

DAWSON COUNTY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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Independent Auditors' Report

September 30, 2009

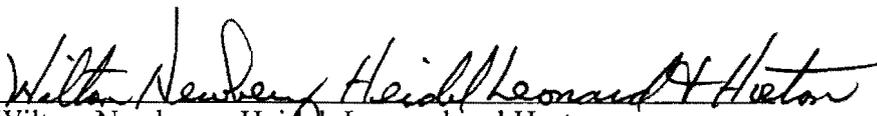
Honorable Judge Saleh and Commissioners' Court
County of Dawson
Post Office Box 1268
Lamesa, Texas 79331

We have audited the accompanying financial statements of the governmental activities, the aggregated discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Dawson, Texas, as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These statements are the responsibility of the County of Dawson'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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the aggregated discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Dawson as of September 30, 2008, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but is 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.


Wilton, Newberry, Heidel, Leonard and Horton

COUNTY OF DAWSON



RICK DOLLAHAN, County Auditor

P.O. Box 1268
Lamesa, Texas 79331

September 30, 2009

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

Honorable Commissioners Court:

Sam Saleh	County Judge		
Ricky Minjarez	Commissioner, PCT 1	Louis Addison	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, 2008. 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 \$6,745,513. Of this amount, \$3,971,318 was unrestricted net assets.
- The County's net assets increased \$1,642,896 because of this year's operation.
- The County had expenses of \$6,879,634 as compared to FY 2007 expenses of \$6,362,743, an increase of 8%.
- The County had revenues of \$8,522,530 as generated in tax and other revenues for governmental programs (before special items). This compares to last year when revenues were \$7,628,919, an increase of 12%.
- The General Fund ended the year with a fund balance of \$2,581,541 as compared to last year's fund balance of \$1,558,052. 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.

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. For proprietary activities, fund financial statements tell how goods or services of the County

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were sold to departments within the County or to external consumers and how the sales revenues covered the expenses of the goods or services. The remaining statements, 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 15. 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 \$5,594,171 to \$7,237,067. 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 \$3,971,318 at September 30, 2008 as compared to \$2,549,564 at September 30, 2007. This increase in governmental net assets was the result mainly of a combination of increased tax revenues, better 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	
	2008	2007
Assets:		
Current and Other Assets	4,301,639	2,635,671
Capital Assets	3,426,982	3,205,611
Total Assets	7,728,621	\$5,841,282
Liabilities:		
Current Liabilities	297,851	61,827
Long-Term Liabilities	193,703	185,284
Total Liabilities	491,554	247,111
Net Assets:		
Capital Assets, Net of Debt	3,265,749	3,044,607
Restricted	0	0
Unrestricted	3,971,318	2,549,564
Total Net Assets	7,237,067	5,594,171

Table II
Dawson County, Texas
CHANGES IN NET ASSETS

	Governmental Activities	
	2008	2007
Revenues:		
Program Revenues:		
Charges for Services	1,538,720	1,231,758
Grants and Contributions	526,628	308,232
General Revenues:		
Property taxes, General Purposes	5,591,324	5,263,186
Property taxes, Debt Purposes	0	0
Sales taxes	575,432	539,889
Mixed Beverage Tax	2,297	0
Penalty and Interest	72,185	61,311
Miscellaneous	8,560	
Investment Earnings	105,784	95,762
Gain on Disposal of Assets	101,600	128,781
Total Revenue	8,522,530	7,628,919

Table II (Cont.) Dawson County, Texas CHANGES IN NET ASSETS		
Governmental Activities		
Expenses	2008	2007
General Government	359,792	554,027
Judicial	1,407,290	1,193,842
Elections	14,821	46,759
Financial Administration	227,816	214,876
Tax Administration	280,303	238,976
Facilities Management	597,073	507,681
Law Enforcement	555,267	530,388
Fire Protection	148,741	81,389
Corrections	893,576	1,021,261
Public Works	231,702	0
Roads & Bridges	1,237,339	1,176,820
Sanitation	54,000	54,000
Public Transportation	100,750	4,638
Health Care	286,918	292,443
Human Services	57,038	56,576
County Extension Service	123,208	91,442
Parks & Recreation	48,350	36,172
Museums	1,000	1,000
Libraries	254,650	260,401
Total Expenses	6,879,634	6,362,743
Increase in Net Assets	1,642,896	1,266,176
Net Assets at Beginning of Year	5,594,171	4,327,995
Net Assets at End of Year	7,237,067	5,594,171

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

1. Mineral and related taxable values increased. Local property taxable values were up slightly but were consistent with values over the last several years.
2. County personnel numbers remained the same as the previous year.

The cost of all governmental activities this year was \$6,879,634. 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 \$5,591,324 because some of the costs were paid with charges for services of \$1,538,720, grants and contributions of \$526,628, sales tax of \$575,432 and other various general revenues of \$290,426.

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as reported on the balance sheet Exhibit C-1) reported a combined fund balance of \$4,308,193, compared to last year's total of \$2,285,469. Included in this year's total change in fund balance is an increase of \$1,341,676 in the County's General Fund.

For fiscal year 2008, actual expenditures on a budgetary basis for the General Fund were \$5,021,541, compared to the original expenditure budget of \$5,635,077. Actual revenue on a budgetary basis was \$6,318,923 compared to the original revenue budget of \$5,938,660. Reasons for the actual numbers varying from the budget follow:

- All departments controlled their expenditures and were well below budget.
- Efficiencies were achieved by changing procurement practices to get the most bang for the buck.
- Substantial resources were saved by paying cash instead of financing commercial insurance.
- Tax revenue collection, sales tax, fees and miscellaneous revenues were much higher than budgeted.
- Interest earnings received were substantially higher than budgeted.
- Fuel costs exceeded budgeted amounts because of the unexpectedly large increase in fuel prices nationwide.

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 numerous purchases
- Purchased or refinanced several heavy equipment items to modernize the precinct fleets
- Increased fuel lines throughout the County
- Purchased a new vehicle for the Sheriff's department
- Remodeled the John Saleh Courthouse Annex

Exhibit E-1 provides a detailed comparison of these changes as they relate to the General Fund. 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 2008, the County had \$6,958,494 invested in a broad range of capital assets, including land, buildings and equipment.

The County's fiscal year 2008 capital outlays called for expenditures of around \$581,067. 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 \$214, 267 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 2009 budget and tax rates. Some key items that should be noted are as follows:

1. Mineral particularly and related taxable values were higher this year. Local property maintained their taxable values from the prior year but was consistent with values over the last several years. The increase in valuations caused the tax rate to lower accordingly but still allows the County to fund the budget without any real growth in any department and help restore fund balances while maintaining a tax rate of \$0.55 per hundred dollars valuation.
2. Projected General Fund revenues are increasing about 8.57% from last year, mainly due to increased tax revenue. There will be a slight increase in licenses and permits, charges for services and miscellaneous Income for 2009 due to State increases. Projected interest income from the County's invested funds should be up due to interest rate increases which are expected.
3. Projected expenses in the General Fund are up about 8.00%.
4. The budget will allow for approximately the same number of employees in 2009. Base pay will rise as approved by the Commissioners' Court for full-time employees in 2009, and benefit will remain at approximately the same levels.
5. The other special revenue funds are projecting no major changes.
6. The oil and agriculture industries in our area have had successful years but continue to be very unpredictable. These two industries remain the largest parts of our local business activity and the uncertainty that goes along with them makes it a challenge to accurately predict long-term economic and population 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 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,

Rick Dollahan

Dawson County Auditor

DAWSON COUNTY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 3,779,025
Receivables (net of allowance for uncollectibles)	494,586
Due from Fiduciary Funds	28,028
Capital Assets:	
Land	47,250
Buildings, net	2,255,532
Machinery and Equipment, net	1,124,200
Total Assets	7,728,621
LIABILITIES	
Accounts Payable	297,627
Intergovernmental Payable	224
Noncurrent Liabilities	
Due Within One Year	96,184
Due in More Than One Year	97,519
Total Liabilities	491,554
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	3,265,749
Unrestricted Net Assets	3,971,318
Total Net Assets	\$ 7,237,067

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, 2008

EXHIBIT B-1

Net (Expense)
Revenue and
Changes in Net
Assets

	Program Revenues			Primary Gov. Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 359,792	\$ 64,829	\$ 16,403	\$ (278,560)
Judicial	1,407,290	623,717	222,990	(560,583)
Elections	14,821	-	-	(14,821)
Financial Administration	227,816	8,777	-	(219,039)
Tax Administration	280,303	96,003	-	(184,300)
Facilities Management	597,073	10,351	7,419	(579,303)
Law Enforcement	555,267	71,015	1,749	(482,503)
Fire Protection	148,741	-	-	(148,741)
Corrections	893,576	11,435	-	(882,141)
Public Works	231,702	-	231,702	-
Road and Bridges	1,237,339	625,401	25,509	(586,429)
Sanitation	54,000	-	-	(54,000)
Public Transportation	100,750	-	-	(100,750)
Health Care	286,918	-	-	(286,918)
Human Services	57,038	-	512	(56,526)
Parks & Recreation	48,350	852	940	(46,558)
Museums	1,000	-	-	(1,000)
County Extension Service	123,208	8,064	-	(115,144)
Libraries	254,650	18,276	19,404	(216,970)
TOTAL PRIMARY GOVERNMENT:	\$ 6,879,634	\$ 1,538,720	\$ 526,628	(4,814,286)

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	5,591,324
Sales Taxes	575,432
Mixed Beverage Tax	2,297
Penalty and Interest	72,185
Miscellaneous Revenue	8,560
Investment Earnings	105,784
Gain on Disposal of Assets	101,600

Total General Revenues and Special Items 6,457,182

Change in Net Assets 1,642,896

Net Assets--Beginning 5,594,171

Net Assets--Ending \$ 7,237,067

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
\$ 191,856	\$ 187,433	\$ 2,443	\$ 521,517	\$ 3,779,025
-	-	41,010	-	281,175
-	-	(20,081)	-	(137,679)
-	-	-	3,015	136,362
-	-	-	214,728	214,728
-	-	-	-	34,582
<u>\$ 191,856</u>	<u>\$ 187,433</u>	<u>\$ 23,372</u>	<u>\$ 739,260</u>	<u>\$ 4,308,193</u>
\$ -	\$ 37	\$ -	\$ 214,728	\$ 214,765
2,673	3,669	-	5,145	82,862
-	-	-	224	224
-	-	-	6,554	6,554
-	-	20,929	3,015	279,858
<u>2,673</u>	<u>3,706</u>	<u>20,929</u>	<u>\$ 229,666</u>	<u>584,263</u>
-	-	-	-	2,581,541
189,183	183,727	2,443	509,594	1,142,389
189,183	183,727	2,443	\$ 509,594	3,723,930
<u>\$ 191,856</u>	<u>\$ 187,433</u>	<u>\$ 23,372</u>	<u>\$ 739,260</u>	<u>\$ 4,308,193</u>

DAWSON COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2008

Total Fund Balances - Governmental Funds	\$	3,723,930
<p>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 \$6,565,968 and the accumulated depreciation was \$3,360,357. 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.</p>		
		3,020,327
<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. The net effect of including the 2008 capital outlays and debt principal payments is to increase net assets.</p>		
		680,839
<p>The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.</p>		
		(293,699)
<p>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 increase net assets.</p>		
		105,670
Net Assets of Governmental Activities	\$	7,237,067

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
\$ -	\$ -	\$ 831,203	\$ -	\$ 5,683,170
-	-	-	-	575,432
-	-	-	-	2,297
142,258	142,258	-	-	569,032
-	-	25,509	429,020	513,368
-	-	-	71,480	429,549
-	-	-	22,156	254,515
4,895	6,306	-	11,147	105,784
-	-	-	-	3,500
-	-	-	13,260	13,260
2,428	3,058	-	134,819	306,015
149,581	151,622	856,712	681,882	8,455,922
-	-	-	34,534	443,562
-	-	-	289,897	1,393,233
-	-	-	-	46,103
-	-	-	-	226,859
-	-	-	-	280,125
-	-	-	4,437	590,794
-	-	-	72	598,793
-	-	-	-	146,263
-	-	-	2,174	844,437
-	-	-	231,702	231,702
312,108	370,113	-	-	1,427,295
-	-	-	-	54,000
-	-	-	85,750	100,750
-	-	-	-	260,341
-	-	-	5,728	57,038
-	-	-	3,293	48,475
-	-	-	-	1,000
-	-	-	-	114,543
-	-	-	11,038	252,148
312,108	370,113	-	668,625	7,117,461
(162,527)	(218,491)	856,712	13,257	1,338,461
-	-	-	-	100,000
239,178	239,178	-	173,893	1,130,605
-	-	(856,712)	-	(1,130,605)
239,178	239,178	(856,712)	173,893	100,000
76,651	20,687	-	187,150	1,438,461
112,532	163,040	2,443	322,444	2,285,469
\$ 189,183	\$ 183,727	\$ 2,443	\$ 509,594	\$ 3,723,930

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, 2008

Total Net Change in Fund Balances - Governmental Funds	\$	1,438,461
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 2008 capital outlays and debt principal payments is to increase net assets.		680,839
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.		(293,699)
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, 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.		(182,705)
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>1,642,896</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, 2008

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 142,379	\$ 639,571
Investments - Current	16,707,746	-
Mineral Interest	4,113,180	-
Total Assets	<u>20,963,305</u>	<u>\$ 639,571</u>
LIABILITIES		
Intergovernmental Payable	34,107	\$ 477,406
Due to Other Funds	-	28,028
Due to Others	-	134,137
Total Liabilities	<u>34,107</u>	<u>\$ 639,571</u>
NET ASSETS		
Restricted Net Assets	<u>20,929,198</u>	
Total Net Assets	<u>\$ 20,929,198</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, 2008

	Private Purpose Trust Fund
ADDITIONS:	
Investment Earnings	\$ 495,797
Increase in Royalty Valuation	246,860
Rents and Royalties	1,525,339
Total Additions	<u>2,267,996</u>
DEDUCTIONS:	
Ad Valorem Taxes	60,307
Transfers to County schools	495,798
Total Deductions	<u>556,105</u>
Change in Net Assets	1,711,891
Total Net Assets - October 1 (Beginning)	<u>19,217,307</u>
Total Net Assets - September 30 (Ending)	<u>\$ 20,929,198</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, 2008

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 generally accepted accounting principles, these financial statements present Dawson County and its component unit. The component unit discussed below is included in the financial statements because of the financial relationships with the County.

Library Memorial Fund – The fund is controlled by the Dawson County Library Board of Directors who are appointed by the County's commissioners. Although it is legally separate, it is reported as if it is part of the County's financial statements because its sole purpose is providing library services to the residents.

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 and its component units' nonfiduciary activities 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* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities demonstrates how other people or entities that participate in programs the County operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use or directly benefit from goods or services provided by a given function or segment of the County such as vehicle registrations. The "grants and contributions" column includes amounts paid by organizations outside the County to help meet the operational or capital requirements of a given function. If revenue is not program revenue, it is general revenue used to support all of the County's functions. 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, 2008

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 unmatured 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, Jury Fund and Road and Bridge Fund have been combined. These funds are operated and maintained separately by the Commissioners' Court decision, but there are not any outside requirements for the self-imposed separation and the funds can be used for general County operations.

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

DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. FUND ACCOUNTING - CONTINUED

Other Governmental Funds:

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

Fiduciary Funds:

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

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

E. OTHER ACCOUNTING POLICIES

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

Consumable Materials and Supplies – Disbursements for the purchase of consumable materials and supplies are recorded as expenditures. Inventories of such items, therefore, 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Land is not depreciated.

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

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

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. OTHER ACCOUNTING POLICIES – CONTINUED

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 50 days, but the County does not pay for unused sick time. The liability for these items has been estimated at approximately \$32,471 as of September 30, 2008. 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.

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 have a reserved fund balance.

Unreserved 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, 2008, the District had 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 requires management to make estimates and assumptions that affect the reported amounts 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.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008**

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Exhibit C-2 provides the reconciliation between the fund balance for total governmental 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	3,961,373	(1,741,799)	2,219,574	
Furniture and Equipment	2,557,345	(1,618,558)	938,787	
Change in Net Assets				<u>\$ 3,205,611</u>
			<u>Payable at the Beginning of the Year</u>	
Long-Term Liabilities at the Beginning of the Year			\$ 24,279	
Compensation Payable			161,005	
Capital Leases Payable				<u>\$ 185,284</u>
Change in Net Assets				
Net Adjustment to Net Assets				<u>\$ 3,020,327</u>

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

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

DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

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

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 - CONTINUED

	Amount	Adjustments to Net Assets	Adjustments to Changes in Net Assets
<u>Current Year Capital Outlay</u>			
Buildings and Improvements	\$ 105,120		
Furniture and Equipment	475,947		
Total Capital Outlay	<u>\$ 581,067</u>	\$ 581,067	\$ 581,067
<u>Debt Principal Payments</u>			
Capital Lease Payments	<u>\$ 99,772</u>		
Total Principal Payments	<u>\$ 99,772</u>	99,772	99,772
Total Adjustment to Net Assets		<u>\$ 680,839</u>	<u>\$ 680,839</u>

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

	Amount	Adjustments to Net Assets	Adjustments to Changes in Net Assets
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$ 90,900	\$	\$ (90,900)
Uncollected Taxes (assumed collectible)			
from Current Year Levy	72,993	72,993	72,993
Uncollected Taxes (assumed collectible)			
from Prior Year Levy	70,503	70,503	
Change in Estimate of Deferred Revenue			
at Beginning of Year	1,754		(1,754)
Uncollected Fees of Office from Prior Year	125,218	125,218	
Uncollected Fees of Office, Current Year Increase	11,144	11,144	11,144
Basis of Assets Disposed	65,997	(65,997)	(65,997)
Capital Lease Proceeds	100,000	(100,000)	(100,000)
<u>Reclassify Certain Expenditures:</u>			
Increase in Compensated Absences	8,191	(8,191)	(8,191)
Total		<u>\$ 105,670</u>	<u>\$ (182,705)</u>

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008**

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 overexpenditures in Precincts 1 and 2 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 the 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.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had planned deficit spending as reflected by budgeted expenditures in excess of expected revenue.

DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

General Fund	\$173,972
Jury Fund	\$16,813
Law Library Fund	1,674
Justice of Peace Technology Fund	2,529
K-9 Fund	500
District Clerk Records Management Fund	1,205
Precinct #3	30,997
Precinct #4	14,541
Road and Bridge	64,762
County Clerk Vital Statistics Records	14,535
County Clerk Archive	24,275
District Attorney Fund	24,976
Lone Star Grant	5,885
Gates Library Grant	1,130
Clean Cemetery Fund	4,427
Clean Up Lamesa Fund	3,283

No budgets were adopted for the following special revenue funds:

- Indigent Defense Grant - Budget was established by the grant.
- Library Memorial Fund - No budget since memorials are used as instructed by donor.

IV. OTHER NOTES ON FUNDS AND ACCOUNTS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities and (9) 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 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.

The County is in substantial compliance with the requirements of the Act and with local policies.

DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008

IV. OTHER NOTES ON FUNDS AND ACCOUNTS - CONTINUED

A. DEPOSITS AND INVESTMENTS - CONTINUED

Policies Governing Deposits and Investments

In compliance with the Public Fund Investment Act, the County has adopted a deposit and investment policy. That policy 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 by 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 personal property located in the County 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 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, 2008, (2007 tax levy) was \$.544314 per \$100 assessed value for County General Fund operations and \$.093248 for farm-market lateral maintenance and operations for a total rate of \$.637561. The County is subject to 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, 2008

IV. OTHER NOTES ON FUNDS AND ACCOUNTS - CONTINUED

D. OTHER ACCOUNTS RECEIVABLE

County accounts receivable at September 30 were:

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
County Clerk fines	\$ 72,613	\$ 65,652
District Clerk fines	397,828	373,040
Justice of the Peace fines	344,496	308,348
	<u>\$ 814,937</u>	<u>\$ 747,040</u>
Allowance for doubtful collection	(681,590)	(621,823)
Net receivables	<u>\$ 133,347</u>	<u>\$ 125,217</u>

E. INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2008 consisted of the following individual fund balances:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
Nonmajor Governmental Fund	\$ 6,554	
Agency Fund	28,028	-
Total General Fund	<u>\$ 34,582</u>	<u>-</u>
Nonmajor Governmental Fund		\$ 6,554
Agency Fund		28,028
Total	<u>\$ 34,582</u>	<u>\$ 34,582</u>

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 the corresponding precinct funds for precinct operations. \$173,893 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.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

F. CAPITAL ASSET ACTIVITY

Capital assets had been combined into an accumulating account over an extended period. During the last dozen years, 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, 2008, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirement	
Governmental Activities:				
Land	\$ 47,250	\$ -	\$ -	\$ 47,250
Buildings and Improvements	3,961,373	105,120		4,066,493
Equipment	1,814,283	361,274	(136,000)	2,039,557
Transportation Equipment	700,054	77,922	(41,666)	736,310
Furniture and Fixtures	43,008	36,751	(10,875)	68,884
Totals at Historic Cost	<u>\$ 6,565,968</u>	<u>\$ 581,067</u>	<u>\$ (188,541)</u>	<u>\$ 6,958,494</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	1,741,799	69,162		1,810,961
Equipment	1,093,369	141,977	(91,694)	1,143,652
Transportation Equipment	514,119	79,122	(30,850)	562,391
Furniture and Fixtures	11,070	3,438		14,508
Total Accumulated Depreciation	<u>3,360,357</u>	<u>293,699</u>	<u>(122,544)</u>	<u>3,531,512</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,205,611</u>	<u>\$ 287,368</u>	<u>\$ (65,997)</u>	<u>\$ 3,426,982</u>

DAWSON COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2008

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

F. CAPITAL ASSET ACTIVITY - CONTINUED

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 21,350
Justice System	13,905
Facilities Management	2,528
Law Enforcement	33,016
Fire Protection	2,478
Corrections	47,130
Roads and Bridges	132,957
Health Care	26,577
Parks and Recreation	3,250
County Extension Service	8,665
Libraries	1,843
Total Depreciation Expense	\$ 293,699

G. LONG-TERM LIABILITIES

A summary of changes in general long-term debt for the year ended September 30, 2008 is as follows:

Description	Interest Rate Payable	Interest Current Year	Payable Amounts Outstanding 10/01/07	Issued	Retired	Payable Amounts Outstanding 09/30/08	Due Within One Year
Compensated Absences Various Funds	None	None	24,280	8,191	-	32,471	32,471
Capital Lease Precinct 1	4.75%	-		50,000		50,000	9,075
Capital Lease Precinct 2	4.75%	-		50,000		50,000	9,075
Capital Leases Precinct 3	4.70%	3,255	104,709	-	43,476	61,233	45,564
Capital Leases Precinct 4	4.75%	3,231	56,295		56,295	-	-
Total		\$ 6,486	\$ 185,284	\$ 108,191	\$ 99,771	\$ 193,704	\$ 96,185

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS - CONTINUED

H. DEBT SERVICE REQUIREMENTS - CAPITAL LEASES

The County has entered into lease agreements as lessee to finance the acquisition of four road graders and one loader. Three of these contracts were completed during the year. 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, 2008.

	Present Value of Minimum Lease Payments	Interest	Total Minimum Lease Payments
Caterpillar - 140 H Grader - Precinct 1	\$ 50,000	\$ 6,271	\$ 56,271
Caterpillar - 140 H Grader - Precinct 2	50,000	6,271	56,271
Caterpillar - 140 H Grader - Precinct 3	61,233	2,058	63,291
Total	<u>\$ 161,233</u>	<u>\$ 14,600</u>	<u>\$ 175,833</u>

These total minimum lease payments are payable as follows:

Year Ending September 30,	
2009	\$ 69,976
2010	38,331
2011	22,508
2012	22,508
2013	22,510
Total Capital Lease Payments	<u>\$ 175,833</u>

I. COMMITMENTS UNDER NONCAPITALIZED LEASES

The future minimum rental commitments under operating (noncapitalized) lease agreements were for two Caterpillar graders and several copiers. The Caterpillar graders were paid off in the current year. The minimum future rental payments as of September 30, 2008 were as follows:

Year Ending September 30,	
2009	\$ 12,801
2010	12,801
2011	11,328
2012	1,504
Total Minimum Rental	<u>\$ 38,434</u>
Rental Expenditures in Fiscal Year 2008	\$ 36,181

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

J. COMMITMENTS

The County has entered into contracts for water system improvements at Welch. The commitments as of September 30, 2008 were as follows:

	Project Authorization	Expended to Date	Commitment	Required Futher Financing
Water Facilities	\$ 193,360.00	\$ -	\$ 193,360.00	\$ -
Engineering/Architectural	58,100.00	8,225.00	49,875.00	-
General Administration	35,000.00	8,750.00	26,250.00	-
	<u>\$ 286,460.00</u>	<u>\$ 16,975.00</u>	<u>\$ 269,485.00</u>	<u>\$ -</u>

There are grant proceeds and cash reserves available to fulfill these commitments; therefore, no further financing is required.

K. 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 statewide agent multiple-employer public employee retirement system consisting of 574 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.

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.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2008**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

K. EMPLOYEE RETIREMENT BENEFITS – CONTINUED

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 10.32% for the three months ending December 31, 2007 and 10.94% for the nine months ending September 30, 2008. 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, 2008, the annual pension cost for the TCDRS plan for its employees was \$225,970, and the actual contributions were \$225,970. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2005, December 31, 2006 and December 31, 2007 as the basis for determining the contribution rates for calendar year 2005, 2006 and 2007. The December 31, 2007 actuarial valuation is the most recent valuation.

	Actuarial Valuation Information		
	12/31/05	12/31/06	12/31/07
Actuarial valuation date	12/31/05	12/31/06	12/31/07
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, closed
Amortization period in years	20	15	15
Asset valuation method	long -term appreciation with adjustment	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value
Actuarial Assumptions:			
Investment return	8.00%	8.00%	8.00%
Projected salary increases ¹	5.50%	5.30%	5.30%
Inflation	3.50%	3.50%	3.50%
Cost-of-living adjustments	0	0	0
¹ Includes inflation at the stated rate			

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

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2006	227,330	100%	0.00
September 30, 2007	248,819	100%	0.00
September 30, 2008	225,970	100%	0.00

DAWSON COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 2008

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

K. EMPLOYEE RETIREMENT BENEFITS – CONTINUED

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

Actuarial Value of Assets	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll ¹ (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/05	5,114,187	7,160,036	2,045,849	71.43%	2,957,517	69.17%
12/31/06	5,830,782	7,734,372	1,903,590	75.39%	3,050,476	62.40%
12/31/07	6,410,763	8,424,257	2,013,494	76.10%	3,204,285	62.84%

¹The 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.

L. 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.

M. 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 were paid at 90% in plan and 70% out of plan up to a stop loss of \$2,000 per person or \$6,000 per family.

N. 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 2008, 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, 2008**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

O. 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 has set aside \$92,857.50 for their share of the match, and \$85,750 was expended during the 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.

DAWSON COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT E-1

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 4,671,780	\$ 4,676,905	\$ 4,851,967	\$ 175,062
General Sales and Use Taxes	380,000	380,000	575,432	195,432
Mixed Beverage Tax	2,100	2,100	2,297	197
Intergovernmental Revenue and Grants	271,032	271,032	58,839	(212,193)
Charges for Services	177,430	177,430	358,069	180,639
Fines	208,705	208,705	232,359	23,654
Investment Earnings	5,460	8,232	75,370	67,138
Rents and Royalties	3,000	3,000	3,500	500
Other Revenue	17,407	48,489	161,090	112,601
Total Revenues	5,736,914	5,775,893	6,318,923	543,030
EXPENDITURES:				
Current:				
General Government	517,823	509,710	409,028	100,682
Judicial	1,256,573	1,298,594	1,103,336	195,258
Elections	40,000	46,139	46,103	36
Financial Administration	237,986	239,166	226,859	12,307
Tax Administration	296,816	301,335	280,125	21,210
Facilities Management	740,154	759,433	586,357	173,076
Public Safety:				
Law Enforcement	577,046	616,121	598,721	17,400
Fire Protection	116,427	157,242	146,263	10,979
Corrections	1,027,355	1,027,350	842,263	185,087
Public Works:				
Road and Bridges	5	5	-	5
Sanitation	54,000	54,000	54,000	-
Public Transportation	5,005	15,005	15,000	5
Health and Welfare:				
Health Care	271,213	271,439	260,341	11,098
Human Services	55,056	55,056	51,310	3,746
Culture and Recreation	500	500	-	500
Parks & Recreation	38,892	52,958	45,182	7,776
Museums	1,000	1,000	1,000	-
County Extension Service	141,631	146,976	114,543	32,433
Libraries	256,085	259,829	241,110	18,719
Conservation and Development:				
Conservation	1,505	1,505	-	1,505
Capital Outlay:				
Capital Outlay	5	5	-	5
Total Expenditures	5,635,077	5,813,368	5,021,541	791,827
Excess (Deficiency) of Revenues Over (Under) Expenditures	101,837	(37,475)	1,297,382	1,334,857
OTHER FINANCING SOURCES (USES):				
Transfers In	20	20	-	(20)
Transfers Out (Use)	(10)	(108,010)	(273,893)	(165,883)
Total Other Financing Sources (Uses)	10	(107,990)	(273,893)	(165,903)
Net Change in Fund Balances	101,847	(145,465)	1,023,489	1,168,954
Fund Balance - October 1 (Beginning)	-	1,558,052	1,558,052	-
Fund Balance - September 30 (Ending)	\$ 101,847	\$ 1,412,587	\$ 2,581,541	\$ 1,168,954

DAWSON COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - PRECINCT 1 FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT E-2

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Licenses and Permits	\$ 134,100	\$ 134,100	\$ 142,258	\$ 8,158
Investment Earnings	100	100	3,988	3,888
Other Revenue	-	-	1,581	1,581
Total Revenues	134,200	134,200	147,827	13,627
EXPENDITURES:				
Current:				
Public Works:				
Road and Bridges	334,200	342,523	363,767	(21,244)
Total Expenditures	334,200	342,523	363,767	(21,244)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(200,000)	(208,323)	(215,940)	(7,617)
OTHER FINANCING SOURCES (USES):				
Proceeds from Capital Leases	-	-	50,000	50,000
Transfers In	200,000	225,000	239,178	14,178
Total Other Financing Sources (Uses)	200,000	225,000	289,178	64,178
Change in Fund Balance	-	16,677	73,238	56,561
Fund Balance - October 1 (Beginning)	-	57,734	57,734	-
Fund Balance - September 30 (Ending)	\$ -	\$ 74,411	\$ 130,972	\$ 56,561

DAWSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PRECINCT 2 FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT E-3

	Budgeted Amounts		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final	GAAP BASIS (See Note)	
REVENUES:				
Licenses and Permits	\$ 134,100	\$ 134,100	\$ 142,258	\$ 8,158
Investment Earnings	100	100	4,078	3,978
Other Revenue	-	-	3,039	3,039
Total Revenues	134,200	134,200	149,375	15,175
EXPENDITURES:				
Current:				
Public Works:				
Road and Bridges	334,205	354,352	381,307	(26,955)
Total Expenditures	334,205	354,352	381,307	(26,955)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(200,005)	(220,152)	(231,932)	(11,780)
OTHER FINANCING SOURCES (USES):				
Proceeds from Capital Leases	-	-	50,000	50,000
Transfers In	200,005	225,005	239,178	14,173
Total Other Financing Sources (Uses)	200,005	225,005	289,178	64,173
Change in Fund Balance	-	4,853	57,246	52,393
Fund Balance - October 1 (Beginning)	-	69,224	69,224	-
Fund Balance - September 30 (Ending)	\$ -	\$ 74,077	\$ 126,470	\$ 52,393

DAWSON COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - PRECINCT 3 FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT E-4

	Budgeted Amounts		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final	GAAP BASIS (See Note)	
REVENUES:				
Licenses and Permits	\$ 134,100	\$ 134,100	\$ 142,258	\$ 8,158
Investment Earnings	100	100	4,895	4,795
Other Revenue	-	-	2,428	2,428
Total Revenues	134,200	134,200	149,581	15,381
EXPENDITURES:				
Current:				
Public Works:				
Road and Bridges	334,200	390,197	312,108	78,089
Total Expenditures	334,200	390,197	312,108	78,089
Excess (Deficiency) of Revenues Over (Under) Expenditures	(200,000)	(255,997)	(162,527)	93,470
OTHER FINANCING SOURCES (USES):				
Transfers In	200,000	225,000	239,178	14,178
Total Other Financing Sources (Uses)	200,000	225,000	239,178	14,178
Change in Fund Balance	-	(30,997)	76,651	107,648
Fund Balance - October 1 (Beginning)	-	112,532	112,532	-
Fund Balance - September 30 (Ending)	\$ -	\$ 81,535	\$ 189,183	\$ 107,648

DAWSON COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - PRECINCT 4 FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT E-5

	Budgeted Amounts		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final	GAAP BASIS (See Note)	
REVENUES:				
Licenses and Permits	\$ 134,100	\$ 134,100	\$ 142,258	\$ 8,158
Investment Earnings	100	100	6,306	6,206
Other Revenue	5	5	3,058	3,053
Total Revenues	134,205	134,205	151,622	17,417
EXPENDITURES:				
Current:				
Public Works:				
Road and Bridges	334,205	373,740	370,113	3,627
Total Expenditures	334,205	373,740	370,113	3,627
Excess (Deficiency) of Revenues Over (Under) Expenditures	(200,000)	(239,535)	(218,491)	21,044
OTHER FINANCING SOURCES (USES):				
Transfers In	200,000	225,000	239,178	14,178
Total Other Financing Sources (Uses)	200,000	225,000	239,178	14,178
Change in Fund Balance	-	(14,535)	20,687	35,222
Fund Balance - October 1 (Beginning)	-	163,040	163,040	-
Fund Balance - September 30 (Ending)	\$ -	\$ 148,505	\$ 183,727	\$ 35,222

DAWSON COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - FARM TO MARKET AND LATERAL ROAD
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

EXHIBIT E-6

	Budgeted Amounts		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final	GAAP BASIS (See Note)	
REVENUES:				
Taxes:				
Property Taxes	\$ 800,000	\$ 831,203	\$ 831,203	\$ -
Intergovernmental Revenue and Grants	26,000	26,000	25,509	(491)
Total Revenues	826,000	857,203	856,712	(491)
OTHER FINANCING SOURCES (USES):				
Transfers Out (Use)	(826,000)	(856,708)	(856,712)	(4)
Total Other Financing Sources (Uses)	(826,000)	(856,708)	(856,712)	(4)
Change in Fund Balance	-	495	-	(495)
Fund Balance - October 1 (Beginning)	-	2,443	2,443	-
Fund Balance - September 30 (Ending)	\$ -	\$ 2,938	\$ 2,443	\$ (495)