

DICKENS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

DICKENS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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ANNUAL FINANCIAL REPORT
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DICKENS COUNTY, TEXAS

**COUNTY OFFICIALS
SEPTEMBER 30, 2013**

Lesa Arnold	County Judge
Dennis Wyatt	Commissioner Precinct 1
Ricky West	Commissioner Precinct 2
Charlie Morris	Commissioner Precinct 3
Sheldon Parsons	Commissioner Precinct 4
Winona Humphreys	County Clerk
Sandy Vickrey	County Treasurer
Sherry Hill	Tax-Assessor-Collector
Kathy Hughes	Justice of Peace
Terry Braly	Sheriff

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

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note I. E. to the financial statements, in 2013 the County adopted new accounting guidance, GASB Statements No. 63 and 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for the retirement plan, and budgetary comparison information on pages 4 through 10 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.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report January 8, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering of the County's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

January 8, 2014

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, 2013. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- The County's total combined net position was \$5.5 million at September 30, 2013. Of this amount, \$2.5 million (unrestricted net position) may be used to meet the County's ongoing obligations.
- The General Fund reported a fund balance this year of \$6.1 million, of which \$147,855 is restricted by enabling legislation and \$2,053,147 is assigned for courthouse renovations and the courthouse annex.

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.

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

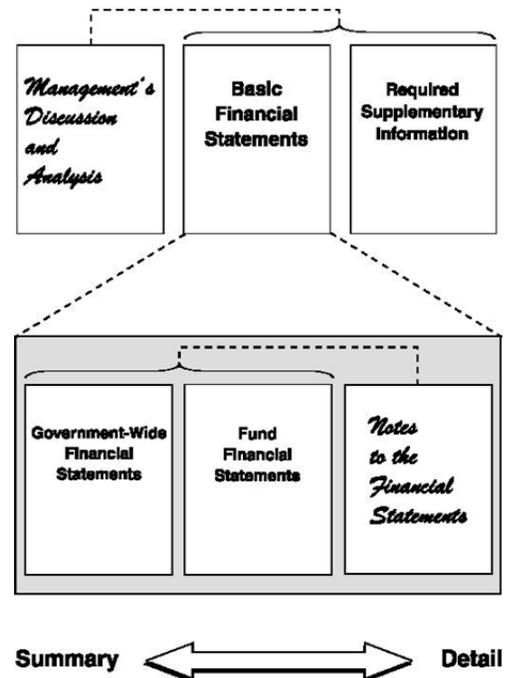


Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of each 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 position	Balance Sheet	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of changes in fiduciary net position
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 Position (Page 11) presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the County's financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (Page 12) presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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 14 and 16 of the basic financial statements section.

The County maintains five 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, and Valley Water Grant Fund.

The County adopts an annual appropriated budget for its funds. A budgetary comparison schedule has been provided on Pages 35 through 37 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 position on Page 17. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the County cannot use these assets to finance its operations.

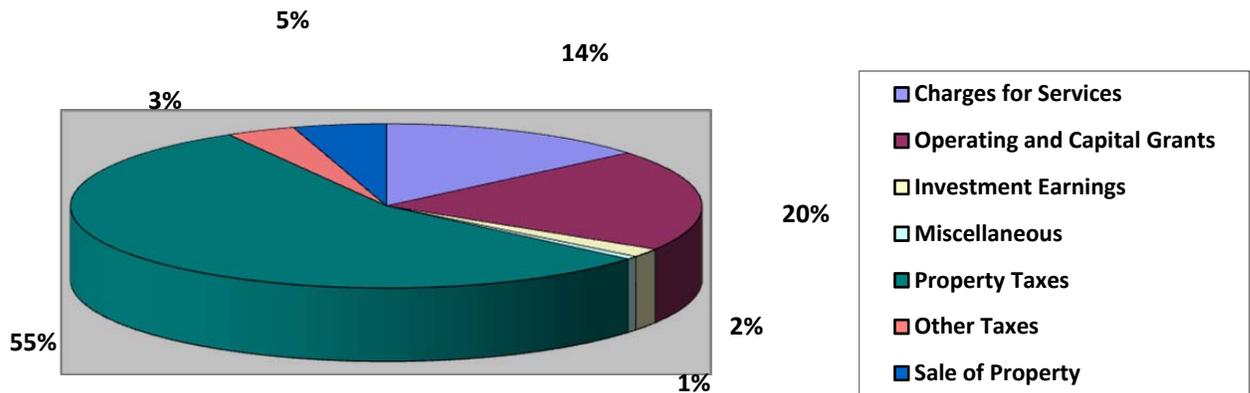
FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The County's combined net position was approximately \$5.5 million at September 30, 2013. The largest portion of the County's total assets (\$9.7 million) reflects its capital assets with the remainder (\$6.8 million) reported as cash, investments, accounts receivable, and other assets.

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

	Governmental Activities	
	2013	2012
Current and Other Assets	\$ 6,787	\$ 7,297
Capital and Non-Current Assets	9,731	9,481
Total Assets	\$ 16,518	\$ 16,778
Current Liabilities	\$ 2,751	\$ 1,427
Long Term Liabilities	8,281	8,876
Total Liabilities	\$ 11,032	\$ 10,303
Net Position		
Net Investment in Capital Assets	\$ 593	\$ 734
Restricted	2,424	348
Unrestricted	2,469	5,393
Total Net Position	\$ 5,486	\$ 6,475

Changes in Net Position—The County's net position decreased by approximately \$577 thousand during the current fiscal year. This decrease was mainly due to accrued interest on debt.



Governmental Activities—Total revenues for the fiscal year ending September 30, 2013 were \$3.4 million. Approximately 14% of the County's revenue comes from charges for services, while 58% comes from property taxes and other taxes. Investment earnings accounts for 2% of total revenues. Operating grants and contributions, sale of property, and miscellaneous revenue account for another 26% of total revenues.

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

	Governmental Activities	
	2013	2012
Revenues:		
Program Revenues		
Charge for Services	\$ 464	\$ 535
Operating Grants and Contributions	671	527
General Revenues (Expenses)		
Property Taxes	1,861	1,501
Other Taxes	119	128
Investment Earnings	57	98
Gain on Sale of Real and Personal Property	160	75
Miscellaneous	20	12
Total Revenues	\$ 3,352	\$ 2,876
Expenses:		
County Judge	\$ 65	\$ 68
County Clerk	74	71
County Treasurer	46	55
Tax Assessor and Collector	80	73
County Sheriff	307	255
County Attorney	26	25
Justice of Peace	42	37
Extension Office	70	62
Building Maintenance	72	74
County Court	5	13
District Court	51	52
Emergency Management Office	18	17
Indigent Health	51	44
General Administration	1,279	1,187
Road and Bridge	1,000	878
Interest on Long-Term Debt	743	789
Bond Issue Costs		46
Total Expenses	\$ 3,929	\$ 3,746
Decrease in Net Position	\$ (577)	\$ (870)
Beginning Net Position	6,475	7,345
Prior Period Adjustment	(412)	
Ending Net Position	\$ 5,486	\$ 6,475

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 \$6.1 million, a decrease of \$55 thousand from the prior year. The unassigned fund balance is \$3.9 million and is available for spending at the government's discretion. The County has assigned \$2 million to be used for courthouse renovations and the courthouse annex.

As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 218% of total General Fund expenditures.

General Fund Budgetary Highlights — At the end of the year, actual expenditures were \$532 thousand under final budgeted amounts. Revenues came in under the budget by \$9 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets — As of September 30, 2013, the County had invested \$15.5 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 purchased a small wheel loader, motor grader, and pickup.
- The County paid architect fees related to the master plan and design of the courthouse annex and courthouse restoration project.

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	
	2013	2012
Land	\$ 107	\$ 107
Buildings and Improvements	432	432
Correctional Facility	10,622	10,622
Furniture and Equipment	115	115
Vehicles and Heavy Equipment	2,258	2,115
Leasehold Improvements	848	848
Infrastructure	843	843
Construction Work in Progress	297	
Total	\$ 15,522	\$ 15,082
Total Accumulated Depreciation	5,791	5,601
Net Capital Assets	\$ 9,731	\$ 9,481

Long Term Debt — As of September 30, 2013, 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 \$317,671,690, down 1.8% from 2012.
- The tax rate established for 2013 is \$.60411, which is up 2% from the 2012 tax rate of \$.59000.
- 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 \$1,776,464, an increase of \$32,395 over the 2012 amended budget of \$1,744,069. The budget increase is attributable to an increase in property tax revenue.

Budgeted expenditures are expected to increase approximately 120% over the 2012 amended budget of \$1,737,904 to \$3,829,611. The County has budgeted \$2,053,147 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 decrease by \$2,053,147.

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 POSITION
SEPTEMBER 30, 2013

	<u>Primary Government Governmental Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ 488,099
Investments	5,892,116
Taxes Receivable, Net	17,788
Interest Receivable	9,413
Office Receivables, Net	97,261
Restricted Investments - Held by Trustee	281,699
Prepaid Items	364
Capital Assets (Net of Accumulated Depreciation):	
Land	106,284
Infrastructure	215,260
Buildings	109,160
Correctional Facility	7,347,221
Leasehold Improvements	683,672
Furniture & Fixtures	29,085
Machinery and Equipment	943,387
Construction Work In Progress	296,944
Total Assets	<u>\$ 16,517,753</u>
LIABILITIES:	
Accounts Payable	\$ 71,089
Accrued Interest Payable	1,531,788
Current Portion of Long-Term Debt	1,145,000
Noncurrent Portion of Long-Term Debt	8,275,000
Accrued Compensated Absences	6,318
Total Liabilities	<u>\$ 11,029,195</u>
DEFERRED INFLOWS OF RESOURCES:	
Unearned Revenue - Subsidy Distribution	<u>\$ 2,150</u>
NET POSITION	
Net Investment in Capital Assets	\$ 592,712
Restricted For:	
Enabling Legislation	147,855
Road and Bridge	222,962
Prepaid Items - Non-Spendable	364
Courthouse Renovations/Annex	2,053,147
Unrestricted	2,469,368
Total Net Position	<u>\$ 5,486,408</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, 2013

Departments/Programs	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) and Changes in Net Position
		<u>Fines, Fees & Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Gov. Governmental Activities</u>
PRIMARY GOVERNMENT:				
Governmental Activities				
County Judge	\$ 65,258	\$	\$ 15,000	\$ (50,258)
County Clerk	73,776	46,908		(26,868)
County Treasurer	46,023			(46,023)
Tax Assessor and Collector	79,777	55,062		(24,715)
County Sheriff	306,536	26,154		(280,382)
County Attorney	25,656			(25,656)
Justice of Peace	42,069	120,507		78,438
Extension Office	70,497			(70,497)
Building Maintenance	72,225			(72,225)
County Court	5,005			(5,005)
District Court	50,973			(50,973)
Emergency Management Office	17,903			(17,903)
Indigent Health	51,118		6,664	(44,454)
General Administration	1,278,534	16,518	634,432	(627,584)
Road and Bridge	1,000,536	198,538	14,859	(787,139)
Interest on Long-Term Debt	742,863			(742,863)
Total Governmental Activities	\$ <u>3,928,749</u>	\$ <u>463,687</u>	\$ <u>670,955</u>	\$ <u>(2,794,107)</u>
General Revenues:				
Property Taxes, Levied for General Purposes			\$ 1,242,862	
Property Taxes, Levied for Road and Bridge			618,122	
Other Taxes			119,245	
Miscellaneous Revenue			15,531	
Rents and Royalties			4,367	
Gain on Sale of Real and Personal Property			159,732	
Investment Earnings			57,092	
Total General Revenues			\$ <u>2,216,951</u>	
Change in Net Position			\$ (577,156)	
Net Position - Beginning			6,475,179	
Prior Period Adjustment			(411,615)	
Net Position - Ending			\$ <u>5,486,408</u>	

The accompanying notes are an integral part of this statement.

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DICKENS COUNTY, TEXAS

Exhibit A-3

**BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	Major Funds		Nonmajor Governmental Funds (See Exhibit C-1)	Total Governmental Funds
	General Fund	Road and Bridge Fund		
ASSETS:				
Cash and Cash Equivalents	\$ 395,859	\$ 92,240	\$	\$ 488,099
Investments	5,750,335	141,781		5,892,116
Investments - Held by Trustee			281,699	281,699
Taxes Receivable	40,212	20,968		61,180
Allowance for Uncollectible Taxes (Credit)	(28,324)	(15,068)		(43,392)
Accounts Receivable (Net)	16,671	7,706		24,377
Prepaid Items	364			364
Total Assets	\$ 6,175,117	\$ 247,627	\$ 281,699	\$ 6,704,443
LIABILITIES:				
Accounts Payable	\$ 52,324	\$ 18,765	\$	\$ 71,089
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue - Property Taxes	\$ 11,888	\$ 5,900	\$	\$ 17,788
Unearned Revenue - Subsidy Distribution	2,150			2,150
Total Deferred Inflows of Resources	\$ 14,038	\$ 5,900	\$ 0	\$ 19,938
FUND BALANCES:				
Nonspendable:				
Prepaid Items	\$ 364	\$	\$	\$ 364
Restricted:				
Enabling Legislation	147,855			147,855
Debt Service			281,699	281,699
Road and Bridge		222,962		222,962
Assigned:				
Courthouse Renovations/Annex	2,053,147			2,053,147
Unassigned:				
Reported in the General Fund	3,907,389			3,907,389
Total Fund Balances	\$ 6,108,755	\$ 222,962	\$ 281,699	\$ 6,613,416
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,175,117	\$ 247,627	\$ 281,699	\$ 6,704,443

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 POSITION
SEPTEMBER 30, 2013

Total Fund Balances - Governmental Funds Balance Sheet	\$ 6,613,416
Amounts reported for governmental activities in the statement of net position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	9,731,013
Revenues unavailable to pay for current period expenditures are deferred in the funds.	17,788
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.	(1,531,788)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(6,318)
To record the Justice of Peace and County/Dist. Clerk fines receivable.	72,884
Interest receivable on investments is not recorded in the funds.	<u>9,413</u>
Net Position of Governmental Activities - Statement of Net Position	\$ <u><u>5,486,408</u></u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	Major Funds				Total Governmental Funds
	General Fund	Road and Bridge Fund	Caprock Regional Defender Grant Fund	Nonmajor Governmental Funds (See Exhibit C-2)	
Revenue:					
Taxes:					
Property Taxes	\$ 1,243,547	\$ 618,122	\$	\$	\$ 1,861,669
Other Taxes	116,395	2,850			119,245
License and Permits	1,871	149,754			151,625
Intergovernmental Revenue and Grants	37,164	14,859	362,419	256,513	670,955
Charges for Services	245,100	26,548			271,648
Fines and Fees	8,560	22,236			30,796
Investment Earnings	63,910	1,810		116	65,836
Rents and Royalties	4,367				4,367
Other Revenue	14,226	1,305			15,531
Total Revenues	\$ 1,735,140	\$ 837,484	\$ 362,419	\$ 256,629	\$ 3,191,672
Expenditures:					
Current:					
County Judge	\$ 65,428				\$ 65,428
County Clerk	74,332				74,332
County Treasurer	46,119				46,119
Tax Assessor and Collector	79,239				79,239
County Sheriff	284,887				284,887
County Attorney	25,656				25,656
Justice of Peace	40,468				40,468
Extension Office	68,806				68,806
Building Maintenance	70,360				70,360
County Court	5,005				5,005
District Court	50,973				50,973
Emergency Management Office	17,903				17,903
Indigent Health	51,118				51,118
General Administration	910,145		362,419	299,731	1,572,295
Road and Bridge		542,000			542,000
Special Road and Bridge		488,059			488,059
Total Expenditures	\$ 1,790,439	\$ 1,030,059	\$ 362,419	\$ 299,731	\$ 3,482,648
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (55,299)	\$ (192,575)	\$ 0	\$ (43,102)	\$ (290,976)
Other Financing Sources (Uses):					
Sale of Real and Personal Property	\$ 51	\$ 206,264	\$	\$	\$ 206,315
Total Other Financing Sources (Uses)	\$ 51	\$ 206,264	\$ 0	\$ 0	\$ 206,315
Net Change in Fund Balances	\$ (55,248)	\$ 13,689	\$ 0	\$ (43,102)	\$ (84,661)
Fund Balances - Beginning	6,164,003	209,273	0	324,801	6,698,077
Fund Balances - Ending	\$ 6,108,755	\$ 222,962	\$ 0	\$ 281,699	\$ 6,613,416

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, 2013

Net Change in Fund Balances - Total Governmental Funds	\$	(84,661)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:		
Capital assets are not reported as expenses in the SOA.		690,118
The depreciation of capital assets used in governmental activities is not reported in the funds.		(393,381)
The loss from the disposition of a capital asset is not recorded in the funds.		(46,583)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(685)
To record the change in the Justice of the Peace and County/Dist. Clerk fines receivable.		9,618
Increase in accrued interest payable from beginning of period to end of period.		(742,863)
The change in accrued interest income on investments is reflected in the SOA.		(8,744)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		<u>25</u>
Change in Net Position of Governmental Activities - Statement of Activities	\$	<u><u>(577,156)</u></u>

The accompanying notes are an integral part of this statement.

DICKENS COUNTY, TEXAS

Exhibit A-7

STATEMENT OF FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2013

	<u>Agency Fund</u>
ASSETS:	
Current Assets	
Cash and Cash Equivalents	\$ 49,164
Total Current Assets	<u>\$ 49,164</u>
LIABILITIES:	
Current Liabilities	
Due to Others	\$ 49,164
Total Current Liabilities	<u>\$ 49,164</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, 2013

I. SUMMARY OF SIGNIFICANT 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:

<u>Component Unit</u>	<u>Description; Criteria for Inclusion</u>	<u>Reporting Method</u>	<u>For Separate Financial Statements</u>
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, 2013**

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the 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, 2013**

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 Position.

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, 2013

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, 2013

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 five fund types: General Fund, Debt Service Fund, Road and Bridge Fund, Caprock Regional Defender Grant 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.

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.

Non-major Governmental Fund:

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.

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.

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.

DICKENS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

E. CHANGE IN ACCOUNTING PRINCIPLES

GASB Statements No. 63 and No. 65 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; Items Previously Reported as Assets and Liabilities*

These statements affected how some items were reported in the Proprietary Funds and Government Wide Statements. The prior guidance stated that a balance sheet format was to be used to report on Proprietary funds and the Government Wide Statement of Net Position, the new statements, however, require those statements to be reported using a Statement of Net Position format (Assets + Deferred Outflow – Liabilities – Deferred Inflows = Net Position). The new statements also clarified which items had to be reported as Deferred Outflows of Resources or Deferred Inflows of Resources and continued to change some accounting principles that are used by FASB. GASB Statement No. 65 no longer allows bond Issue costs to be amortized over the life of the debt and are expensed as incurred. The county made a prior period adjustment of \$411,615 to write off these unamortized costs (See note III. J.).

F. 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.

DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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.

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, 2013 to finance maintenance and operations of the County was \$0.59 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.

DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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.

At September 30, 2013, the carrying amount of the County's deposits (cash, short-term certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$488,099 and the bank balance was \$578,863.

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.

DICKENS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

The carrying value of investments at September 30, 2013 was \$5,892,116. The investments consist of:

	Cost	Market Value
TexPool	\$ 1	\$ 1
U.S. Treasury Notes	221,204	242,163
FNMA (Federal National Mortgage Association)	67,180	74,715
FHLMC (Federal Home Loan Mortgage Corp)	222,204	232,572
Certificates of Deposit	5,327,425	5,338,491
Money Market	4,174	4,174
	<u>\$ 5,842,188</u>	<u>\$ 5,892,116</u>

The carrying value of the restricted investments - held by trustee (US Bank) at September 30, 2013 was \$281,699. The restricted investments consist of:

	Cost	Market Value
US Bank Money Market Account	<u>\$ 281,699</u>	<u>\$ 281,699</u>

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, 2013 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

DICKENS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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, 2013 TexPool's investments credit quality rating was AAAM (Standard & Poor's).

B. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2013, were as follows:

	<u>Property Tax Receivable</u>	<u>Office Receivables</u>	<u>Total Receivables</u>
Governmental Activities			
General Fund	\$ 40,212	\$ 327,529	\$ 367,741
Road and Bridge Fund	20,968	7,706	28,674
Less: Allowance for Uncollectibles	<u>(43,392)</u>	<u>(237,974)</u>	<u>(281,366)</u>
Total - Governmental	<u>\$ 17,788</u>	<u>\$ 97,261</u>	<u>\$ 115,049</u>

Payables at September 30, 2013 were as follows:

	<u>Accounts Payable</u>
Governmental Activities	
General Fund	\$ 52,324
Road and Bridge Fund	18,765
Total - Governmental	<u>\$ 71,089</u>

DICKENS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

C. CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended September 30, 2013 was as follows:

	Balance October 1, 2012	Additions	Retirements	Balance September 30, 2013
Governmental Activities				
Land	\$ 106,284	\$	\$	\$ 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	2,114,852	393,173	(249,800)	2,258,225
Leasehold Improvements	848,062			848,062
Infrastructure	843,532			843,532
Construction Work in Progress	0	296,944		296,944
Totals at Historic Cost	<u>\$ 15,082,437</u>	<u>\$ 393,173</u>	<u>\$ (249,800)</u>	<u>\$ 15,522,754</u>
Less: Accumulated Depreciation				
Buildings and Improvement	\$ 316,791	\$ 6,192	\$	\$ 322,983
Correctional Facility	3,275,267			3,275,267
Furniture and Equipment	80,851	5,140		85,991
Vehicles and Heavy Equipment	1,145,790	372,265	(203,217)	1,314,838
Leasehold Improvements	164,390			164,390
Infrastructure	618,488	9,784		628,272
Total Accumulated Depreciation	<u>\$ 5,601,577</u>	<u>\$ 393,381</u>	<u>\$ (203,217)</u>	<u>\$ 5,791,741</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,480,860</u>	<u>\$ (208)</u>	<u>\$ (46,583)</u>	<u>\$ 9,731,013</u>

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

General Administration	\$ 6,360
County Sheriff	21,650
Road and Bridge	364,683
Extension Office	688
Total Depreciation Expense	<u>\$ 393,381</u>

DICKENS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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 Position. At September 30, 2013, accrued employee benefits recorded on the Statement of Net Position were for vacation pay in the amount of \$6,318.

E. LONG-TERM DEBT

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

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, 2013, are as follows:

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending September 30,			
2014	\$ 1,145,000	\$ 1,878,304	\$ 3,023,304
2015	650,000	665,813	1,315,813
2016	700,000	609,281	1,309,281
2017	760,000	548,144	1,308,144
2018	825,000	481,772	1,306,772
2019-2022	5,340,000	1,090,006	6,430,006
Less: Reserve Fund		(281,699)	(281,699)
Totals	\$ <u>9,420,000</u>	\$ <u>4,991,621</u>	\$ <u>14,411,621</u>

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

The Trustee for the Dickens County Public Facility Corp. was unable to make payments to the bond holders during the year ended September 30, 2013, due to not having sufficient funds in the bond reserve fund. As of September 30, 2013, the County has accrued interest of \$1,531,788 related to the bonds.

DICKENS COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

F. RISK MANAGEMENT

Worker's Compensation

During the fiscal year ended September 30, 2013 employees of Dickens County were covered by a worker's compensation plan administered by Texas Association of Counties. The County paid a contribution of \$16,514 for the fiscal year ended September 30, 2013. These figures are subject to change based upon actual payroll figures.

Health Care

During the fiscal year ended September 30, 2013, employees of the County were covered by a health insurance plan (the Plan). The County paid \$586 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, 2013 was \$158,813.

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 641 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 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.

DICKENS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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 10.12% for the months of the accounting year 2012, and 10.54% for the months of the accounting year 2013.

The deposit rate payable by the employee members for calendar year 2013 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, 2013, the annual pension cost for the TCDRS plan for its employees was \$93,009, and the actual contributions were \$93,009.

The required contribution was determined as part of the December 31, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2012 was 20 years.

Actuarial Valuation Information:

Actuarial Valuation Date	12/31/2010	12/31/2011	12/31/2012
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

DICKENS COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

<u>Actuarial Assumptions:</u>	12/31/2010	12/31/2011	12/31/2012
Investment Return*	8.00%	8.00%	8.00%
Projected salary increase	5.40%	5.40%	5.40%
Inflation	3.50%	3.50%	3.50%
Cost of living adjustment	0.00%	0.00%	0.00%

*Includes inflation at the stated rate

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

<u>Accounting Year End</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2011	\$ 85,108	100%	0
9/30/2012	87,081	100%	0
9/30/2013	93,009	100%	0

Funded Status and Funding Progress:

As of December 31, 2012, the most recent actuarial valuation date, the plan was 80.4 percent funded. The actuarial accrued liability for benefits was \$2,411,957, and the actuarial value of assets was \$1,939,316, resulting in an unfunded actuarial liability (UAAL) of \$472,641. The covered payroll (annual payroll of active employees covered by the plan) was \$879,948, and the ratio of the UAAL to the covered payroll was 53.71 percent.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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, 2013

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, 2013, that would have a material effect on the financial statements.

Management has evaluated subsequent events through January 8, 2014 the date which the financial statements were available to be issued.

J. PRIOR PERIOD ADJUSTMENT

The County had one prior period adjustment that was recognized during the year, the adjustment is summarized below:

Statements	Change in Beginning Net Position	Explanation
Governmental Activities	\$ <u>411,615</u>	To expense debt issue costs required by GASBS No. 65

K. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2010	\$ 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%
12/31/2012	1,939,316	2,411,957	472,641	80.40%	879,948	53.71%

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	\$ 1,275,800	\$ 1,275,800	\$ 1,243,547	\$ (32,253)
Other Taxes	56,000	56,000	116,395	60,395
License and Permits	1,000	1,000	1,871	871
Intergovernmental Revenue and Grants	30,250	37,164	37,164	0
Charges for Services	278,500	278,500	245,100	(33,400)
Fines and Fees	1,000	1,000	8,560	7,560
Investment Earnings	73,105	73,105	63,910	(9,195)
Rents and Royalties	5,000	5,000	4,367	(633)
Other Revenue	14,100	16,500	14,226	(2,274)
Total Revenues	<u>\$ 1,734,755</u>	<u>\$ 1,744,069</u>	<u>\$ 1,735,140</u>	<u>\$ (8,929)</u>
Expenditures:				
Current:				
County Judge	\$ 69,837	\$ 71,057	\$ 65,428	\$ 5,629
County Clerk	77,627	77,827	74,332	3,495
County Treasurer	50,346	49,226	46,119	3,107
Tax Assessor and Collector	79,777	79,777	79,239	538
County Sheriff	274,271	277,151	284,887	(7,736)
County Attorney	26,020	26,020	25,656	364
Justice of Peace	39,200	41,700	40,468	1,232
Extension Office	69,217	69,217	68,806	411
Building Maintenance	84,248	84,248	70,360	13,888
County Court	31,542	31,842	5,005	26,837
District Court	63,854	64,254	50,973	13,281
Emergency Management Office	20,520	20,520	17,903	2,617
Indigent Health	102,048	102,048	51,118	50,930
General Administration	1,328,247	1,328,017	910,145	417,872
Total Expenditures	<u>\$ 2,316,754</u>	<u>\$ 2,322,904</u>	<u>\$ 1,790,439</u>	<u>\$ 532,465</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (581,999)</u>	<u>\$ (578,835)</u>	<u>\$ (55,299)</u>	<u>\$ 523,536</u>
Other Financing Sources (Uses):				
Sale of Real and Personal Property	\$ 500	\$ 500	\$ 51	\$ (449)
Total Other Financing Sources	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 51</u>	<u>\$ (449)</u>
Net Change in Fund Balances	\$ (581,499)	\$ (578,335)	\$ (55,248)	\$ 523,087
Fund Balances - Beginning	<u>6,164,003</u>	<u>6,164,003</u>	<u>6,164,003</u>	<u>6,164,003</u>
Fund Balances - Ending	<u>\$ 5,582,504</u>	<u>\$ 5,585,668</u>	<u>\$ 6,108,755</u>	<u>\$ 6,687,090</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, 2013**

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 633,109	\$ 633,109	\$ 618,122	\$ (14,987)
Other Taxes	1,000	1,000	2,850	1,850
License and Permits	140,000	140,000	149,754	9,754
Intergovernmental Revenue and Grants	15,000	15,000	14,859	(141)
Charges for Services	20,000	20,000	26,548	6,548
Fines and Fees	12,000	12,000	22,236	10,236
Investment Earnings	1,000	1,000	1,810	810
Other Revenue	500	500	1,305	805
Total Revenues	<u>\$ 822,609</u>	<u>\$ 822,609</u>	<u>\$ 837,484</u>	<u>\$ 14,875</u>
Expenditures:				
Current:				
Road & Bridge	\$ 627,932	\$ 627,932	\$ 542,000	\$ 85,932
Special Road & Bridge	450,049	488,549	488,059	490
Total Expenditures	<u>\$ 1,077,981</u>	<u>\$ 1,116,481</u>	<u>\$ 1,030,059</u>	<u>\$ 86,422</u>
Deficiency of Revenues Under Expenditures	<u>\$ (255,372)</u>	<u>\$ (293,872)</u>	<u>\$ (192,575)</u>	<u>\$ 101,297</u>
Other Financing Sources:				
Sale of Real and Personal Property	\$ 205,700	\$ 205,700	\$ 206,264	\$ 564
Total Other Financing Sources	<u>\$ 205,700</u>	<u>\$ 205,700</u>	<u>\$ 206,264</u>	<u>\$ 564</u>
Net Change in Fund Balances	\$ (49,672)	\$ (88,172)	\$ 13,689	\$ 101,861
Fund Balances - Beginning	<u>209,273</u>	<u>209,273</u>	<u>209,273</u>	<u>209,273</u>
Fund Balances - Ending	<u>\$ 159,601</u>	<u>\$ 121,101</u>	<u>\$ 222,962</u>	<u>\$ 311,134</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, 2013

	(Unaudited) Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
	Revenue:			
Intergovernmental Revenue and Grants	\$ 368,000	\$ 368,000	\$ 362,419	\$ (5,581)
Total Revenues	\$ 368,000	\$ 368,000	\$ 362,419	\$ (5,581)
Expenditures:				
General Administration	\$ 368,000	\$ 368,000	\$ 362,419	\$ 5,581
Total Expenditures	\$ 368,000	\$ 368,000	\$ 362,419	\$ 5,581
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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

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 2012-2013 budget were approved by the Commissioners' Court as provided by law.

COMBINING STATEMENTS

DICKENS COUNTY, TEXAS

Exhibit C-1

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
SEPTEMBER 30, 2013

	Debt Service Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>
ASSETS:		
Investments - Held by Trustee	\$ 281,699	\$ 281,699
Total Assets	<u>\$ 281,699</u>	<u>\$ 281,699</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts Payable	\$	\$
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>
FUND BALANCES:		
Restricted:		
Debt Service	\$ 281,699	\$ 281,699
Total Fund Balances	<u>\$ 281,699</u>	<u>\$ 281,699</u>
Total Liabilities and Fund Balances	<u>\$ 281,699</u>	<u>\$ 281,699</u>

DICKENS COUNTY, TEXAS

Exhibit C-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Debt Service Fund	Water Valley Grant Fund	Total Nonmajor Governmental Funds
Revenue:			
Intergovernmental Revenue and Grants	\$	\$ 256,513	\$ 256,513
Investment Earnings	116		116
Total Revenues	<u>\$ 116</u>	<u>\$ 256,513</u>	<u>\$ 256,629</u>
Expenditures:			
Current:			
General Administration	\$ 43,218	\$ 256,513	\$ 299,731
Total Expenditures	<u>\$ 43,218</u>	<u>\$ 256,513</u>	<u>\$ 299,731</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (43,102)</u>	<u>\$ 0</u>	<u>\$ (43,102)</u>
Other Financing Sources:			
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (43,102)	\$ 0	\$ (43,102)
Fund Balances - Beginning	<u>324,801</u>	<u>0</u>	<u>324,801</u>
Fund Balances - Ending	<u><u>\$ 281,699</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 281,699</u></u>

OTHER INFORMATION REQUIRED BY GAO

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

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

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**

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dickens County, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Dickens County, Texas' basic financial statements, and have issued our report thereon dated January 8, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dickens County, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dickens County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Dickens County, Texas' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dickens County, Texas' financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

January 8, 2014