

DICKENS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

DICKENS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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TABLE OF CONTENTS (Continued)

	<u>Statement Identification</u>	<u>Page No.</u>
FINANCIAL SECTION		
Independent Auditors' Report		1
Management's Discussion and Analysis (Required Supplementary Information)		3
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements:		
Statement of Net Assets	Exhibit A-1	10
Statement of Activities	Exhibit A-2	11
Fund Financial Statements:		
Balance Sheet – Governmental Funds	Exhibit A-3	12
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets	Exhibit A-4	13
Statement of Revenues, Expenditures, and		
Changes in Fund Balances – Governmental Funds	Exhibit A-5	14
Reconciliation of the Statement of Revenues, Expenditures, and		
Changes in Fund Balances of Governmental Funds to the		
Statement of Activities	Exhibit A-6	15
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Net Assets	Exhibit A-7	16
Notes to Financial Statements		17
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Funding Progress for the Retirement Plan		32
Schedule of Revenues, Expenditures, and Changes in Fund Balance –		
Budget and Actual – General Fund	Exhibit B-1	33
Schedule of Revenues, Expenditures, and Changes in Fund Balance –		
Budget and Actual – Road & Bridge Fund	Exhibit B-2	34
Schedule of Revenues, Expenditures, and Changes in Fund Balance –		
Budget and Actual – Caprock Regional Defender Grant Fund	Exhibit B-3	35
Schedule of Revenues, Expenditures, and Changes in Fund Balance –		
Budget and Actual – Special Grants Fund	Exhibit B-4	36
Notes to Required Supplementary Information		37

DICKENS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

TABLE OF CONTENTS (Concluded)

	<u>Statement Identification</u>	<u>Page No</u>
OTHER INFORMATION REQUIRED BY GAO		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		38

DICKENS COUNTY, TEXAS

**COUNTY OFFICIALS
SEPTEMBER 30, 2012**

Lesa Arnold	County Judge
Wayne Smith	Commissioner Precinct 1
Ricky West	Commissioner Precinct 2
“Doc” Edwards	Commissioner Precinct 3
Sheldon Parsons	Commissioner Precinct 4
Winona Humphreys	County Clerk
Sandy Vickrey	County Treasurer
Sherry Hill	Tax-Assessor-Collector
Gayle Taylor	Justice of Peace
Jimmie Land	Sheriff

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

INDEPENDENT AUDITORS' REPORT

To the Honorable Judge and
Members of the Commissioners Court of
Dickens County, Texas

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dickens County, Texas (the County) as of and for the fiscal year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Dickens County, Texas. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dickens County, Texas, as of September 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, funding progress for retirement plan, and the budgetary information on pages 3-9 and 32-37 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.

Certified Public Accountants

Bolinger, Segars, Gilbert & Moss LLP

Lubbock, Texas

January 24, 2013

DICKENS COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Dickens County's (the "County") annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2012. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

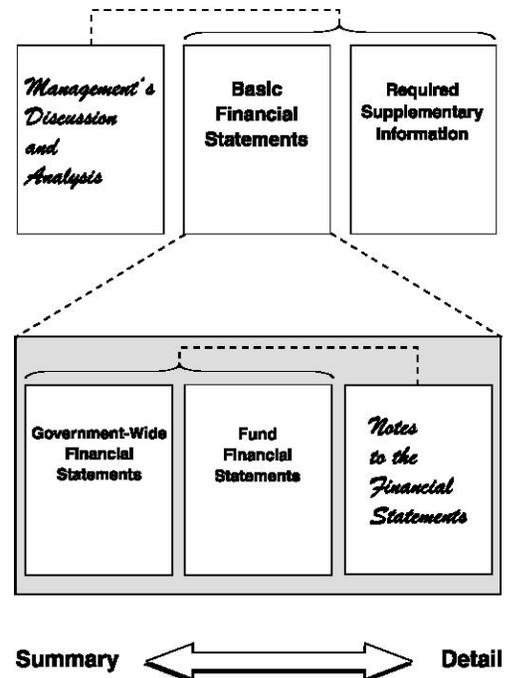
- The County's total combined net assets were \$6.5 million at September 30, 2012. Of this amount, \$5.4 million (unrestricted net assets) may be used to meet the County's ongoing obligations.
- The General Fund reported a fund balance this year of \$6.2 million, of which \$138,457 is restricted by enabling legislation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the County's operations in more detail than the government-wide statements.
- The Governmental Funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Fiduciary Fund statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1. Required Components of the County's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and

supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of each of the statements.

FIGURE A-2			
MAJOR FEATURES OF THE COUNTY'S GOVERNMENT-WIDE AND FUND STATEMENTS			
Type of Statement	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary	Instances in which the County is the trustee or agent for someone else's resources
Required financial statements	Statement of net assets	Balance Sheet	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of flow/outflow	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received	All revenues and expenses during year; regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of the County's finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets (Page 10) presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the County's financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (Page 11) presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of these Government-Wide Financial Statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include general government, public safety,

highways and streets, sanitation, economic development, culture and recreation. These activities are financed primarily by property taxes and grants. The County does not have business-type activities.

Fund Financial Statements

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

- *Governmental funds*—Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on Pages 13 and 15 of the basic financial statements section.

The County maintains six individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund, Debt Service Fund, Road and Bridge Fund, Caprock Regional Defender Grant Fund, Special Grants Fund, and Valley Water Grant Fund.

The County adopts an annual appropriated budget for its funds. A budgetary comparison schedule has been provided on Pages 33 through 36 to demonstrate compliance with this budget.

- *Fiduciary funds*—The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets on Page 16. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the County cannot use these assets to finance its operations.

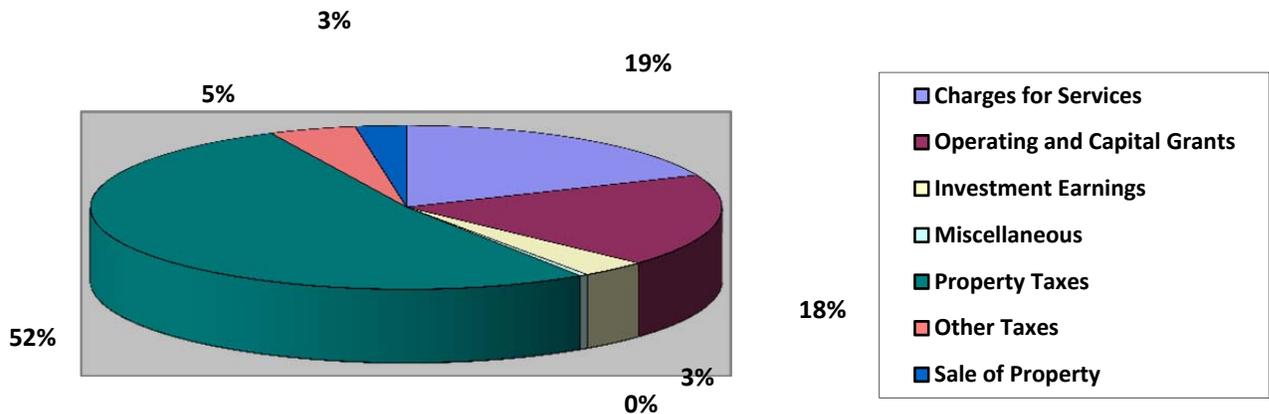
FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The County's combined net assets were approximately \$6.5 million at September 30, 2012. The largest portion of the County's total assets (\$9.5 million) reflects its capital assets with the remainder (\$7.3 million) reported as cash, investments, accounts receivable, and other assets.

Table A-1
Dickens County's Net Assets
(in thousands)

	Governmental Activities	
	2012	2011
Current and Other Assets	\$ 7,297	\$ 8,241
Capital and Non-Current Assets	9,481	9,583
Total Assets	\$ 16,778	\$ 17,824
Current Liabilities	\$ 1,427	\$ 1,010
Long Term Liabilities	8,876	9,469
Total Liabilities	\$ 10,303	\$ 10,479
Net Assets		
Invested in Capital Assets, net of related debt	\$ 734	\$ 1,401
Restricted	348	232
Unrestricted	5,393	5,712
Total Net Assets	\$ 6,475	\$ 7,345

Changes in Net Assets—The County's net assets decreased by approximately \$870 thousand during the current fiscal year. This decrease was mainly due to loss of prison contract revenues and accrued interest on debt.



Governmental Activities—Total revenues for the fiscal year ending September 30, 2012 were \$2.9 million. Approximately 19% of the County's revenue comes from charges for services, while 57% comes from property taxes and other taxes. Investment earnings accounts for 3% of total revenues. Operating grants and contributions, sale of property, and miscellaneous revenue account for another 21% of total revenues.

Table A-2
Dickens County Changes in Net Assets
(in thousands)

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Revenues:		
Program Revenues		
Charge for Services	\$ 535	\$ 951
Operating Grants and Contributions	527	710
Capital Grants and Contributions		52
General Revenues (Expenses)		
Property Taxes	1,501	1,681
Other Taxes	128	59
Lease Revenue		283
Investment Earnings	98	137
Gain on Sale of Real and Personal Property	75	310
Miscellaneous	12	17
Total Revenues	<u>\$ 2,876</u>	<u>\$ 4,200</u>
Expenses:		
County Judge	\$ 68	\$ 68
County Clerk	71	72
County Treasurer	55	41
Tax Assessor and Collector	73	77
County Sheriff	255	335
County Attorney	25	25
Justice of Peace	37	47
Extension Office	62	65
Building Maintenance	74	81
County Court	13	22
District Court	52	54
Emergency Management Office	17	20
Indigent Health	44	28
General Administration	1,187	1,569
Correctional Facility		512
Road and Bridge	878	902
Interest on Long-Term Debt	789	831
Bond Issue Costs	46	46
Total Expenses	<u>\$ 3,746</u>	<u>\$ 4,795</u>
Transfer in (out)	<u>\$</u>	<u>\$</u>
Increase (decrease) in Net Assets	(870)	(595)
Beginning Net Assets	<u>7,345</u>	<u>7,940</u>
Ending Net Assets	<u>\$ 6,475</u>	<u>\$ 7,345</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of the end of the fiscal year, the County's General Fund reported a fund balance of \$6.2 million, a decrease of \$52 thousand from the prior year. The unassigned fund balance is \$6.0 million and is available for spending at the government's discretion.

As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unreserved fund balance represents 377% of total General Fund expenditures.

General Fund Budgetary Highlights — At the end of the year, actual expenditures were \$187 thousand under final budgeted amounts. Revenues came in under the budget by \$267 thousand due to budgeting for a reserve fund line item that had no expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets — As of September 30, 2012, the County had invested \$15 million in a broad range of capital assets, including land, buildings, roads, bridges, equipment, a correctional facility, and leasehold improvements on the correctional facility.

Major events affecting capital assets during the year were:

- The County traded in a motorgrader to purchase a newer motorgrader
- The County purchased 80 acres of land to be used for gravel pits and a potential roll off site.

More detailed information about the County's capital assets can be found in Note III C.

Table A-3
Dickens County's Capital Assets
(in thousands)

	Governmental Activities	
	2012	2011
Land	\$ 107	\$ 43
Buildings and Improvements	432	432
Correctional Facility	10,622	10,622
Furniture and Equipment	115	115
Vehicles and Heavy Equipment	2,115	2,078
Leasehold Improvements	848	848
Infrastructure	843	845
Total	\$ 15,082	\$ 14,983
Total Accumulated Depreciation	5,601	5,400
Net Capital Assets	\$ 9,481	\$ 9,583

Long Term Debt — As of September 30, 2012, the County had no debt outstanding and the Dickens County Public Facility Corporation (a blended component unit of the County) had \$9.4 million outstanding on the Series 2001 Lease Revenue Bonds. See Note III E for debt service requirements on the above outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The appraised value used for the 2013 budget preparation is estimated to be \$323,510,040, up 5% from 2012.
- The tax rate established for 2013 is \$.59000, which is up 18% from the 2012 tax rate of \$.50141.
- Inflationary trends in the region compare favorably to national indices.

These factors and others were taken into consideration when preparing the General Fund budget for the 2013 fiscal year.

Revenues available for appropriation in the General Fund budget are \$2,299,855, an increase of \$511,299 over the 2012 amended budget of \$1,788,556. The budget increase is attributable to an increase in property tax revenue and an increase in the reserve fund.

Budgeted expenditures are expected to increase approximately 29% over the 2012 amended budget of \$1,783,427 to \$2,299,855. The County has budgeted \$585,000 for the construction of a courthouse annex and restoration of the existing courthouse.

If these estimates are realized, the County's budgetary General Fund balance is expected to remain unchanged.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Office of the Dickens County Treasurer, P.O. Box 108, Dickens, Texas 79229.

BASIC FINANCIAL STATEMENTS

DICKENS COUNTY, TEXAS

Exhibit A-1

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	<u>Primary Government Governmental Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ 321,794
Investments	6,054,783
Taxes Receivable, Net	18,474
Interest Receivable	18,157
Office Receivables, Net	109,773
Due from Other Governments	36,667
Unamortized Bond Issue Costs	411,615
Restricted Investments - Held by Trustee	324,801
Prepaid Items	1,115
Capital Assets (Net of Accumulated Depreciation):	
Land	106,284
Infrastructure	225,044
Buildings	115,352
Correctional Facility	7,347,221
Leasehold Improvements	683,672
Furniture & Fixtures	34,225
Machinery and Equipment	<u>969,060</u>
 Total Assets	 \$ <u>16,778,037</u>
 LIABILITIES:	
Accounts Payable	\$ 82,590
Accrued Interest Payable	788,925
Deferred Revenue	5,000
Current Portion of Long-Term Debt	550,000
Noncurrent Liabilities	
Noncurrent Portion of Long-Term Debt	8,870,000
Accrued Compensated Absences	<u>6,343</u>
 Total Liabilities	 \$ <u>10,302,858</u>
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	\$ 733,502
Restricted For:	
Enabling Legislation	138,457
Road and Bridge	208,913
Prepaid Items - Non-Spendable	1,115
Unrestricted	<u>5,393,192</u>
 Total Net Assets	 \$ <u><u>6,475,179</u></u>

The accompanying notes are an integral part of this statement.

DICKENS COUNTY, TEXAS

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) and Changes in Net Assets
		Fines, Fees & Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
PRIMARY GOVERNMENT:				
Governmental Activities				
County Judge	\$ 68,253	\$	\$ 15,000	\$ (53,253)
County Clerk	70,775	60,236		(10,539)
County Treasurer	54,848			(54,848)
Tax Assessor and Collector	73,064	44,269		(28,795)
County Sheriff	255,222	19,652		(235,570)
County Attorney	25,157			(25,157)
Justice of Peace	37,357	196,815		159,458
Extension Office	62,219			(62,219)
Building Maintenance	74,106			(74,106)
County Court	13,401			(13,401)
District Court	52,433			(52,433)
Emergency Management Office	17,043			(17,043)
Indigent Health	43,785		8,404	(35,381)
General Administration	1,184,949	13,431	488,126	(683,392)
Road and Bridge	878,161	200,493	15,232	(662,436)
Interest on Long-Term Debt	788,948			(788,948)
Bond Issue Costs	45,819			(45,819)
Total Governmental Activities	<u>\$ 3,745,540</u>	<u>\$ 534,896</u>	<u>\$ 526,762</u>	<u>\$ (2,683,882)</u>
General Revenues:				
Property Taxes, Levied for General Purposes			\$ 933,447	
Property Taxes, Levied for Road and Bridge			567,611	
Other Taxes			127,574	
Miscellaneous Revenue			7,473	
Rents and Royalties			5,751	
Gain on Sale of Real and Personal Property			74,543	
Investment Earnings			97,982	
Total General Revenues			<u>\$ 1,814,381</u>	
Change in Net Assets			\$ (869,501)	
Net Assets - Beginning			<u>7,344,680</u>	
Net Assets - Ending			<u>\$ 6,475,179</u>	

The accompanying notes are an integral part of this statement.

-12-
DICKENS COUNTY, TEXAS

Exhibit A-3

**BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	Major Funds					Total Governmental Funds
	General Fund	Debt Service Fund	Road and Bridge Fund	Caprock Regional Defender Grant Fund	Special Grants Fund	
ASSETS AND OTHER DEBITS:						
ASSETS:						
Cash and Cash Equivalents	\$ 209,326	\$	\$ 82,039	\$	\$ 30,429	\$ 321,794
Investments	5,913,152		141,631			6,054,783
Investments - Held by Trustee		324,801				324,801
Taxes Receivable	39,494		21,642			61,136
Allowance for Uncollectible Taxes (Credit)	(28,030)		(14,632)			(42,662)
Accounts Receivable (Net)	40,524		5,983			46,507
Due From Other Governments				36,667		36,667
Due from Other Funds	36,667					36,667
Prepaid Items	755		360			1,115
Total Assets	\$ 6,211,888	\$ 324,801	\$ 237,023	\$ 36,667	\$ 30,429	\$ 6,840,808
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts Payable	\$ 31,421	\$	\$ 20,740	\$	\$ 30,429	\$ 82,590
Due to Other Funds				36,667		36,667
Deferred Revenue	16,464		7,010			23,474
Total Liabilities	\$ 47,885	\$ 0	\$ 27,750	\$ 36,667	\$ 30,429	\$ 142,731
FUND BALANCES:						
Nonspendable:						
Prepaid Items	\$ 755	\$	\$ 360	\$	\$	\$ 1,115
Restricted:						
Enabling Legislation	138,457					138,457
Debt Service		324,801				324,801
Road and Bridge			208,913			208,913
Unassigned:						
Reported in the General Fund	6,024,791					6,024,791
Total Fund Balances	\$ 6,164,003	\$ 324,801	\$ 209,273	\$ 0	\$ 0	\$ 6,698,077
Total Liabilities and Fund Balances	\$ 6,211,888	\$ 324,801	\$ 237,023	\$ 36,667	\$ 30,429	\$ 6,840,808

The accompanying notes are an integral part of this statement.

DICKENS COUNTY, TEXAS

Exhibit A-4

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total Fund Balances - Governmental Funds Balance Sheet	\$	6,698,077
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:		
Capital assets used in governmental activities are not reported in the funds.		9,480,858
Revenues unavailable to pay for current period expenditures are deferred in the funds.		18,474
Payables for notes payable which are not due in the current period are not reported in the funds.		(9,420,000)
Payables for bond interest which are not due in the current period are not reported in the funds.		(788,925)
Bond issue costs are recorded as an asset in the SNA and amortized over the term of the bonds issued in the statement of activities.		411,615
Payables for compensated absences which are not due in the current period are not reported in the funds.		(6,343)
To record the Justice of Peace and County/Dist. Clerk fines receivable.		63,266
Interest receivable on investments is not recorded in the funds.		<u>18,157</u>
Net Assets of Governmental Activities - Statement of Net Assets	\$	<u><u>6,475,179</u></u>

The accompanying notes are an integral part of this statement.

DICKENS COUNTY, TEXAS

Exhibit A-5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Major Funds					Non-Major Valley Water Grant Fund	Total Governmental Funds
	General Fund	Debt Service Fund	Road and Bridge Fund	Caprock Regional Defender Grant Fund	Special Grants Fund		
Revenue:							
Taxes:							
Property Taxes	\$ 929,841	\$	\$ 567,611	\$	\$	\$	\$ 1,497,452
Other Taxes	126,075		1,499				127,574
License and Permits	1,483		151,348				152,831
Intergovernmental Revenue and Grants	34,747		15,232	393,925	53,069	29,789	526,762
Charges for Services	318,514		30,207				348,721
Fines and Fees	1,536		16,606				18,142
Investment Earnings	96,351	52	2,066				98,469
Rents and Royalties	5,751						5,751
Other Revenue	7,474		2,332				9,806
Total Revenues	\$ 1,521,772	\$ 52	\$ 786,901	\$ 393,925	\$ 53,069	\$ 29,789	\$ 2,785,508
Expenditures:							
Current:							
County Judge	\$ 68,457	\$	\$	\$	\$	\$	\$ 68,457
County Clerk	71,460						71,460
County Treasurer	56,191						56,191
Tax Assessor and Collector	72,961						72,961
County Sheriff	248,194						248,194
County Attorney	25,157						25,157
Justice of Peace	37,357						37,357
Extension Office	65,392						65,392
Building Maintenance	75,234						75,234
County Court	13,401						13,401
District Court	52,433						52,433
Emergency Management Office	17,043						17,043
Indigent Health	43,785						43,785
General Administration	749,135	44,686		393,925	30,429	29,789	1,247,964
Road and Bridge			493,342				493,342
Special Road and Bridge			329,688				329,688
Debt Service:							
Principal		510,000	4,295				514,295
Interest		415,181	23				415,204
Total Expenditures	\$ 1,596,200	\$ 969,867	\$ 827,348	\$ 393,925	\$ 30,429	\$ 29,789	\$ 3,847,558
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (74,428)	\$ (969,815)	\$ (40,447)	\$ 0	\$ 22,640	\$ 0	\$ (1,062,050)
Other Financing Sources (Uses):							
Transfers In	\$ 22,640	\$	\$	\$	\$	\$	\$ 22,640
Transfers Out					(22,640)		(22,640)
Sale of Real and Personal Property	240		140,730				140,970
Total Other Financing Sources (Uses)	\$ 22,880	\$ 0	\$ 140,730	\$ 0	\$ (22,640)	\$ 0	\$ 140,970
Net Change in Fund Balances	\$ (51,548)	\$ (969,815)	\$ 100,283	\$ 0	\$	\$	\$ (921,080)
Fund Balances - Beginning	6,215,551	1,294,616	108,990	0	0	0	7,619,157
Fund Balances - Ending	\$ 6,164,003	\$ 324,801	\$ 209,273	\$ 0	\$ 0	\$ 0	\$ 6,698,077

The accompanying notes are an integral part of this statement.

DICKENS COUNTY, TEXAS

Exhibit A-6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ (921,080)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital assets are not reported as expenses in the SOA.	290,899
The depreciation of capital assets used in governmental activities is not reported in the funds.	(326,650)
The loss from the disposition of a capital asset is not recorded in the funds.	(66,427)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	3,606
To record the change in the Justice of the Peace and County/Dist. Clerk fines receivable.	12,869
Bond issue costs are recorded as expenditures in governmental funds but amortized over the term of the bonds issued in the SOA.	(45,819)
Repayment of long-term debt principal is an expenditure in the funds but is not an expense in the SOA.	514,295
Increase in accrued interest payable from beginning of period to end of period.	(373,744)
The change in accrued interest income on investments is reflected in the SOA.	(487)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	<u>43,037</u>
Change in Net Assets of Governmental Activities - Statement of Activities	<u>\$ (869,501)</u>

The accompanying notes are an integral part of this statement.

DICKENS COUNTY, TEXAS

Exhibit A-7

STATEMENT OF FIDUCIARY FUND NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2012

	<u>Agency Fund</u>
ASSETS:	
Current Assets	
Cash and Cash Equivalents	\$ 124,937
Total Current Assets	<u>\$ 124,937</u>
LIABILITIES:	
Current Liabilities	
Due to Others	\$ 124,937
Total Current Liabilities	<u>\$ 124,937</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

DICKENS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

I. SUMMARY OF SIGIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The authority of county governments and their specific functions and responsibilities are created by and are dependent upon laws and legal regulations of the Texas State Constitution and Vernon's Annotated Civil Statutes (V.A.C.S.).

The County operates under a county judge/commissioners' court type of government as provided by state statute. The financial and reporting policies of the County conform to generally accepted accounting principles (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB, and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units.

The Commissioners' Court has governance responsibilities over all activities related to Dickens County, Texas. The County receives funding from local, state, and federal government sources and must comply with the concomitant requirements of these funding source entities; however, the County is not included in any other governmental "reporting entity" as defined by GASB, Statement No. 14, "The Financial Reporting Entity". There is one blended component unit included within the reporting entity.

Component units are legally separate entities for which the County is considered to be financially accountable. The blended component unit, although a legally separate entity, is in substance part of the County's operations. Therefore, data from this unit is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County. The blended component unit is described below and discussed further in Footnote H. The County has no discretely presented component units.

The following table describes the County's component unit:

Table with 4 columns: Component Unit, Description; Criteria for Inclusion, Reporting Method, For Separate Financial Statements. Row 1: Dickens County Public Facility Corporation, Formed to finance the acquisition of the Dickens County Correctional Facility, Blended, Not available.

The County's major activities or functions include public safety (sheriff and ambulance), parks and libraries, public health and social services, construction and maintenance of roads, and general administrative services.

DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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 the Dickens County non-fiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, fines and fees, grants and other intergovernmental revenues.

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

Interfund activities between governmental funds 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 information about the County's funds, including fiduciary funds and blended component units. 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. All remaining governmental funds are aggregated and reported as nonmajor funds (other funds).

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. 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).

DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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

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

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

Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the 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. The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets.

D. FUND ACCOUNTING

The County applies GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which the amounts in the funds may be spent. Application of the Statement requires the County to classify and report amounts in the appropriate fund balance

DICKENS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

classifications. The County's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned. From interpretation of the adopted policy the County will spend its fund in the following order: Committed, Assigned, and Unassigned, if more than one classification of fund balance is available.

The County reports the following classifications:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Restrictions are placed on fund balances when legally enforceable legislation establishes the County's right to assess, levy, or charge fees to be used for a specific purpose – such as the County's property tax revenue for debt service requirements, which must be used to repay debt. Legal enforceability means that the County can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Commissioners Court. Committed amounts cannot be used for any other purposes unless the Commissioners Court removes those constraints by taking the same type of actions (legislation, resolution, and ordinance). Committed fund balances include non-liquidated encumbrances at year end that are carried forward to the next fiscal year. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Commissioners Court. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the County Treasurer or (b) an appointed body or official to which the Commissioners Court has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment with the General Fund conveys that the intended use of those amounts is for specific purposes that are narrower than the general purposes of the County itself.

DICKENS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. County funds do not include funds held by County offices, which are not yet remitted to the County Treasurer. County funds are amounts which have been received by the County Treasurer and which are subject to control by the Commissioners' Court. These various County funds, which are reported as Governmental Funds in the financial statements of this report, are grouped into six fund types: General Fund, Debt Service Fund, Road and Bridge Fund, Caprock Regional Defender Grant Fund, Special Grants Fund, and Valley Water Grant Fund. The remaining funds held by other County offices are reported as Fiduciary Funds and are not subject to control by the Commissioner's Court.

The County maintains the following funds:

Major Governmental Funds:

General Fund – This fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.

Debt Service Fund – This fund is used to account for the accumulation of resources for and the payment of, the principal and interest on the tax-exempt lease revenue bonds issued by the Dickens County Public Facility Corporation.

Road and Bridge Fund – This special revenue fund is used to account for proceeds of specific revenue sources that are legally reserved for expenditures for public transportation for county citizens.

Caprock Regional Defender Grant Fund – This special revenue fund is used to account for intergovernmental revenues received and passed-through to the sub-recipient.

Special Grants Fund – This special revenue fund is used to account for various state and federal grants that benefit the County.

Non-major Governmental Fund:

Valley Water Grant Fund – Special Revenue Fund used to account for federal funds received to be used for water facilities improvements on behalf of the Valley Water Supply Corp., located in Spur, Texas.

DICKENS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Fiduciary Funds:

Fiduciary Funds, which include funds held by County offices, also are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other government, and/or other funds. These include Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Formal budgetary accounting is not required for Fiduciary Funds.

E. OTHER ACCOUNTING POLICIES

1. Capital assets include land, buildings, furniture and equipment and are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects when constructed.

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

Assets	Years
Buildings and Improvements	10-20
Furniture and Equipment	5-10
Vehicles and Heavy Equipment	7-10
Leasehold Improvements	13
Correctional Facility	30
Infrastructure	30

2. The County provides statutory workers' compensation insurance for its employees through Texas Association of Counties (TAC), a joint insurance fund, in which the County is a member. Health insurance is provided to the County's employees through a licensed insurer paid by the County.

II. PROPERTY TAX

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

DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

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

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

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to \$0.80 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. A practical limitation on taxes levied for debt service is \$1.50 per \$100 of assessed valuation as established by the Attorney General of the State of Texas. The tax rates assessed for the year ended September 30, 2012 to finance maintenance and operations of the County was \$0.50141 per \$100 valuation.

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

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

DICKENS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

At September 30, 2012, the carrying amount of the County's deposits (cash, short-term certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$321,794 and the bank balance was \$423,925.

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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

TexPool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. KPMG Peat Marwick, 111 Congress Avenue, Suite 1100, Austin, Texas 78701 performs the annual audit. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

The carrying value of investments at September 30, 2012 was \$6,054,783. The investments consist of:

	<u>Cost</u>	<u>Market Value</u>
TexPool	\$ 1,689	\$ 1,689
U.S. Treasury Notes	221,204	252,087
FNMA (Federal National Mortgage Association)	67,180	78,111
FHLMC (Federal Home Loan Mortgage Corp)	431,710	457,446
Federal Farm Credit Bank	480,005	480,096
Certificates of Deposit	4,775,901	4,781,608
Money Market	<u>3,746</u>	<u>3,746</u>
	<u>\$ 5,981,435</u>	<u>\$ 6,054,783</u>

DICKENS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

The carrying value of the restricted investments - held by trustee (US Bank) at September 30, 2012 was \$324,801. The restricted investments consist of:

	<u>Cost</u>	<u>Market Value</u>
US Bank Money Market Account	\$ 324,801	\$ 324,801

As required by GASB Statement No. 25, investments are reported at fair value which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. Fair values for the government securities are determined by independent quotation bureaus.

Policies Governing Deposits and Investments

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

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the County’s deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2012 were covered by depository insurance or by pledged collateral held by the County’s agent bank in the County’s name.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The County’s securities are all in securities backed by the United States of America and are not exposed to custodial credit risk.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, TexPool’s investment policy allows the portfolio’s investment manager to only invest in obligations of the U.S. Government, its agencies’ repurchase agreements; and no-load AAAM money market mutual funds registered with the SEC. As of September 30, 2012 TexPool’s investments credit quality rating was AAAM (Standard & Poor’s).

B. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2012, were as follows:

	<u>Property Tax Receivable</u>	<u>Office Receivables</u>	<u>Total Receivables</u>
Governmental Activities			
General Fund	\$ 39,494	\$ 103,790	\$ 143,284
Road and Bridge Fund	21,642	5,983	27,625
Less: Allowance for Uncollectibles	<u>(42,662)</u>		<u>(42,662)</u>
Total - Governmental	<u>\$ 18,474</u>	<u>\$ 109,773</u>	<u>\$ 128,247</u>

DICKENS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Payables at September 30, 2012 were as follows:

	Accounts Payable
Governmental Activities	
General Fund	\$ 31,421
Road and Bridge Fund	20,740
Special Grants Fund	<u>30,429</u>
Total - Governmental	<u>\$ 82,590</u>

C. CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended September 30, 2012 was as follows:

	Balance October 1, 2011	Additions	Retirements	Balance September 30, 2012
Governmental Activities				
Land	\$ 42,512	\$ 63,772	\$	\$ 106,284
Buildings and Improvements	432,143			432,143
Correctional Facility	10,622,488			10,622,488
Furniture and Equipment	115,076			115,076
Vehicles and Heavy Equipment	2,077,515	227,127	(189,792)	2,114,850
Leasehold Improvements	848,062			848,062
Infrastructure	<u>843,532</u>			<u>843,532</u>
Totals at Historic Cost	<u>\$ 14,981,328</u>	<u>\$ 290,899</u>	<u>\$ (189,792)</u>	<u>\$ 15,082,435</u>
Less: Accumulated Depreciation				
Buildings and Improvement	\$ 310,599	\$ 6,192	\$	\$ 316,791
Correctional Facility	3,275,267			3,275,267
Furniture and Equipment	75,711	5,140		80,851
Vehicles and Heavy Equipment	963,621	305,534	(123,365)	1,145,790
Leasehold Improvements	164,390			164,390
Infrastructure	<u>608,704</u>	<u>9,784</u>		<u>618,488</u>
Total Accumulated Depreciation	<u>\$ 5,398,292</u>	<u>\$ 326,650</u>	<u>\$ (123,365)</u>	<u>\$ 5,601,577</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,583,036</u>	<u>\$ (35,751)</u>	<u>\$ (66,427)</u>	<u>\$ 9,480,858</u>

DICKENS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Current year depreciation expense was charged to governmental functions as follows:

General Administration	\$ 6,884
County Sheriff	21,651
Road and Bridge	297,427
Extension Office	<u>688</u>
Total Depreciation Expense	<u>\$ 326,650</u>

D. ACCUMULATED UNPAID ANNUAL LEAVE

Accumulated unpaid leave amounts are not accrued in governmental funds using the modified accrual basis of accounting, but are reflected in the government-wide Statement of Net Assets. At September 30, 2012, accrued employee benefits recorded on the Statement of Net Assets were for vacation pay in the amount of \$6,343.

E. LONG-TERM DEBT

Long-Term debt includes the Series 2001 Lease Revenue Bonds and Capital Leases.

Series 2001 Lease Revenue Bonds:

During the fiscal year ended September 30, 2001, the Dickens County Public Facility Corporation, a blended component unit of the County, issued tax-exempt lease revenue bonds in the amount of \$13,015,000 to acquire the Dickens County Correctional Facility.

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Outstanding</u>
8/1/2001	\$ 13,015,000	8.125%-8.375%	10/1/2021	\$ 9,420,000

Debt service requirements on the Series 2001 Lease Revenue Bonds at September 30, 2012, are as follows:

Year Ending September 30,	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	550,000	1,160,357	1,710,357
2014	595,000	717,947	1,312,947
2015	650,000	665,813	1,315,813
2016	700,000	609,281	1,309,281
2017-2021	4,500,000	2,018,375	6,518,375
2022	2,425,000	101,547	2,526,547
Less: Reserve Fund		<u>(324,801)</u>	<u>(324,801)</u>
Totals	<u>\$ 9,420,000</u>	<u>\$ 4,948,519</u>	<u>\$ 14,368,519</u>

The Reserve Fund is held by the Trustee with US Bank.

DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

The Trustee for the Dickens County Public Facility Corp. was unable to make the April 1, 2012 interest payment of \$394,463 to the bond holders due to not having sufficient funds in the bond reserve fund.

Capital Lease:

During the fiscal year ended September 30, 2009, the County entered into a lease agreement in the amount of \$73,208 for a 2005 Mack truck and trailer. The purchase price was \$73,208. The lease agreement meets the criteria of a capital lease. Commitments under the capital lease require 35 payments of principal and interest of \$2,159 and a final payment of \$2,159 due in November 2011. The County made the final two payments on the above capital lease during the year ended September 30, 2012.

F. RISK MANAGEMENT

Worker's Compensation

During the fiscal year ended September 30, 2012 employees of Dickens County were covered by a worker's compensation plan administered by Texas Association of Counties. The County paid a contribution of \$18,812 for the fiscal year ended September 30, 2012. These figures are subject to change based upon actual payroll figures.

Health Care

During the fiscal year ended September 30, 2012, employees of the County were covered by a health insurance plan (the Plan). The County paid \$568 of the employee's monthly premium and the employee paid \$32. Employees, at their option, authorized payroll withholdings to pay remaining premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The cost to the County for the year ended September 30, 2012 was \$148,202.

G. RETIREMENT PENSION PLAN

Plan Description:

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit 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 624 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.

DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

The Plan provisions are adopted by the Commissioners' Court 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 services equals 75 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 contributions in a lump sum, are not entitled to any amounts contributed by their employer.

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

Funding Policy:

The County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The Plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 9.35% for the months of the accounting year 2011, and 10.12% for the months of the accounting year 2012.

The deposit rate payable by the employee members for calendar year 2012 is the rate of 7% as adopted by the Commissioners' Court. The employee deposit rate and the employer contribution rate may be changed by the Commissioners' Court within the options available in the TCDRS Act.

Annual Pension Cost:

For the employer's accounting year ending September 30, 2012, the annual pension cost for the TCDRS plan for its employees was \$87,081, and the actual contributions were \$87,081.

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 valuations as of December 31, 2010 and December 31, 2011, the basis for determining the contribution rates for calendar years 2011 and 2012. The December 31, 2011 actuarial valuation is the most recent valuation.

DICKENS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Actuarial Valuation Information:

Actuarial Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization Period	20 years	20 years	20 years
Asset Valuation Method	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value

<u>Actuarial Assumptions:</u>	12/31/2009	12/31/2010	12/31/2011
Investment Return*	8.00%	8.00%	8.00%
Projected salary increases *	5.40%	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

Trend Information for the Retirement Plan
For the Employees of King County

Accounting Year End	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2010	\$ 81,995	100%	-
9/30/2011	85,108	100%	-
9/30/2012	87,081	100%	-

H. BLENDED COMPONENT UNIT

The County leases the Dickens County Correctional Facility (the Facility) from Dickens County Public Facility Corporation (the Corporation), a legally separate non-profit public corporation. The Corporation purchased the Facility through the issuance of tax-exempt lease revenue bonds (the Bonds). The County has no obligation relating to the payments under the Bonds. The Bonds are solely payable from the revenue generated from the Facility.

DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

Operations of the Dickens County Correctional Facility (Facility) was under an operational contract with Community Education Centers, Inc. (CEC) which expired on January 1, 2011. The contract with CEC was not renewed and County has not contracted with any other operators to run the Facility. The Facility has been vacant of inmate population since January 1, 2011 when operations under the previous CEC contract ceased.

I. LITIGATION, COMMITMENTS, AND SUBSEQUENT EVENTS

There is no pending litigation against the County at September 30, 2012, that would have a material effect on the financial statements.

Management has evaluated subsequent events through January 24, 2013 the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

DICKENS COUNTY, TEXAS

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM TREND DATA
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN
FOR THE EMPLOYEES OF THE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

Schedule of Funding Information

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/2009	\$ 1,905,715	\$ 2,248,554	\$ 342,839	84.75%	\$ 873,649	39.24%
12/31/2010	1,989,574	2,381,116	391,542	83.56%	866,547	45.18%
12/31/2011	2,197,981	2,632,646	434,665	83.49%	876,980	49.56%

DICKENS COUNTY, TEXAS

Exhibit B-1

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	(Unaudited)		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Budgeted Amounts			
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 953,762	\$ 953,762	\$ 929,841	\$ (23,921)
Other Taxes	44,000	44,000	126,075	82,075
License and Permits	1,000	1,000	1,483	483
Intergovernmental Revenue and Grants	16,250	21,250	34,747	13,497
Charges for Services	321,300	321,300	318,514	(2,786)
Fines and Fees	1,000	1,000	1,536	536
Investment Earnings	143,000	143,000	96,351	(46,649)
Rents and Royalties	5,000	5,000	5,751	751
Other Revenue	234,534	298,244	7,474	(290,770)
Total Revenues	<u>\$ 1,719,846</u>	<u>\$ 1,788,556</u>	<u>\$ 1,521,772</u>	<u>\$ (266,784)</u>
Expenditures:				
Current:				
County Judge	\$ 72,193	\$ 72,193	\$ 68,457	\$ 3,736
County Clerk	74,033	74,033	71,460	2,573
County Treasurer	68,833	68,833	56,191	12,642
Tax Assessor and Collector	76,683	76,683	72,961	3,722
County Sheriff	264,355	264,355	248,194	16,161
County Attorney	25,650	25,650	25,157	493
Justice of Peace	41,846	41,846	37,357	4,489
Extension Office	66,137	66,137	65,392	745
Building Maintenance	79,208	78,579	75,234	3,345
County Court	29,250	29,250	13,401	15,849
District Court	66,018	66,018	52,433	13,585
Emergency Management Office	20,000	20,000	17,043	2,957
Indigent Health	76,285	76,285	43,785	32,500
General Administration	759,855	823,565	749,135	74,430
Total Expenditures	<u>\$ 1,720,346</u>	<u>\$ 1,783,427</u>	<u>\$ 1,596,200</u>	<u>\$ 187,227</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (500)</u>	<u>\$ 5,129</u>	<u>\$ (74,428)</u>	<u>\$ (79,557)</u>
Other Financing Sources (Uses):				
Transfers In	\$	\$	\$ 22,640	\$ 22,640
Sale of Real and Personal Property	500	500	240	(260)
Total Other Financing Sources	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 22,880</u>	<u>\$ 22,380</u>
Net Change in Fund Balances	\$	\$ 5,629	\$ (51,548)	\$ (57,177)
Fund Balances - Beginning	<u>6,215,551</u>	<u>6,215,551</u>	<u>6,215,551</u>	
Fund Balances - Ending	<u>\$ 6,215,551</u>	<u>\$ 6,221,180</u>	<u>\$ 6,164,003</u>	<u>\$ (57,177)</u>

See notes to required supplementary information.

DICKENS COUNTY, TEXAS

Exhibit B-2

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD & BRIDGE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 583,078	\$ 583,078	\$ 567,611	\$ (15,467)
Other Taxes	1,000	1,000	1,499	499
License and Permits	137,600	137,600	151,348	13,748
Intergovernmental Revenue and Grants	15,000	15,000	15,232	232
Charges for Services	23,800	23,800	30,207	6,407
Fines and Fees	12,000	12,000	16,606	4,606
Investment Earnings	1,000	1,000	2,066	1,066
Other Revenue	500	500	2,332	1,832
Total Revenues	<u>\$ 773,978</u>	<u>\$ 773,978</u>	<u>\$ 786,901</u>	<u>\$ 12,923</u>
Expenditures:				
Current:				
Road & Bridge	\$ 551,629	\$ 530,184	\$ 493,342	\$ 36,842
Special Road & Bridge	223,549	244,994	329,688	(84,694)
Debt Service:				
Principal			4,295	(4,295)
Interest			23	(23)
Total Expenditures	<u>\$ 775,178</u>	<u>\$ 775,178</u>	<u>\$ 827,348</u>	<u>\$ (52,170)</u>
Deficiency of Revenues Under Expenditures	<u>\$ (1,200)</u>	<u>\$ (1,200)</u>	<u>\$ (40,447)</u>	<u>\$ (39,247)</u>
Other Financing Sources:				
Sale of Real and Personal Property	\$ 1,200	\$ 1,200	\$ 140,730	\$ 139,530
Total Other Financing Sources	<u>\$ 1,200</u>	<u>\$ 1,200</u>	<u>\$ 140,730</u>	<u>\$ 139,530</u>
Net Change in Fund Balances	\$	\$	\$ 100,283	\$ 100,283
Fund Balances - Beginning	<u>108,990</u>	<u>108,990</u>	<u>108,990</u>	
Fund Balances - Ending	<u>\$ 108,990</u>	<u>\$ 108,990</u>	<u>\$ 209,273</u>	<u>\$ 100,283</u>

See notes to required supplementary information.

DICKENS COUNTY, TEXAS

Exhibit B-3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPROCK REGIONAL DEFENDER GRANT FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
	Revenue:			
Intergovernmental Revenue and Grants	\$ 400,500	\$ 400,500	\$ 393,925	\$ (6,575)
Total Revenues	\$ 400,500	\$ 400,500	\$ 393,925	\$ (6,575)
Expenditures:				
General Administration	\$ 400,500	\$ 400,500	\$ 393,925	\$ 6,575
Total Expenditures	\$ 400,500	\$ 400,500	\$ 393,925	\$ 6,575
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balances	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	\$ 0	\$ 0	\$ 0	\$ 0

See notes to required supplementary information.

DICKENS COUNTY, TEXAS

Exhibit B-4

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL GRANTS FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Intergovernmental Revenue and Grants	\$	\$ 22,640	\$ 53,069	\$ 30,429
Total Revenues	\$ 0	\$ 22,640	\$ 53,069	\$ 30,429
Expenditures:				
General Administration	\$ 1,000	\$	\$ 30,429	\$ (30,429)
Total Expenditures	\$ 1,000	\$ 0	\$ 30,429	\$ (30,429)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (1,000)	\$ 22,640	\$ 22,640	\$ 0
Other Financing Uses:				
Transfers Out	\$	\$ (22,640)	\$ (22,640)	\$ 0
Total Other Financing Uses	\$ 0	\$ (22,640)	\$ (22,640)	\$ 0
Net Change in Fund Balances	\$ (1,000)	\$ 0	\$ 0	\$ 0
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	\$ (1,000)	\$ 0	\$ 0	\$ 0

DICKENS COUNTY, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

A. BUDGETARY DATA

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

1. The County Judge, as budget officer, prepares a budget to cover all proposed expenditures and the means of financing them, for the succeeding year and delivers the proposed budget to Commissioners' Court.
2. Commissioners' Court holds budget sessions with each department head.
3. Commissioners' Court holds budget hearings for the public at which all interested persons' comments concerning the budget are heard.
4. Commissioners' Court formally adopts the budget in the open court meeting.
5. The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.
6. The formally adopted budget may legally be amended by commissioners in accordance with article 689A-11 or 689A-20 of Vernon's Annotated Civil Statutes.

An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about September 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2011-2012 budget were approved by the Commissioners' Court as provided by law.

OTHER INFORMATION REQUIRED BY GAO

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

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

To the Honorable Judge and
Members of the Commissioners' Court of
Dickens County, Texas

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Dickens County, Texas, as of and for the fiscal year ended September 30, 2012, which collectively comprise Dickens County, Texas', basic financial statements and have issued our report thereon dated January 24, 2013. 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

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Dickens County, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the 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. However, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency to be a significant deficiency in internal control:

Internal controls within the County are limited due to the limited number of personnel responsible for the financial records, which makes segregation of responsibilities impractical.

Compliance and Other Matters

As part of obtaining assurance about whether the Dickens 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 management, the Commissioners' Court, 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.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

January 24, 2013