u>\$ (221,500)</u>	<u>\$ 111,553</u>	<u>\$ 198,734</u>	<u>\$ 87,181</u>

The accompanying notes are an integral part of this statement.

DAWSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PRECINCT 4 FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT E-5

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ 221,500	\$ 152,323	\$ (69,177)
Licenses and Permits	134,100	134,100	137,370	3,270
Investment Earnings	100	100	-	(100)
Other Revenue	5	5	-	(5)
Total Revenues	134,205	355,705	289,693	(66,012)
EXPENDITURES:				
Current:				
Public Works:				
Road and Bridges	355,705	435,705	389,847	45,858
Total Expenditures	355,705	435,705	389,847	45,858
Excess (Deficiency) of Revenues Over (Under) Expenditures	(221,500)	(80,000)	(100,154)	(20,154)
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	5,210	5,210
Transfers In	-	-	71,853	71,853
Total Other Financing Sources (Uses)	-	-	77,063	77,063
Change in Fund Balance	(221,500)	(80,000)	(23,091)	56,909
Fund Balance - October 1 (Beginning)	-	226,389	226,389	-
Fund Balance - September 30 (Ending)	\$ (221,500)	\$ 146,389	\$ 203,298	\$ 56,909

The accompanying notes are an integral part of this statement.

DAWSON COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - FM TO MARKET AND LATERAL ROAD
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT E-6

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 860,000	\$ 860,000	\$ 261,776	\$ (598,224)
Intergovernmental Revenue and Grants	26,000	26,000	25,636	(364)
Total Revenues	886,000	886,000	287,412	(598,588)
OTHER FINANCING SOURCES (USES):				
Transfers Out (Use)	(886,000)	(886,000)	(287,412)	598,588
Total Other Financing Sources (Uses)	(886,000)	(886,000)	(287,412)	598,588
Change in Fund Balance	-	-	-	-
Fund Balance - October 1 (Beginning)	-	2,424	2,424	-
Fund Balance - September 30 (Ending)	\$ -	\$ 2,424	\$ 2,424	\$ -

The accompanying notes are an integral part of this statement.

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



A Partnership of
Professional Corporations

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

Honorable Judge Wells and Commissioners' Court
Dawson County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dawson County, Texas as of and for the year ended September 30, 2010, which collectively comprise Dawson County, Texas' basic financial statements and have issued our report thereon dated January 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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

Gary, Bowers & Miller

Gary, Bowers & Miller
Lubbock, Texas
January 28, 2011