

**COOKE, FANNIN
AND GRAYSON COUNTY
JUVENILE DETENTION CENTER**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
SEPTEMBER 30, 2012**

**COOKE, FANNIN AND GRAYSON COUNTY
JUVENILE DETENTION CENTER**

FINANCIAL STATEMENTS

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COOKE, FANNIN AND GRAYSON COUNTY
JUVENILE DETENTION CENTER

FINANCIAL STATEMENTS

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FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Cooke, Fannin and Grayson County
Juvenile Detention Center
Denison, Texas

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of the Cooke, Fannin and Grayson County Juvenile Detention Center (the "Center"), as of and for the year ended September 30, 2012, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. 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 basic 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the aggregate remaining fund information of the Center, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 5 and page 20 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.

Pattillo, Brown & Hill, L.L.P.

July 1, 2013

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Cooke, Fannin and Grayson County Juvenile Detention Center, we offer readers of the Center's financial statements this narrative overview and analysis of the financial activities of the Center for the fiscal year ended September 30, 2012.

FINANCIAL HIGHLIGHTS

- The Center is a joint venture established under an interlocal agreement between the three participating counties (Participants) dated July 13, 1983. The Center provides probation, detention and diagnostic services for juveniles under the jurisdiction of the Participants and is available to other entities on a fee basis. All costs associated with the Center after applicable charges and grants are shared by the Participants as follows: Cooke, 20%; Fannin, 20%; Grayson, 60%.
- The General Fund of the Center is used to fund daily operations. At the end of each fiscal year, a balance of \$20,000 is maintained in the General Fund.
- The assets of the Center exceeded its liabilities at the close of the most recent fiscal year by \$460 thousand (net assets). Of this amount, \$20 thousand (unrestricted net assets) may be used to meet the Center's ongoing obligations.
- The Center's total net assets decreased by approximately \$49 thousand, due to depreciation expense of approximately \$49 thousand.
- The Center has no outstanding debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the Center's basic financial statements. The Center's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business.

The Statement of Net Assets presents information on all of the Center's assets and liabilities, with the difference between the two reported as net assets.

The Statement of Activities presents information showing how the Center’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. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods. All revenues provided to the Center came from fees earned from other entities, and charges to the Participant counties.

The government wide financial statements can be found on pages 6 – 7 of this report.

Fund Financial Statements

The Center adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund as part of the required supplementary information to demonstrate compliance with this budget.

The Center’s governmental fund financial statements can be found on pages 8 – 11 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements on pages 12 – 19 of this report.

Other Information

In addition to the basic financial statements and accompany notes, this report also presents certain compliance information relating to internal controls.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

By far, the largest portion of the Center’s net assets (96%) reflects its investment in capital assets (e.g., buildings, improvements, and equipment). The Center uses these capital assets to provide services to residents; consequently, these assets are not available for future spending.

**COOKE, FANNIN AND GRAYSON COUNTY
JUVENILE DETENTION CENTER’S NET ASSETS**

| | Governmental Activities | |
|--|-------------------------|-------------------|
| | 2012 | 2011 |
| Current and other assets | \$ 33,463 | \$ 44,424 |
| Capital assets | 440,434 | 489,465 |
| Total assets | <u>473,897</u> | <u>533,889</u> |
| Total liabilities | <u>13,463</u> | <u>24,424</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 440,434 | 489,465 |
| Unrestricted | <u>20,000</u> | <u>20,000</u> |
| Total net assets | <u>\$ 460,434</u> | <u>\$ 509,465</u> |

Government Activities

Governmental activities decreased the Center's net assets by approximately \$49 thousand. Changes in net assets are summarized as follows:

COOKE, FANNIN AND GRAYSON COUNTY JUVENILE DETENTION CENTER'S CHANGES IN NET ASSETS

| | Governmental Activities | |
|-----------------------|-------------------------|-------------------|
| | 2012 | 2011 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 572,241 | \$ 591,771 |
| Total revenues | <u>572,241</u> | <u>591,771</u> |
| Expenses: | | |
| Public safety | <u>621,272</u> | <u>640,802</u> |
| Total expenses | <u>621,272</u> | <u>640,802</u> |
| Change in net assets | (49,031) | (49,031) |
| Net assets, beginning | <u>509,465</u> | <u>558,496</u> |
| Net assets, ending | <u>\$ 460,434</u> | <u>\$ 509,465</u> |

CAPITAL ASSETS

COOKE, FANNIN AND GRAYSON COUNTY JUVENILE DETENTION CENTER'S CAPITAL ASSETS (Net of Depreciation)

| | Governmental Activities | |
|----------------------------|-------------------------|-------------------|
| | 2012 | 2011 |
| Buildings and improvements | \$ <u>440,434</u> | \$ <u>489,465</u> |
| Total capital assets | <u>\$ 440,434</u> | <u>\$ 489,465</u> |

Additional information regarding the City's capital assets can be found in Note III on pages 17 – 18 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Cooke, Fannin and Grayson County Juvenile Detention Center's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Grayson County Auditor, 100 West Houston Street, Sherman, Texas 75090.

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**BASIC
FINANCIAL STATEMENTS**

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**COOKE, FANNIN AND GRAYSON
JUVENILE DETENTION CENTER**

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

| | <u>Primary Government</u> <u>Governmental</u> <u>Activities</u> |
|--|---|
| ASSETS | |
| Accounts receivable | \$ 1,666 |
| Capital assets: | |
| Buildings and improvements, net | <u>440,434</u> |
| Total assets | <u>473,897</u> |
| LIABILITIES | |
| Accounts payable | 1,476 |
| Accrued liabilities | <u>11,987</u> |
| Total liabilities | <u>13,463</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 440,434 |
| Unrestricted | <u>20,000</u> |
| Total net assets | <u>\$ 460,434</u> |

The accompanying notes are an integral part of these financial statements.

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**COOKE, FANNIN AND GRAYSON COUNTY
JUVENILE DETENTION CENTER**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2012

| Functions/Programs | Expenses | Program Revenue | Net (Expense) Revenue and Changes in Net Assets |
|-------------------------------|------------------------|-------------------------|--|
| | | Charges for Services | Primary Government Governmental Activities |
| Primary government | | | |
| Governmental activities: | | | |
| Public safety | \$ <u>621,272</u> | \$ <u>572,241</u> | \$(<u>49,031</u>) |
| Total governmental activities | <u>621,272</u> | <u>572,241</u> | (<u>49,031</u>) |
| Total primary government | \$ <u>621,272</u> | \$ <u>572,241</u> | (<u>49,031</u>) |
| | Change in net assets | | (<u>49,031</u>) |
| | Net assets - beginning | | <u>509,465</u> |
| | Net assets - ending | | \$ <u>460,434</u> |

The accompanying notes are an integral part of these financial statements.

**COOKE, FANNIN AND GRAYSON COUNTY
JUVENILE DETENTION CENTER**

BALANCE SHEET

GOVERNMENTAL FUNDS

AS OF SEPTEMBER 30, 2012

| | <u>General</u> |
|--|-------------------------|
| ASSETS | |
| Cash | \$ 31,797 |
| Accounts receivable | <u>1,666</u> |
| Total assets | \$ <u>33,463</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable | \$ 1,476 |
| Accrued liabilities | <u>11,987</u> |
| Total liabilities | <u>13,463</u> |
| Fund balances: | |
| Unrestricted | <u>20,000</u> |
| Total fund balances | <u>20,000</u> |
| Total liabilities and fund balances | \$ <u>33,463</u> |

The accompanying notes are an integral part of these financial statements.

**COOKE, FANNIN AND GRAYSON COUNTY
JUVENILE DETENTION CENTER**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

AS OF SEPTEMBER 30, 2012

Total fund balances - governmental funds balance sheet \$ 20,000

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$1,449,969, and the accumulated depreciation was \$960,503. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.

489,465

The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.

(49,031)

Net assets of governmental activities

\$ 460,434

The accompanying notes are an integral part of these financial statements.

**COOKE, FANNIN AND GRAYSON COUNTY
JUVENILE DETENTION CENTER**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | <u>General</u> |
|--|------------------|
| REVENUES | |
| Intergovernmental revenue and grants | \$ 463,600 |
| Charges for services | <u>108,641</u> |
| Total revenues | <u>572,241</u> |
| EXPENDITURES | |
| Current: | |
| Public safety | <u>572,241</u> |
| Total expenditures | <u>572,241</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | - |
| FUND BALANCES, BEGINNING | <u>20,000</u> |
| FUND BALANCES, ENDING | <u>\$ 20,000</u> |

The accompanying notes are an integral part of these financial statements.

**COOKE, FANNIN AND GRAYSON COUNTY
JUVENILE DETENTION CENTER**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | | |
|---|----|------------------|
| Net change in fund balances - total governmental funds | \$ | - |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets. | | <u>(49,031)</u> |
| Change in net assets of governmental activities | \$ | <u>(49,031)</u> |

The accompanying notes are an integral part of these financial statements.

**COOKE, FANNIN AND GRAYSON COUNTY
JUVENILE DETENTION CENTER**

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cooke, Fannin and Grayson County Juvenile Detention Center (the "Center") conform to generally accepted accounting principles as applicable to governments.

A. Reporting Entity

The Center was established under an interlocal agreement between the three participating counties (Participants) dated July 13, 1983. The Center provides probation, detention and diagnostic services for juveniles under the jurisdiction of the Participants and is available to other entities on a fee basis. The Center was constructed with grant funds and amounts contributed by the three Participants. Grayson County has been recognized as the administrative entity for financial activities, budgetary responsibilities, personnel support and benefits by contract dated October 31, 1983. All costs associated with the Center after applicable charges and grants are shared by the Participants as follows: Cooke, 20%; Fannin, 20%; Grayson, 60%.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of non-fiduciary activities of the primary government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using 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 related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Center considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Fees from other governments and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Center.

Governmental funds are those through which most governmental functions of the Center are financed. The acquisition, use, and balances of the Center's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The Center has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the Center's policy to use restricted resources first, then unrestricted resources as they are needed.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Center reports the following major governmental fund:

The General Fund is the Center's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

E. Other Accounting Policies

1. *Capital Assets*

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. The Center defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------|--------------|
| Buildings | 20 - 50 |
| Improvements | 5 - 50 |
| Equipment | 5 - 20 |

2. Employees are provided medical and life insurance through Texas Association of Counties, a joint insurance fund.
3. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
4. In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restated by parties for use for a specific purpose. Commitments of fund balance represent tentative management plans that are subject to change. Commitments can only be made by the Board of Directors, the Detention Center's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was employed when funds were first committed. As of September 30, 2012, no amounts were reported as restricted or committed.

II. RECONILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

Page 9 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. The details of capital assets at the beginning of the year were as follows:

| | Historic Cost | Accumulated Depreciation | Net Value at Beginning of the Year | Change in Net Assets |
|-------------------------------|---------------------|-----------------------------|--|-------------------------|
| Buildings and improvements | \$ 1,443,746 | \$ 954,281 | \$ 489,465 | \$ 49,031 |
| Machinery and equipment | 6,223 | 6,223 | - | - |
| Total governmental activities | <u>\$ 1,449,969</u> | <u>\$ 960,504</u> | <u>\$ 489,465</u> | <u>\$ 49,031</u> |

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Legal and Contractual Provisions

The funds of the Center 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 deposits for safekeeping and trust with the Center's agent bank approved pledged securities in an amount sufficient to protect Center 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, 2012, the carrying amount of the Center's deposits (cash, certificates of deposit, and temporary investments) was \$31,797. The Center's deposits are pooled with the cash and investments of Grayson County.

Investments are categorized to give an indication of the level of credit risk assumed by the Center. At September 30, 2012, all of the Center's investments are classified as Category I investments (lowest risk category), which are defined as securities held by the Center or its agent in the Center's name. At year-end the Center's investments were:

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Legal and Contractual Provisions (Continued)

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 Center to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the Center to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the Center to have independent auditors perform test procedures related to investment practices as provided by the Act. The Center is in substantial compliance with the requirements of the act and with local policies.

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

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. TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value. 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.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the Center has adopted a deposit and investment policy; however, that policy does not address the following risks:

Custodial Credit Risk – Deposits. This is the risk, that in the event of a bank failure, the Center’s deposits may not be returned to it. The Center 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 Center’s agent bank in the Center’s name.

Custodial Credit Risk – Investments. This is the risk, that in the event of the counterparty, the Center 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. All of the Center’s investments are held in investment pools.

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. Capital Asset Activity

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

Primary Government

| | Beginning Balance | Increases | Decreases | Adjustments | Ending Balance |
|---|----------------------|--------------------|-----------------|-------------|-------------------|
| Governmental activities: | | | | | |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | \$ 1,443,746 | \$ - | \$ - | \$ - | \$ 1,443,746 |
| Machinery and equipment | 6,223 | - | (6,223) | - | - |
| Total capital assets being depreciated | <u>1,449,969</u> | <u>-</u> | <u>(6,223)</u> | <u>-</u> | <u>1,443,746</u> |
| Less accumulated depreciation: | | | | | |
| Buildings and improvements | 954,281 | 49,031 | - | - | 1,003,312 |
| Machinery and equipment | 6,223 | - | (6,223) | - | - |
| Total accumulated depreciation | <u>960,504</u> | <u>49,031</u> | <u>(6,223)</u> | <u>-</u> | <u>1,003,312</u> |
| Governmental activities capital assets, net | <u>\$ 489,465</u> | <u>\$(49,031)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 440,434</u> |

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Capital Asset Activity (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|--|-------------------------|
| Governmental activities: | |
| Public safety | \$ <u>49,031</u> |
| Total depreciation expense - governmental activities | \$ <u><u>49,031</u></u> |

C. Retirement Plan

Plan Description

Grayson County, Texas provides retirement, disability, and death benefits for all of its fulltime employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). Those benefits are extended to the employees of the Juvenile Detention Center. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employment 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.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service, but must leave their accumulated contributions 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 contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

For additional information relating to the Retirement Plan, including funding policy, annual pension, actuarial information, and other GASB Statement No. 27 disclosures, please refer to the Grayson County audit report.

(continued)

III. OTHER INFORMATION (Continued)

D. Risk Management

The Center provides medical and life insurance for its employees. These benefits are the same benefits offered to all Grayson County employees. Grayson County contracted with Texas Association of Counties to provide these benefits. For additional information relating to employee benefits, please refer to the Grayson County audit report.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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**COOKE, FANNIN AND GRAYSON COUNTY
JUVENILE DETENTION CENTER**

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget - Positive (Negative) |
|--|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Intergovernmental revenue and grants | \$ 701,292 | \$ 701,292 | \$ 463,600 | \$(237,692) |
| Charges for services | <u>50,000</u> | <u>50,000</u> | <u>108,641</u> | <u>58,641</u> |
| Total revenues | <u>751,292</u> | <u>751,292</u> | <u>572,241</u> | <u>(179,051)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | <u>751,292</u> | <u>751,292</u> | <u>572,241</u> | <u>179,051</u> |
| Total expenditures | <u>751,292</u> | <u>751,292</u> | <u>572,241</u> | <u>179,051</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | - | - | - | - |
| FUND BALANCES, BEGINNING | <u>20,000</u> | <u>20,000</u> | <u>20,000</u> | <u>-</u> |
| FUND BALANCES, ENDING | <u>\$ 20,000</u> | <u>\$ 20,000</u> | <u>\$ 20,000</u> | <u>\$ -</u> |

**COOKE, FANNIN AND GRAYSON COUNTY
JUVENILE DETENTION CENTER**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2012

I. BUDGETARY DATA

The County adopts an annual appropriated budget for the Juvenile Detention Center on the modified accrual basis of accounting. The Center follows these procedures in establishing the budgetary data reflected in the financial statements:

- During April, the County Judge submits to the Commissioners' Court a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Each fund is budgeted on an annual basis with no carryovers into the next year. If a fund has a balance at the end of the year, the balance is included in the computation of available cash for next year's budget.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to October 1, the budget is legally enacted.
- The County Auditor is required to monitor the expenditures of the fund. The budget is controlled on a departmental object class basis. Expenditures can be reallocated within a departmental object class at any time by Commissioners' Court order, but the budget must be formally amended to allow the original level of budgeted expenditures within a fund to be exceeded. All amendments to the budget must be approved by the Commissioners' Court.

The Commissioners' Court approves budget amendments proposed by the County Judge throughout and subsequent to the fiscal year. These amendments are routinely approved and the current year budgetary data presented includes all approved budget amendments. Budgetary amendments are integrated after the fiscal year-end due to the normal year-end closing procedures and adjustments which are discovered during that period. Budget amendments are necessary at that time to comply with Chapter 111, Local Government Code of the State of Texas, which states that funds may be spent only for items or categories of items that are included in the adopted budget. The County has chosen to adopt the budget at the department object class level, since this allows budgetary control, but is still meaningful to the Commissioners' Court and the citizens of the County. All annual appropriations lapse at the end of each fiscal year, in accordance with state law.

**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 Board of Directors
Cooke, Fannin and Grayson County Juvenile Detention Center

We have audited the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of the Cooke, Fannin and Grayson County Juvenile Detention Center (the "Center"), as of and for the year ended September 30, 2012, which collectively comprise the Center's basic financial statements and have issued our report thereon dated July 1, 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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's 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 Center and management, and is not intended to be and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, L.L.P.

July 1, 2013