COOKE, FANNIN
AND GRAYSON COUNTY
JUVENILE DETENTION CENTER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
SEPTEMBER 30, 2015

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the Major Fund of the Cooke, Fannin and Grayson County Juvenile Detention Center (the "Center"), as of and for the year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the Center'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.

Auditors' 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 auditors' 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.

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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 and the Major Fund of the Center, as of September 30, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information on pages 3–5 and 24 – 26 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2016, on our consideration of the Center'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 the Center's internal control over financial reporting and compliance.

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

Waco, Texas
July 13, 2016

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, 2015.

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, it is desired to maintain a balance of $20,000 in the General Fund. Late payroll accrual entries have reduced the September 30, 2015 balance to $13,559. Additional participant contributions will be added in fiscal year 2016 to bring the balance back to $20,000.

- The assets and deferred outflows of resources of the Center exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $303 thousand (net position). Of this amount, $10 thousand (unrestricted net position) may be used to meet the Center's ongoing obligations.

- The Center's total net position decreased by approximately $47 thousand, due to depreciation expense of approximately $49 thousand before a prior period adjustment.

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 Position presents information on all of the Center's assets and liabilities, with the difference between the two reported as net position.

The Statement of Activities presents information showing how the Center'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. 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 – 23 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 position (95%) 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 POSITION

	Governmental Activities	
	2015	2014
Current and other assets	$ 43,810	$ 52,626
Capital assets	293,394	342,372
Total assets	337,204	394,998
Deferred outflows of resources	52,597	-
Total liabilities	77,018	32,676
Deferred inflows of resources	9,776	-
Net position:		
Net investment in capital assets	293,394	342,372
Unrestricted	9,613	20,000
Total net position	$ 303,007	$ 362,372

Government Activities

Governmental activities decreased the Center's net position by approximately $47 thousand before a prior period adjustment. Changes in net position are summarized as follows:

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

	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for services	$ 676,358	$ 621,497
Total revenues	676,358	621,497
Expenses:		
Public safety	723,601	670,528
Total expenses	723,601	670,528
Change in net position	(47,243)	(49,031)
Net position, beginning	362,372	411,403
Prior period adjustment	(12,122)	-
Net position, beginning as restated	350,250	-
Net position, ending	$ 303,007	$ 362,372

CAPITAL ASSETS

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

	Governmental Activities	
	2015	2014
Buildings and improvements	$ 293,394	$ 342,372
Total capital assets	$ 293,394	$ 342,372

Additional information regarding the Center's capital assets can be found in Note III on page 17 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 COUNTY
JUVENILE DETENTION CENTER

STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

	Primary Government Governmental Activities
ASSETS	
Cash	$ 43,398
Accounts receivable	412
Capital assets:	
Buildings and improvements, net	293,394
Total assets	337,204
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	52,597
Total deferred outflows of resources	52,597
LIABILITIES	
Accounts payable	2,877
Accrued liabilities	27,374
Noncurrent liabilities:	
Net pension liabilities	46,767
Total liabilities	77,018
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	9,776
Total deferred inflows of resources	9,776
NET POSITION	
Net investment in capital assets	293,394
Unrestricted	9,613
Total net position	$ 303,007

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, 2015

		Program Revenue	Net (Expense) Revenue and Changes in Net Position
			Primary Government
Functions/Programs	Expenses	Charges for Services	Governmental Activities
Primary government			
Governmental activities:			
Public safety	$ 723,601	$ 676,358	$(47,243)
Total governmental activities	723,601	676,358	(47,243)
Total primary government	$ 723,601	$ 676,358	(47,243)
	Change in net position		(47,243)
	Net position - beginning		362,372
	Prior period adjustment		(12,122)
	Net position - beginning, as restated		350,250
	Net position - ending		$ 303,007

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, 2015

	General
ASSETS	
Cash	$ 43,398
Accounts receivable	412
Total assets	43,810
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	2,877
Accrued liabilities	27,374
Total liabilities	30,251
Fund balances:	
Unassigned	13,559
Total fund balances	13,559
Total liabilities and fund balances	$ 43,810

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 POSITION

AS OF SEPTEMBER 30, 2015

Total fund balances - governmental funds balance sheet	$	13,559
Amounts reported for governmental activities in the Statement of Net Position 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 $1,443,746, and the accumulated depreciation was $1,150,352. 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 position.		342,372
The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(48,978)
Long-term liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.		(3,946)
Net position of governmental activities	$	303,007

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, 2015

	General
REVENUES	
Intergovernmental revenue and grants	$ 641,235
Charges for services	35,123
Total revenues	676,358
EXPENDITURES	
Current:	
Public safety	682,799
Total expenditures	682,799
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,441)
FUND BALANCES, BEGINNING	20,000
FUND BALANCES, ENDING	$ 13,559

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, 2015

Net change in fund balances - total governmental funds	$(6,441)
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 position.	(48,978)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	8,176
Change in net position of governmental activities	$(47,243)

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

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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 position and the statement of activities) 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.

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.

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.

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. Assets, Liabilities and Net Position or Equity

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:

Assets	Years
Buildings	20 - 50
Improvements	5 - 50
Equipment	5 - 20

Pensions

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense, plan contributions are recognized in the period that contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the Detention Center's proportionate share of the total pension liability is derived from information received from the Texas County and District Retirement System (TCDRS) through a report prepared for Grayson County, Texas by TCDRS consulting actuary.

Use of Estimates

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.

Fund Balance Classification

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

- Nonspendable: This classification includes amounts to cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by the 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 the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: This classification includes amounts that are constrained by the Center's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors.

- Unassigned: This classification includes the residual fund balance for the General Fund.

Fund Balance Flow Assumption

Sometimes the Center will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the General Fund a flow assumption must be made about the order in which the resources are considered to be applied. It is the Center's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position Flow Assumption

In order to calculate the amounts to report as restricted net position and unrestricted net position in the governmental activities, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Center's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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 Position

Page 9 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. 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 Position
Buildings and improvements	$ 1,443,746	$ 1,101,374	$ 342,372	$ 48,978
Total governmental activities	$ 1,443,746	$ 1,101,374	$ 342,372	$ 48,978

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, 2015, the carrying amount of the Center's deposits (cash, certificates of deposit, and temporary investments) was $43,398. 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, 2015, 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:

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 position 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 position 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.

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, 2015, 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, 2015, TexPool's investments credit quality rating was AAAm (Standard & Poor's).

B. Capital Asset Activity

Capital asset activity for the year ended September 30, 2015, 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
Total capital assets being depreciated	1,443,746	-	-	-	1,443,746
Less accumulated depreciation:					
Buildings and improvements	1,101,374	48,978	-	-	1,150,352
Total accumulated depreciation	1,101,374	48,978	-	-	1,150,352
Governmental activities capital assets, net	$ 342,372	$(48,978)	$ -	$ -	$ 293,394

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

Governmental activities:	
Public safety	$ 48,978
Total depreciation expense - governmental activities	$ 48,978

C. Defined Benefit Pension Plan

The Center reports a liability, deferred outflows of resources, deferred inflows of resources, and expense as a result of its contractual obligation to contribute to the Texas County and District Retirement System under an agreement with Grayson County (the "County"). The following is information about TCDRS.

Plan Description. TCDRS is a nontraditional cost-sharing multiple-employer defined benefit pension plan. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tcdrs.org*.

Benefits Provided. TCDRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the County, within the options available in the state statutes governing TCDRS.

Members can retire at age 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after ten 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 County 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.

Contributions. The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

The Centers's actual contributions for the year ended September 30, 2015, were $46,681, and were equal to the contractually required contributions.

Center's Proportionate Share of the Net Pension Liability. The Center reported a liability of $46,767 as of September 30, 2015, for its proportionate share of the net pension liability. The net pension liability (NPL) was measured as of December 31, 2015, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the NPL was based on the Center's share of contributions to the pension plan relative to the total. At December 31, 2015, the Center's proportion of the collective net pension liability was 2.00%.

As a result of its requirement to contribute to TCDRS, the Center recognized expense of $38,504 for the year ended September 30, 2015. At September 30, 2015, the Center reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to TCDRS:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Economic/demographic (gains) or losses	$ 9,776	$ -
Difference between projected and actual investment earnings	-	18,673
Contributions after the measurement date	-	33,924
Total	$ 9,776	$ 52,597

$33,924 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Center's proportionate share of the net pension liability in the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources as a result of the Center's requirement to contribute to TCDRS will be recognized in pension expenses as follows:

Year Ended September 30,	
2016	$ 2,224
2017	2,224
2018	2,224
2019	2,225

Changes in the Center's Proportionate Share of the Net Pension Liability

	Increase (Decrease)		
	Center's Proportionate Share of Total Pension Liability (a)	Center's Proportionate Share of Plan Fiduciary Net Position (b)	Center's Proportionate Share of Net Pension Liability (a) - (b)
Balance at 12/31/2013	$ 1,755,694	$ 1,711,014	$ 44,680
Changes for the year:			
Service cost	53,029	-	53,029
Interest on total pension liability [1]	140,895	-	140,895
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(12,219)	-	(12,219)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(4,479)	(4,479)	-
Benefit payments	(81,704)	(81,704)	-
Administrative expenses	-	(1,354)	1,354
Member contributions	-	18,754	(18,754)
Net investment income	-	115,720	(115,720)
Employer contributions	-	45,315	(45,315)
Other [2]	-	1,183	(1,183)
Balance at 12/31/2014	$ 1,851,216	$ 1,804,449	$ 46,767

(1) *Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or*

(2) *Relates to allocation of system-wide items.*

Actuarial Assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	2.0% per year
Investment Rate of Return	8%, net of pension plan investment expense, including inflation

Mortality rates for active members, retirees, and beneficiaries were based on the following:

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

The actuarial assumptions that determined the total pension liability as of December 31, 2015, were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 8.10%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2015 information for a 7 to 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

Asset Class	Benchmark	Target Allocation [(1)]	Geometric Real Rate of Return (Expected minus Inflation) [(2)]
US Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index [(3)]	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.65%
International Equities - Developed	50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities - Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index [(4)]	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

[(1)] *Target asset allocation adopted at the April 2015 TCDRS Board meeting.*

[(2)] *Geometric real rates of return in addition to assumed inflation of 1.7% per Cliffwater's 2015 capital market assumptions.*

[(3)] *Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.*

[(4)] *Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.*

Discount Rate. The discount rate used to measure the total pension liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Sensitivity Analysis. The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 8.1%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-higher (9.1%) than the current rate:

	1% Decrease 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Center's proportionate share of the net pension liability	$ 270,848	$ 46,767	$(139,605)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. The report may be obtained on the Internet at *www.tcdrs.org*.

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.

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, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue and grants	$ 658,153	$ 658,153	$ 641,235	$(16,918)
Charges for services	50,000	50,000	35,123	(14,877)
Total revenues	708,153	708,153	676,358	(31,795)
EXPENDITURES				
Current:				
Public safety	708,153	708,153	682,799	25,354
Total expenditures	708,153	708,153	682,799	25,354
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(6,441)	(6,441)
FUND BALANCES, BEGINNING	20,000	20,000	20,000	-
FUND BALANCES, ENDING	$ 20,000	$ 20,000	$ 13,559	$(6,441)

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COOKE, FANNIN AND GRAYSON COUNTY
JUVENILE DETENTION CENTER

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
SEPTEMBER 30, 2015

		2015
District's Proportion of the Net Pension Liability (Asset)		2.00%
District's Proportionate Share of Net Pension Liability (Asset)	$	46,767
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		97.47%

Note: Only one year of information is available.

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COOKE, FANNIN AND GRAYSON COUNTY
JUVENILE DETENTION CENTER

SCHEDULE OF CENTER CONTRIBUTIONS
SEPTEMBER 30, 2015

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (1)	Actual Contribution as a % of Covered Payroll
2014	$ 49,263	$ 49,263	$ -	$ 461,315	10.7%
2015	46,681	46,681	-	490,636	9.5%

(1) Payroll is calculated based on contributions as reported to TCDRS.

COOKE, FANNIN AND GRAYSON COUNTY
JUVENILE DETENTION CENTER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2015

I. BUDGETARY DATA

The Juvenile Board 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

- The Director of Juvenile Services submits to the Juvenile Board a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them. The operating fund of the Center is budgeted to have no excess revenues over (under) expenditures at the end of the fiscal year. The Center maintains a carryover fund balance of $20,000.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to October 1, the budget is legally adopted by the Juvenile Board
- The County Auditor and the Director monitor the expenditures of the operating fund. The budget is controlled on a departmental object class level. Expenditures can be reallocated within an object class at any time. Formal amendments are approved by the Board.

The Juvenile Board approves budget amendments proposed by the Director throughout and subsequent to the fiscal year. These amendments are routinely approved and the current year budgetary data presented includes all approved budget amendments. All annual appropriations lapse at the end of each fiscal year.

INDEPENDENT AUDITOR'S 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
Denison, Texas

We have audited, 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, the financial statements of the governmental activities and the major fund information of the Cooke, Fannin and Grayson County Juvenile Detention Center (the "Center"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated July 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's 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 the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's 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.

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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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's 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.

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

Waco, Texas
July 13, 2016