

DAWSON COUNTY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

**DAWSON COUNTY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>EXHIBIT</u>	<u>PAGE</u>
Independent Auditor's Report		1
Management's Discussion and Analysis		3
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	A-1	10
Statement of Activities	B-1	11
Government Fund Financial Statements:		
Balance Sheet	C-1	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	C-2	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	C-3	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	C-4	15
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	D-1	16
Statement of Changes in Fiduciary Fund Net Assets	D-2	17
Notes to the Financial Statements		18
Required Supplemental Information:		
Budgetary Comparisons:		
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual-General Fund	E-1	34
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual-Precinct 1 Fund	E-2	35
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual-Precinct 2 Fund	E-3	36
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual-Precinct 3 Fund	E-4	37
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual-Precinct 4 Fund	E-5	38
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>		39

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

Independent Auditors' Report

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, 2011, 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 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, each major fund, and the aggregate remaining fund information of Dawson County, Texas, as of September 30, 2011, and 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 February 13, 2012, 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.

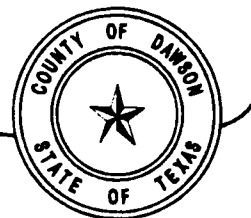
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 34 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Gary, Bowers & Miller

Gary, Bowers & Miller
Lubbock, Texas
February 13, 2012

COUNTY OF DAWSON



RICK DOLLAHAN, County Auditor

P.O. Box 1268
Lamesa, Texas 79331

February 13, 2012

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

Honorable Commissioners Court:

Allen Wells County Judge

Ricky Minjarez Commissioner, PCT 1

Nicky Goode Commissioner, PCT 3

Tony Hernandez

Foy O'Brien

Commissioner, PCT 2

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, 2011. 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 \$11,024,078. Of this amount, \$4,226,851 was unrestricted net assets.
- The County's net assets increased \$637,938 because of this year's operation.
- The County had expenses of \$8,533,534 as compared to FY 2010 expenses of \$7,515,239, an increase of 14%.
- The County had revenues of \$9,170,932 as generated in tax and other revenues for governmental programs (before special items). This compares to last year when revenues were \$8,896,358, an increase of 3.0%.
- The General Fund ended the year with a fund balance of \$3,950,174 as compared to last year's fund balance of \$3,851,840. 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.

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 \$13,206 which helped reduce the cost of new machinery.

The cost of all governmental activities this year was \$8,533,534. 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 \$5,981,387 because some of the costs were paid with charges for services of \$1,943,408, grants and contributions of \$608,739, sales tax of \$642,649 and other various general revenues of \$101,443.

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 \$6,366,445 as compared to last year's total of \$6,053,025. Included in this year's total change in fund balance is an increase of \$98,334 in the County's General Fund.

For fiscal year 2011, actual revenue on a budgetary basis was \$6,618,328 compared to the original revenue budget of \$5,914,734. Reasons for the actual numbers varying from the budget follow:

- In virtually every revenue category receipts were higher than budgeted.
- Interest earnings received were higher than budgeted.

For fiscal year 2011, actual expenditures on a budgetary basis for the General Fund were \$6,256,546, compared to the original expenditure budget of \$5,858,817. The Commissioners' Court revised the County budget several times. These revisions include amendments and supplemental appropriations that were approved during the year to address mid-year situational changes. The primary amendments include:

- Paying cash instead of incurring debt for much needed repairs to facilities:
 - Setting aside money for a new grass rig fire truck for the county and helping with the purchase of one truck each for the Welch and Ackerly volunteer fire departments
 - Also Increased support to area volunteer fire departments in light of the extreme fire issues
 - Purchased a new ambulance and upgraded stretcher to replace a wrecked ambulance
 - Purchased a new Sheriff's vehicle

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 2011, the County had \$4,956,553 invested in a broad range of capital assets, including land, buildings and equipment. The County added to that total \$353,860. More detailed information about the County's capital assets is presented in Note IV, Item F to the financial statements.

As has been the case for the last few years, the County had no Debt. It does lease various pieces of equipment and at year end had \$513,196 in Capital and Operating leases. More detailed information about the County's long-term liabilities is presented in Note IV, Items H and I to the financial statements.

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

	Governmental Activities	
Expenses	<u>2011</u>	<u>2010</u>
General Government	1,450,946	952,445
Judicial	1,838,397	1,630,508
Elections	30,225	52,831
Financial Administration	266,715	271,169
Tax Administration	305,057	301,683
Facilities Management	520,869	450,662
Public Safety	1,415	
Law Enforcement	714,654	671,478
Fire Protection	178,852	158,596
Corrections	923,438	748,357
Public Works	3,695	67,103
Roads & Bridges	1,372,118	1,276,146
Sanitation	59,400	59,400
Public Transportation	7,400	27,640
Health Care	340,584	311,906
Human Services	60,186	59,101
Parks & Recreation	42,633	41,433
Museums	1,000	1,000
County Extension Service	137,860	151,231
Libraries	282,550	282,550
Total Expenses	8,533,534	7,515,239
Change in Net Assets	637,398	1,381,119
Net Assets at Beginning of Year	10,386,680	9,005,561
Net Assets at End of Year	11,024,078	10,386,680

Table I
Dawson County, Texas
NET ASSETS

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Assets:		
Current and Other Assets	6,912,388	6,049,784
Restricted Assets:		
Temporarily Restricted Asset- Cash	943,836	
Capital Assets	4,956,553	5,080,069
Total Assets	12,812,777	11,129,853
Liabilities:		
Current Liabilities	1,252,748	104,087
Noncurrent Liabilities	535,951	639,086
Total Liabilities	1,788,699	743,173
Net Assets:		
Capital Assets, Net of Debt	4,486,179	4,517,158
Restricted	2,311,048	0
Unrestricted	4,226,851	5,869,522
Total Net Assets	11,024,078	10,386,680

Table II
Dawson County, Texas
CHANGES IN NET ASSETS

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Revenues:		
Program Revenues:		
Charges for Services	1,943,408	1,651,757
Grants and Contributions	608,739	696,718
Total, Program Revenues:	2,552,147	
General Revenues:		
Property Taxes, General Purposes	5,874,693	5,804,050
Property Taxes, Debt Purposes	0	0
Sales Taxes	642,649	572,202
Mixed Beverage Tax	3,500	4,099
Penalty and Interest	74,625	67,652
Miscellaneous Revenue	854	0
Investment Earnings	9,258	8,810
Gain on Disposal of Assets	13,206	91,070
Total General Revenue and Special Items:	6,618,785	
Total Revenue	9,170,932	8,896,358

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

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

Fiduciary funds – The County is the trustee, or fiduciary, for money received in numerous offices. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 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 \$10,386,680 to \$11,024,078. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – were \$4,226,851 at September 30, 2011 as compared to \$5,869,522 at September 30, 2010. This decrease in governmental net assets was mainly the result of a combination of spending on capital equipment and projects as well as the reclassification of funds to a restricted status to meet new guidelines.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2012 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 do to keep the tax rate for the citizens at the effective tax rate. 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. The net result was that the adopted tax rate was set at exactly the Effective Tax Rate of \$0.553937 cents per \$100 of valuation.
3. General Fund revenues are projected to be slightly higher including projected sales tax revenue. There will be a slight increase in licenses and permits, charges for services and miscellaneous income for 2012 due to State increases. Projected expenses in the General Fund were adjusted based upon historical spending but remain essentially flat. The budget will allow for approximately the same number of employees in 2012.
4. The one big budget change is the combination of the four precincts in to one. This new Road and Bridge combined precinct will see the same overall budget, but with just one department head to manage all that is required to maintain the roads. In addition, there may be some capital expenditures for equipment to fill voids so that the department can be more effective.
5. The oil and agriculture industries in our area have had successful years but continue to be very unpredictable. Dawson County allowed an abatement last year 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 the 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, 2011

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 6,611,954
Investments - Current	21,317
Receivables (net of allowance for uncollectibles)	257,865
Due from Fiduciary Funds	21,252
Restricted Assets:	
Temporarily Restricted Asset - Cash	943,836
Capital Assets:	
Land	56,019
Buildings, net	2,585,422
Machinery and Equipment, net	2,315,112
Total Assets	12,812,777
LIABILITIES	
Accounts Payable	309,543
Intergovernmental Payable	223
Deferred Revenues	942,982
Noncurrent Liabilities	
Due Within One Year	162,454
Due in More Than One Year	373,497
Total Liabilities	1,788,699
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	4,486,179
Restricted for:	
Federal or State Grants	1,899
Judicial	908,880
Law Enforcement	1,150,020
Community Improvement	8,089
Other Purposes	241,306
Unrestricted Net Assets	4,227,705
Total Net Assets	\$ 11,024,078

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, 2011

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	\$ 1,450,946	\$ 43,859	\$ 15,627	\$ (1,391,460)
Judicial	1,838,397	990,314	547,225	(300,858)
Elections	30,225	6,970	2,400	(20,855)
Financial Administration	266,715	11,033	-	(255,682)
Tax Administration	305,057	162,648	-	(142,409)
Facilities Management	520,869	62,977	-	(457,892)
Public Safety	1,415	-	-	(1,415)
Law Enforcement	714,654	52,225	-	(662,429)
Fire Protection	178,852	-	-	(178,852)
Corrections	923,438	5,484	-	(917,954)
Public Works	3,695	-	3,695	-
Road and Bridges	1,372,118	586,731	25,580	(759,807)
Sanitation	59,400	-	-	(59,400)
Public Transportation	7,400	-	-	(7,400)
Health Care	340,584	171	-	(340,413)
Human Services	60,186	3,209	-	(56,977)
Parks & Recreation	42,633	4,350	752	(37,531)
Museums	1,000	-	-	(1,000)
County Extension Service	137,860	-	-	(137,860)
Libraries	278,090	13,437	13,460	(251,193)
TOTAL PRIMARY GOVERNMENT:	\$ 8,533,534	\$ 1,943,408	\$ 608,739	(5,981,387)

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	5,874,693
Sales Taxes	642,649
Mixed Beverage Tax	3,500
Penalty and Interest	74,625
Miscellaneous Revenue	854
Investment Earnings	9,258
Gain on Disposal of Assets	13,206
Total General Revenues and Special Items	6,618,785
Change in Net Assets	637,398
Net Assets--Beginning	10,386,680
Net Assets--Ending	\$ 11,024,078

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

DAWSON COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Precinct 1	Precinct 2
ASSETS			
Cash and Cash Equivalents	\$ 4,107,926	\$ 182,708	\$ 346,612
Investments - Current	-	-	-
Taxes Receivable	220,434	9,634	9,634
Allowance for Uncollectible Taxes (credit)	(107,952)	(4,718)	(4,718)
Receivables (Net)	125,719	-	-
Due from Other Funds	21,252	-	-
Restricted Assets:			
Temporarily Restricted Asset - Cash	-	-	-
Total Assets	<u>\$ 4,367,379</u>	<u>\$ 187,624</u>	<u>\$ 351,528</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 199,837	\$ 23,784	\$ 13,479
Intergovernmental Payable	-	-	-
Deferred Revenues	217,368	4,916	4,916
Total Liabilities	<u>417,205</u>	<u>28,700</u>	<u>18,395</u>
Fund Balances:			
Restricted Fund Balance:			
Federal or State Funds Grant Restriction	-	-	-
Restricted for Judicial	-	-	-
Law Enforcement	137,517	158,924	333,133
Community Improvement	-	-	-
Other Restricted Fund Balance	-	-	-
Assigned Fund Balance:			
Community Improvement	-	-	-
Unassigned Fund Balance	3,812,657	-	-
Total Fund Balances	<u>3,950,174</u>	<u>158,924</u>	<u>333,133</u>
Total Liabilities and Fund Balances	<u>\$ 4,367,379</u>	<u>\$ 187,624</u>	<u>\$ 351,528</u>

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

Precinct 3	Precinct 4	FEMA	Other Funds	Total Governmental Funds
\$ 283,929	\$ 269,319	\$ -	\$ 1,421,460	\$ 6,611,954
-	-	-	21,317	21,317
9,634	9,634	-	-	258,970
(4,718)	(4,718)	-	-	(126,824)
-	-	-	-	125,719
-	-	-	-	21,252
-	-	943,836	-	943,836
<u>\$ 288,845</u>	<u>\$ 274,235</u>	<u>\$ 943,836</u>	<u>\$ 1,442,777</u>	<u>\$ 7,856,224</u>
\$ 13,780	\$ 21,447	\$ -	\$ 37,216	\$ 309,543
-	-	-	223	223
4,916	4,915	942,982	-	1,180,013
<u>18,696</u>	<u>26,362</u>	<u>942,982</u>	<u>\$ 37,439</u>	<u>1,489,779</u>
-	-	-	1,899	1,899
-	-	-	908,880	908,880
270,149	247,873	-	2,424	1,150,020
-	-	-	8,089	8,089
-	-	854	241,306	242,160
-	-	-	16,284	16,284
-	-	-	226,456	4,039,113
<u>270,149</u>	<u>247,873</u>	<u>854</u>	<u>\$ 1,405,338</u>	<u>6,366,445</u>
<u>\$ 288,845</u>	<u>\$ 274,235</u>	<u>\$ 943,836</u>	<u>\$ 1,442,777</u>	<u>\$ 7,856,224</u>

DAWSON COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2011

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	6,366,445
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 \$8,955,405 and the accumulated depreciation was \$3,875,336. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		4,440,983
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 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		446,397
The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(477,376)
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 bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		247,629
Net Assets of Governmental Activities	\$	11,024,078

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

DAWSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Precinct 1	Precinct 2
REVENUES:			
Taxes:			
Property Taxes	\$ 5,083,885	\$ 221,848	\$ 221,848
General Sales and Use Taxes	642,649	-	-
Mixed Beverage Tax	3,500	-	-
Licenses and Permits	-	137,116	137,116
Intergovernmental Revenue and Grants	47,172	-	-
Charges for Services	491,209	-	-
Fines	243,946	-	-
Forfeits	-	-	-
Investment Earnings	9,099	-	-
Rents and Royalties	2,750	-	-
Contributions & Donations from Private Sources	-	-	-
Other Revenue	94,118	-	-
Total Revenues	6,618,328	358,964	358,964
EXPENDITURES:			
Current:			
General Government	1,130,262	-	-
Judicial	1,400,348	-	-
Elections	23,802	-	-
Financial Administration	267,231	-	-
Tax Administration	305,195	-	-
Facilities Managment	519,169	-	-
Public Safety	-	-	-
Law Enforcement	688,232	-	-
Fire Protection	176,374	-	-
Corrections	871,636	-	-
Public Works	-	-	-
Road and Bridges	-	354,322	300,443
Sanitation	59,400	-	-
Public Transportation	7,400	-	-
Health and Welfare:			
Health Care	318,956	-	-
Human Services	54,343	-	-
Culture and Recreation:			
Parks & Recreation	36,698	-	-
Museums	1,000	-	-
County Extension Service	126,818	-	-
Libraries	269,682	-	-
Total Expenditures	6,256,546	354,322	300,443
Excess of Revenues Over Expenditures	361,782	4,642	58,521
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	13,206	-	-
Transfers In	4,218	21,688	41,793
Transfers Out (Use)	(280,872)	-	-
Total Other Financing Sources (Uses)	(263,448)	21,688	41,793
Net Change in Fund Balances	98,334	26,330	100,314
Fund Balance - October 1 (Beginning)	3,851,840	132,594	232,819
Fund Balance - September 30 (Ending)	\$ 3,950,174	\$ 158,924	\$ 333,133

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

Precinct 3	Precinct 4	FEMA	Other Funds	Total Governmental Funds
\$ 221,848	\$ 221,848	\$ -	\$ -	\$ 5,971,277
-	-	-	-	642,649
-	-	-	-	3,500
137,115	137,116	-	-	548,463
-	-	-	557,871	605,043
-	-	-	84,611	575,820
-	-	-	23,362	267,308
-	-	-	12,871	12,871
-	-	-	159	9,258
-	-	-	-	2,750
-	-	-	7,351	7,351
-	56	854	438,088	533,116
<u>358,963</u>	<u>359,020</u>	<u>854</u>	<u>1,124,313</u>	<u>9,179,406</u>
-	-	-	505,023	1,635,285
-	-	-	414,637	1,814,985
-	-	-	1,069	24,871
-	-	-	-	267,231
-	-	-	-	305,195
-	-	-	1,500	520,669
-	-	-	1,415	1,415
-	-	-	1,076	689,308
-	-	-	-	176,374
-	-	-	4,306	875,942
-	-	-	3,695	3,695
317,823	338,030	-	-	1,310,618
-	-	-	-	59,400
-	-	-	-	7,400
-	-	-	-	318,956
-	-	-	5,843	60,186
-	-	-	1,500	38,198
-	-	-	-	1,000
-	-	-	-	126,818
-	-	-	5,925	275,607
<u>317,823</u>	<u>338,030</u>	<u>-</u>	<u>945,989</u>	<u>8,513,153</u>
<u>41,140</u>	<u>20,990</u>	<u>854</u>	<u>178,324</u>	<u>666,253</u>
-	-	-	-	13,206
30,275	23,585	-	189,111	310,670
-	-	-	(29,798)	(310,670)
<u>30,275</u>	<u>23,585</u>	<u>-</u>	<u>159,313</u>	<u>13,206</u>
71,415	44,575	854	337,637	679,459
<u>198,734</u>	<u>203,298</u>	<u>-</u>	<u>1,067,701</u>	<u>5,686,986</u>
<u>\$ 270,149</u>	<u>\$ 247,873</u>	<u>\$ 854</u>	<u>\$ 1,405,338</u>	<u>\$ 6,366,445</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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	679,459
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 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		446,397
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.		(477,376)
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 bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(11,082)
Change in Net Assets of Governmental Activities	\$	637,398

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, 2011

EXHIBIT D-1

	Private Purpose Trust Fund
ASSETS	
Cash and Cash Equivalents	\$ 117,773
Investments - Current	18,774,468
Interest Receivable - Investments	2,999,938
Total Assets	<u>21,892,179</u>
LIABILITIES	
Intergovernmental Payable	14,088
Total Liabilities	<u>14,088</u>
NET ASSETS	
Restricted for Community Improvement	21,878,091
Total Net Assets	<u>\$ 21,878,091</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, 2011

EXHIBIT D-2

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Investment Earnings	\$ 84,868
Rents and Royalties	1,000,446
Other Revenue	39,825
Total Additions	<u>1,125,139</u>
DEDUCTIONS:	
Ad Valorem Taxes	47,597
Transfers to County Schools	308,200
Total Deductions	<u>355,797</u>
Change in Net Assets	769,342
Total Net Assets - October 1 (Beginning)	<u>21,108,749</u>
Total Net Assets - September 30 (Ending)	<u><u>\$ 21,878,091</u></u>

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

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011**

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 County currently has no business-type activities. The *primary government* would be reported separately from certain legally separate *component units* for which the primary government is financially accountable. However, there are currently no component units.

The Statement of Activities demonstrates how other people or entities that participate in programs the County operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use or directly benefit from goods or services 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, 2011**

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 net assets are 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, 2011

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

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, 2011**

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 \$65,577 as of September 30, 2011. 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 and the FEMA funds received and discussed in Note IV, O.

Net Assets and Fund Balance –

Government-Wide Financial Statements:

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 statements, governmental funds report fund balances as Nonspendable, Restricted, Committed, Assigned or Unassigned. These are discussed further in Note F below.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

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.

F. FUND BALANCE CLASSIFICATION

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County has classified Fixed Assets as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The County has restricted resources.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the County Commissioners. These amounts cannot be used for any other purpose unless the County Commissioners remove or change the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The County does not currently have committed funds.
- **Assigned:** This classification includes amounts that are constrained by the County Commissioners' intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County Commissioners or through the County Commissioners delegating this responsibility to another individual through the budgetary process. This classification is used in the Clean Up Cemetery and Clean Up Lamesa Funds.
- **Unassigned:** This classification includes the residual fund balance for the General Fund except for a portion of the General Fund Fund Balance that is classified as Restricted.

The County would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011**

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:

Capital Assets at the Beginning of the Year	Historic Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Adjustments to Changes in Net Assets
Land	\$ 47,250	\$ -	\$ 47,250	
Buildings	4,597,302	1,960,396	2,636,906	
Furniture and Equipment	4,310,853	1,914,940	2,395,913	
Change in Net Assets				\$ 5,080,069
Long-Term Liabilities at the Beginning of the Year			Payable at the Beginning of the Year	
Compensation Payable			\$ 76,175	
Capital Leases Payable			562,911	
Change in Net Assets				\$ 639,086
Net Adjustment to Net Assets				\$ 4,440,983

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:

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011**

	Amount	Adjustments to Net Assets	Adjustments to Changes in Net Assets
<u>Current Year Capital Outlay</u>			
Land	\$ 8,769		
Buildings and Improvements	41,757		
Furniture and Equipment	303,334		
Total Capital Outlay	<u>\$ 353,860</u>	\$ 353,860	\$ 353,860
<u>Debt Principal Payments</u>			
Capital Lease Payments	\$ 92,537		
Total Principal Payments	<u>\$ 92,537</u>	92,537	92,537
Total Adjustment to Net Assets		<u>\$ 446,397</u>	<u>\$ 446,397</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>			
Uncollected Taxes (assumed collectible) from Current Year Levy	\$ 21,959	\$ (21,959)	\$ (21,959)
Uncollected Taxes (assumed collectible) from Prior Year Levy	154,104	154,104	
Uncollected Fees of Office from Prior Year	104,607	104,607	
Uncollected Fees of Office, Current Year Increase	279	279	279
<u>Reclassify Certain Expenditures:</u>			
Increase in Compensated Absences	10,598	10,598	10,598
Total		<u>\$ 247,629</u>	<u>\$ (11,082)</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Commissioners' Court adopts an "appropriated budget" for the General Fund and Special Revenue Funds. The budgets are prepared on the modified accrual basis to comply with the Constitution of the State of Texas. The adopted and final amended budgeted revenues and expenditures for the General Fund and the Precinct Funds are presented in Exhibit E-1 through E-5. 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.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011**

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

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

IV. OTHER NOTES ON FUNDS AND ACCOUNTS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

Policies Governing Deposits and Investments

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

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

Custodial Credit Risk – Cash and investment deposits: This is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements states that all deposits must be insured by FDIC or secured in another manner provided by law. All deposits of the County are held at First United Bank of Lamesa. At September 30, 2011, the total amount on deposit was \$27,029,625. Collateral for deposits consists of numerous security bonds, held in the name of First United Bank and marked as pledged to Dawson County, with a market value of \$29,141,148 as of September 30, 2011. The County's deposits were covered by depository insurance or pledged securities held by the pledging financial institution's trust department or agent at all times during the year.

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

B. PROPERTY TAXES

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

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

The tax rate for the fiscal year ended September 30, 2011, (2010 tax levy) was \$0.482372 per \$100 assessed value for County General Fund operations and \$0.084198 for farm-market lateral maintenance and operations for a total rate of \$0.566570. 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, 2011**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

D. OTHER ACCOUNTS RECEIVABLE

County accounts receivable at September 30, 2011, were:

	September 30, 2011
County Clerk fines	\$ 88,177
District Clerk fines	323,922
State Comptroller Revenues	20,833
Justice of the Peace fines	276,128
	709,060
Allowance for doubtful collection	(583,341)
Net receivables	\$ 125,719

E. INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2011, consisted of the following individual fund balances:

	Due from Other Funds	Due to Other Funds
General Fund:		
Agency Fund	\$ 21,252	
Total General Fund	\$ 21,252	
Agency Fund		\$ 21,252
Total		\$ 21,252

The interfund transfers reflected on the Statements of Revenues and Expenditures were for routine purposes. Transfers from the Road and Bridge Fund were to corresponding precinct funds for precinct operations. \$91,760 was a transfer from the General Fund to the Precincts to supplement cost in the Precincts. \$189,111 was transferred from the General Fund to the Capital Purchases Fund for capital improvements in the County. \$4,218 of the transfer to the General Fund was from the Clean Up Cemetery Fund to reimburse for expenses paid.

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.

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

Capital asset activity for the County for the year ended September 30, 2011, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirement	Ending Balance
Governmental Activities:				
Land	\$ 47,250	\$ 8,769	\$ -	\$ 56,019
Buildings and Improvements	4,597,302	41,757		4,639,059
Equipment	3,156,666	60,948	17,818	3,199,796
Transportation Equipment	1,079,897	242,386	67,679	1,254,604
Furniture and Fixtures	74,290	-	-	74,290
Totals at Historical Cost	<u>\$ 8,955,405</u>	<u>\$ 353,860</u>	<u>\$ 85,497</u>	<u>\$ 9,223,768</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	1,960,396	93,241	-	2,053,637
Equipment	1,278,996	256,770	17,818	1,517,948
Transportation Equipment	605,622	119,458	67,679	657,401
Furniture and Fixtures	30,322	7,907	-	38,229
Total Accumulated Depreciation	<u>3,875,336</u>	<u>477,376</u>	<u>85,497</u>	<u>4,267,215</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,080,069</u>	<u>\$ (123,516)</u>	<u>\$ -</u>	<u>\$ 4,956,553</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 35,369
Justice System	26,008
Elections	5,354
Facilities Management	1,428
Law Enforcement	59,054
Fire Protection	2,478
Corrections	48,392
Roads and Bridges	250,547
Health Care	30,028
Parks and Recreation	4,435
County Extension Service	11,110
Libraries	3,173
Total Depreciation Expense	<u>\$ 477,376</u>

DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011

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, 2011, is as follows:

Description	Interest Rate Payable	Interest Current Year	Payable Amounts Outstanding 10/01/10	Issued	Retired	Payable Amounts Outstanding 9/30/11	Due Within One Year
Compensated Absences							
Various Funds	None	None	\$ 76,175	\$ -	\$ 10,598	\$ 65,577	\$ 65,577
Capital Lease							
Precinct 1	4.75%	\$ 1,277	31,410	-	9,962	21,448	10,446
Capital Lease							
Precinct 1	6.75%	6,604	103,460	-	12,432	91,028	13,297
Capital Lease							
Precinct 2	3.50%	3,708	116,601	-	23,410	93,191	24,243
Capital Lease							
Precinct 3	4.40%	5,539	139,695	-	30,388	109,307	31,752
Capital Lease							
Precinct 4	4.72%	7,805	171,745	-	16,345	155,400	17,139
Total		\$ 24,933	\$ 639,086	\$ -	\$ 103,135	\$ 535,951	\$ 162,454

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, 2011.

	Present Value of Minimum Lease Payments	Interest	Total Minimum Lease Payments
Caterpillar – 140 H Grader – Precinct 1	\$ 21,448	\$ 1,079	\$ 22,527
Caterpillar – 120 M Grader – Precinct 1	91,028	11,601	102,629
Caterpillar – 140 H Grader – Precinct 2	93,191	6,242	99,433
Caterpillar – 140 H Grader – Precinct 3	109,307	8,259	117,566
Caterpillar – 140 M Grader – Precinct 4	155,400	14,137	169,537
Total	\$ 470,374	\$ 41,318	\$ 511,692

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

These total minimum lease payments are payable as follows:

<u>Year Ending September 30,</u>	
2012	\$ 117,468
2013	117,518
2014	248,841
2015	<u>27,865</u>
Total Capital Lease Payments	<u>\$ 511,692</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, 2011, were as follows:

<u>Year Ending September 30,</u>	
2012	\$ 1,504
Total Minimum Rental	<u>\$ 1,504</u>

Rental Expenditures in Fiscal Year 2011	\$ 1,504
---	----------

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, 2011**

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.

GASB 27 Calculation Information

	<u>2010</u>	<u>2011</u>
GASB 27 compliant contribution rate	11.57%	11.67%
Assumed return on employer funds	9.00%	9.00%
Actuarial amortization factor	12.4298	12.4298
Contribution rate	11.57%	11.67%

Actuarial Information

	12/31/08 entry age	12/31/09 entry age	12/31/10 entry age
Actuarial valuation date			
Actuarial cost method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization method	20	20	20
Amortization period in years			
Asset valuation method			
Subdivision Accumulation Fund	10-yr Smoothed value	10-yr Smoothed value	10-yr Smoothed value
Employees Saving Fund	Fund Value	Fund Value	Fund Value
Actuarial Assumptions:			
Investment return*	8.00%	8.00%	8.00%
Projected salary increases*	5.30%	5.40%	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

Schedule of Funding Information

	12/31/08	12/31/09	12/31/10
Actuarial valuation date			
Actuarial value of assets	6,535,686	7,515,523	7,978,336
Actuarial accrued liability (AAL)	9,185,445	10,093,564	10,729,264
Unfunded or (overfunded) actuarial accrued liability [UAAL or (OAAL)]	2,649,759	2,578,041	2,750,928
Funded Ratio	71.15%	74.46%	74.36%
Annual covered payroll (actuarial)	3,449,286	3,520,120	3,665,764
UAAL or (OAAL) as percentage of covered payroll	76.82%	73.24%	75.04%

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

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

Note Disclosure Variables

1. Plan Description	2010*	2011*
Number of participating subdivisions	601	618
Years required for vesting and retirement at age 60	8	8
Rule of Lynn County for retirement eligibility	80	80
Service years for retirement at any age	30	30
Partial Lump-sum payment option	Yes	Yes
2. Funding Policy		
Contribution rate for employer	11.57%	11.67%
Deposit rate for employees	7.0%	7.00%
3. Other		
Elected rate in effect	No	No

(*) - relates to the plan year

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

Accounting Year End	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/09	347,948	100%	-
9/30/10	369,543	100%	-
9/30/11	378,452	100%	-

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

K. CAFETERIA PLAN

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

**DAWSON COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2011**

IV. OTHER NOTES ON FUNDS AND ACCOUNTS – CONTINUED

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.

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.

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. FEMA FUNDS

During the fiscal year ended September 30, 2011, the County received federal funds from the Federal Emergency Management Agency (FEMA) to assist with the costs of road repairs needed due to damages caused by Hurricane Alex in 2010. As of the end of the fiscal year ended September 30, 2011, no expenditures had been made related to the FEMA Grant Funds. At this time, it is unclear what the plans for this funding are. As a result, this funding was not included as revenue of the current period. Rather the funding was included as a Deferred Revenue on the Governmental Funds Balance Sheet. If the County decides to use the funding for the intended purpose, the revenue will be recognized as earned (i.e. as expended). If the County decides to return the money to FEMA, the revenue will not be recognized as a current source of funding.

DAWSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT E-1

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 4,936,444	\$ 4,936,444	\$ 5,083,885	\$ 147,441
General Sales and Use Taxes	425,000	425,000	642,649	217,649
Mixed Beverage Tax	2,100	2,100	3,500	1,400
Intergovernmental Revenue and Grants	58,260	58,260	47,172	(11,088)
Charges for Services	247,430	247,430	491,209	243,779
Fines	208,705	208,705	243,946	35,241
Investment Earnings	6,855	6,855	9,099	2,244
Rents and Royalties	3,000	3,000	2,750	(250)
Other Revenue	26,940	26,940	94,118	67,178
Total Revenues	5,914,734	5,914,734	6,618,328	703,594
EXPENDITURES:				
Current:				
General Government	517,472	1,181,629	1,130,262	51,367
Judicial	1,335,437	1,464,917	1,400,348	64,569
Elections	40,000	40,000	23,802	16,198
Financial Administration	326,628	334,352	267,231	67,121
Tax Administration	328,545	330,558	305,195	25,363
Facilities Management	596,928	616,618	519,169	97,449
Public Safety:				
Law Enforcement	677,909	709,162	688,232	20,930
Fire Protection	165,783	186,046	176,374	9,672
Corrections	961,140	961,918	871,636	90,282
Public Works:				
Road and Bridges	5	5	-	5
Sanitation	59,400	59,400	59,400	-
Public Transportation	5,005	7,405	7,400	5
Health and Welfare:				
Health Care	280,463	340,506	318,956	21,550
Human Services	48,035	54,341	54,343	(2)
Culture and Recreation	500	500	-	500
Parks & Recreation	55,942	54,772	36,698	18,074
Museums	1,000	1,000	1,000	-
County Extension Service	166,880	166,880	126,818	40,062
Libraries	290,235	291,483	269,682	21,801
Conservation and Development:				
Conservation	1,505	1,505	-	1,505
Capital Outlay:				
Capital Outlay	5	5	-	5
Total Expenditures	5,858,817	6,803,002	6,256,546	546,456
Excess (Deficiency) of Revenues Over (Under) Expenditures	55,917	(888,268)	361,782	1,250,050
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	13,206	13,206
Transfers In	15	15	4,218	4,203
Transfers Out (Use)	(55,932)	(711,251)	(280,872)	430,379
Total Other Financing Sources (Uses)	(55,917)	(711,236)	(263,448)	447,788
Change in Fund Balance	-	(1,599,504)	98,334	1,697,838
Fund Balance - October 1 (Beginning)	-	3,851,840	3,851,840	-
Fund Balance - September 30 (Ending)	\$ -	\$ 2,252,336	\$ 3,950,174	\$ 1,697,838

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, 2011

EXHIBIT E-2

	Budgeted Amounts		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final	GAAP BASIS (See Note)	
REVENUES:				
Taxes:				
Property Taxes	\$ 215,000	\$ 215,000	\$ 221,848	\$ 6,848
Licenses and Permits	134,100	134,100	137,116	3,016
Investment Earnings	100	100	-	(100)
Total Revenues	349,200	349,200	358,964	9,764
EXPENDITURES:				
Current:				
Public Works:				
Road and Bridges	355,700	373,421	354,322	19,099
Total Expenditures	355,700	373,421	354,322	19,099
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,500)	(24,221)	4,642	28,863
OTHER FINANCING SOURCES (USES):				
Transfers In	6,500	21,793	21,688	(105)
Total Other Financing Sources (Uses)	6,500	21,793	21,688	(105)
Change in Fund Balance	-	(2,428)	26,330	28,758
Fund Balance - October 1 (Beginning)	-	132,594	132,594	-
Fund Balance - September 30 (Ending)	\$ -	\$ 130,166	\$ 158,924	\$ 28,758

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, 2011

EXHIBIT E-3

	Budgeted Amounts		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final	GAAP BASIS (See Note)	
REVENUES:				
Taxes:				
Property Taxes	\$ 215,000	\$ 215,000	\$ 221,848	\$ 6,848
Licenses and Permits	134,100	134,100	137,116	3,016
Investment Earnings	100	100	-	(100)
Total Revenues	349,200	349,200	358,964	9,764
EXPENDITURES:				
Current:				
Public Works:				
Road and Bridges	355,700	391,098	300,443	90,655
Total Expenditures	355,700	391,098	300,443	90,655
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,500)	(41,898)	58,521	100,419
OTHER FINANCING SOURCES (USES):				
Transfers In	6,500	41,898	41,793	(105)
Total Other Financing Sources (Uses)	6,500	41,898	41,793	(105)
Change in Fund Balance	-	-	100,314	100,314
Fund Balance - October 1 (Beginning)	-	232,819	232,819	-
Fund Balance - September 30 (Ending)	\$ -	\$ 232,819	\$ 333,133	\$ 100,314

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, 2011

EXHIBIT E-4

	Budgeted Amounts		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final	GAAP BASIS (See Note)	
REVENUES:				
Taxes:				
Property Taxes	\$ 215,000	\$ 215,000	\$ 221,848	\$ 6,848
Licenses and Permits	134,100	134,100	137,115	3,015
Investment Earnings	100	100	-	(100)
Total Revenues	<u>349,200</u>	<u>349,200</u>	<u>358,963</u>	<u>9,763</u>
EXPENDITURES:				
Current:				
Public Works:				
Road and Bridges	355,700	379,580	317,823	61,757
Total Expenditures	<u>355,700</u>	<u>379,580</u>	<u>317,823</u>	<u>61,757</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,500)</u>	<u>(30,380)</u>	<u>41,140</u>	<u>71,520</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	6,500	30,380	30,275	(105)
Total Other Financing Sources (Uses)	<u>6,500</u>	<u>30,380</u>	<u>30,275</u>	<u>(105)</u>
Change in Fund Balance	-	-	71,415	71,415
Fund Balance - October 1 (Beginning)	-	198,734	198,734	-
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ 198,734</u>	<u>\$ 270,149</u>	<u>\$ 71,415</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, 2011

EXHIBIT E-5

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 215,000	\$ 215,000	\$ 221,848	\$ 6,848
Licenses and Permits	134,100	134,100	137,116	3,016
Investment Earnings	100	100	-	(100)
Other Revenue	5	5	56	51
Total Revenues	349,205	349,205	359,020	9,815
EXPENDITURES:				
Current:				
Public Works:				
Road and Bridges	355,705	372,895	338,030	34,865
Total Expenditures	355,705	372,895	338,030	34,865
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,500)	(23,690)	20,990	44,680
OTHER FINANCING SOURCES (USES):				
Transfers In	6,500	23,690	23,585	(105)
Total Other Financing Sources (Uses)	6,500	23,690	23,585	(105)
Change in Fund Balance	-	-	44,575	44,575
Fund Balance - October 1 (Beginning)	-	203,298	203,298	-
Fund Balance - September 30 (Ending)	\$ -	\$ 203,298	\$ 247,873	\$ 44,575

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, 2011, which collectively comprise Dawson County, Texas' basic financial statements and have issued our report thereon dated February 13, 2012. 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
February 13, 2012