

**GRAYSON COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2007**

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ANNUAL FINANCIAL REPORT  
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## **INTRODUCTORY SECTION**

**GRAYSON COUNTY, TEXAS  
PRINCIPAL OFFICIALS  
SEPTEMBER 30, 2007**

COMMISSIONERS' COURT

Drew Bynum  
Johnny Waldrip  
David Whitlock  
Jackie Crisp  
C. E. "Gene" Short

County Judge  
Commissioner, Precinct #1  
Commissioner, Precinct #2  
Commissioner, Precinct #3  
Commissioner, Precinct #4

JUDICIAL

James P. Fallon  
Rayburn Nall  
Laurine Blake  
James Henderson  
Carol Siebman

Judge, 15th District Court  
Judge, 59th District Court  
Judge, 336th District Court  
Judge, County Court-at-Law  
Judge, County Court-at-Law

LAW ENFORCEMENT

Keith Gary  
Joseph D. Brown  
Denis Cowhig\*  
Bill Bristow\*

County Sheriff  
County Attorney  
Adult Probation Officer  
Juvenile Probation Officer

FINANCIAL ADMINISTRATION

J. Richey Rivers\*  
Virginia Hughes  
John Ramsey

County Auditor  
County Treasurer  
Tax Assessor/Collector

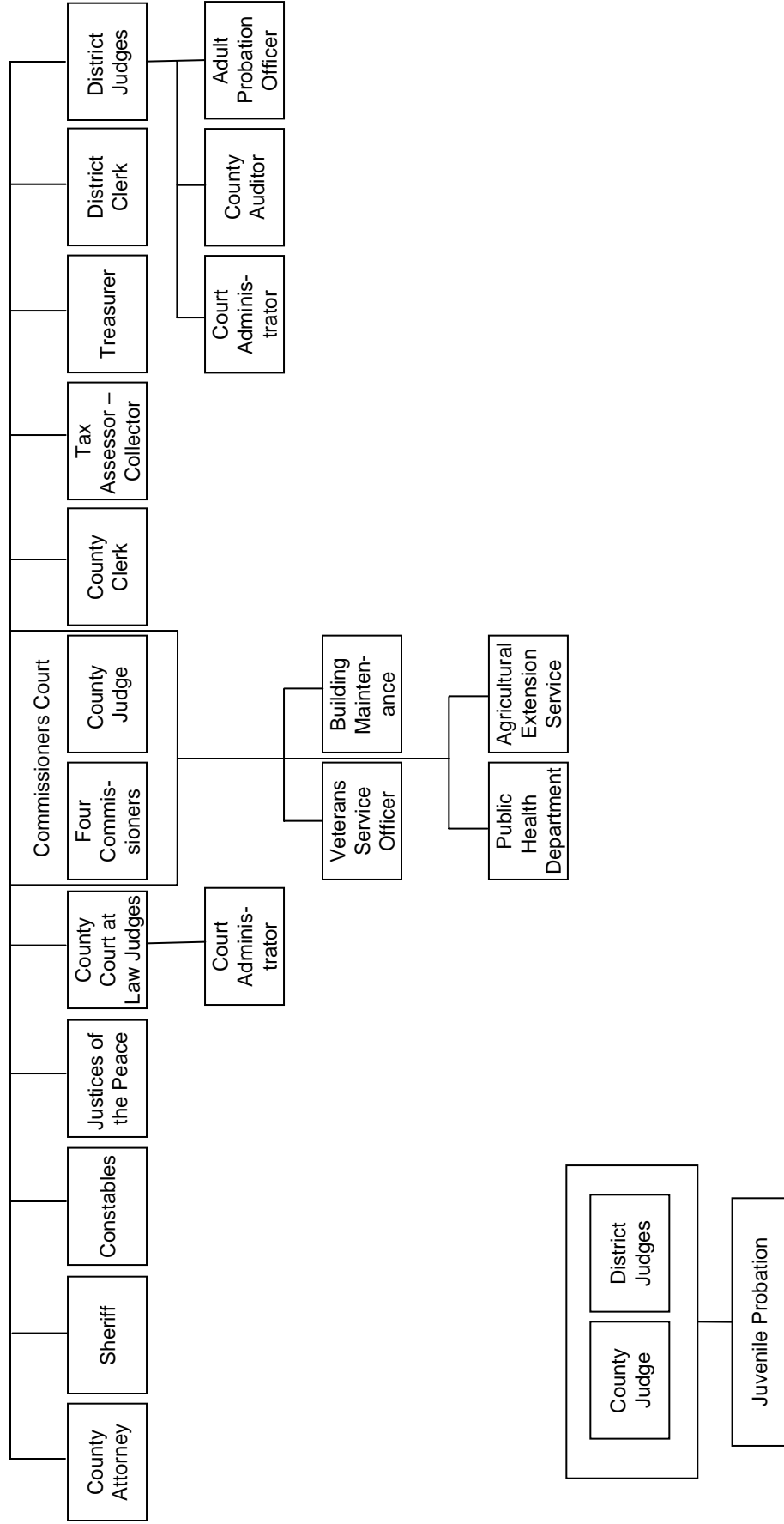
RECORDING OFFICIALS

Tracy Powers  
Wilma Bush

District Clerk  
County Clerk

\*Designates appointed officials. All others listed are elected officials.

# GRAYSON COUNTY ORGANIZATION CHART



## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

500 W. 7<sup>th</sup> Street  
Suite 900  
Fort Worth, Texas  
76102-4702

Phone 817-632-2500  
Fax 817-632-2598  

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www.sga-cpas.com

To the Honorable Commissioners' Court  
Grayson County, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grayson County, Texas (the "County") as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

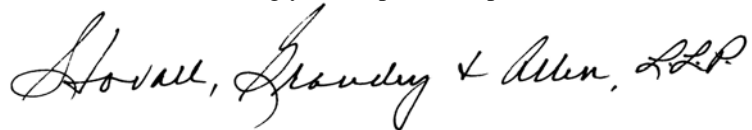
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2008, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the required supplementary information listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section and combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Stovall, Grandey & Allen, LLP".

STOVALL, GRANDEY & ALLEN, LLP  
Fort Worth, Texas  
June 11, 2008

**GRAYSON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

As management of Grayson County, Texas, we offer readers of Grayson County's financial statements this narrative overview and analysis of the financial activities of Grayson County, Texas for the fiscal year ended September 30, 2007.

**FINANCIAL HIGHLIGHTS**

- The assets of Grayson County exceeded its liabilities at the close of the most recent fiscal year by \$64.2 million (net assets).
- The County's total net assets decreased by \$1.4 million. Expenses exceeded income by \$539 thousand and a prior period adjustment decreased net assets an additional \$895 thousand.
- As of the close of the current fiscal year, Grayson County's governmental funds reported combined ending fund balances of \$78.4 million, an increase of \$59.1 million in comparison with the prior year. Of the total fund balance, \$15.9 million is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$11.4 million, or 40% of total General Fund expenditures.
- Grayson County's total debt increased by approximately \$64 million during the fiscal year. The key factor was the issuance of approximately \$64 million in Pass-Through Toll Revenue and Limited Tax Bonds, Series 2007. The proceeds from this bond issue will be used for Highway 289 improvements and expansion within the County.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Grayson County's basic financial statements. Grayson County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all of Grayson County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decrease in net assets may serve as a useful indicator of how the financial position of Grayson County is changing.

The statement of activities presents information showing how the County's net assets changed during the most recent 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 this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fines and earned, but unused, vacation leave).

Both of the government-wide financial statements distinguish functions of Grayson County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Grayson County include general government, public safety, judicial and legal, highways and streets, and health and welfare. The business-type activity of Grayson County is the operation of an airport.

The government-wide financial statements can be found on pages 1-3 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Grayson County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Grayson County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** - Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Grayson County maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Fund, and Highway 289 Completion Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Grayson County adopts an annual appropriated budget for its major funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 4-9 of this report.

**Proprietary Funds** - Grayson County maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Grayson County uses an enterprise fund to account for its airport operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the airport operation. The basic proprietary fund financial statements can be found on pages 10-12 of this report.

## Notes to 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 on pages 14-36 of this report.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other information. Required supplementary information that further explains and supports the information in the financial statements is presented immediately following the notes to the financial statements. The combining statements referred to earlier in connection with nonmajor governmental funds and fiduciary funds are presented immediately following the required supplementary information beginning on page 46 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of the County's financial position. In the case of Grayson County, assets exceeded liabilities by \$64.2 million, at the close of the most recent fiscal year.

By far, the largest portion of Grayson County's net assets (\$37.1 million or 58 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. Grayson County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Grayson County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### **GRAYSON COUNTY'S NET ASSETS**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 91,791,868	\$ 24,586,235	\$ 421,810	\$ 641,211	\$ 92,213,678	\$ 25,227,446
Capital assets	38,570,025	41,845,932	2,984,972	2,814,418	41,554,997	44,660,350
Total assets	<u>130,361,893</u>	<u>66,432,167</u>	<u>3,406,782</u>	<u>3,455,629</u>	<u>133,768,675</u>	<u>69,887,796</u>
Current liabilities	3,598,479	2,152,748	56,590	162,096	3,655,069	2,314,844
Long-term liabilities	65,848,390	1,878,775	23,219	18,045	65,871,609	1,896,820
Total liabilities	<u>69,446,869</u>	<u>4,031,523</u>	<u>79,809</u>	<u>180,141</u>	<u>69,526,678</u>	<u>4,211,664</u>
Net assets:						
Invested in capital assets, net of related debt	37,146,922	40,013,243	2,984,972	2,814,418	40,131,894	42,827,661
Restricted	62,923,806	6,389,696	-	-	62,923,806	6,389,696
Unrestricted	(39,155,704)	15,997,705	342,001	461,070	(38,813,703)	16,458,775
Total net assets	<u>\$ 60,915,024</u>	<u>\$ 62,400,644</u>	<u>\$ 3,326,973</u>	<u>\$ 3,275,488</u>	<u>\$ 64,241,997</u>	<u>\$ 65,676,132</u>

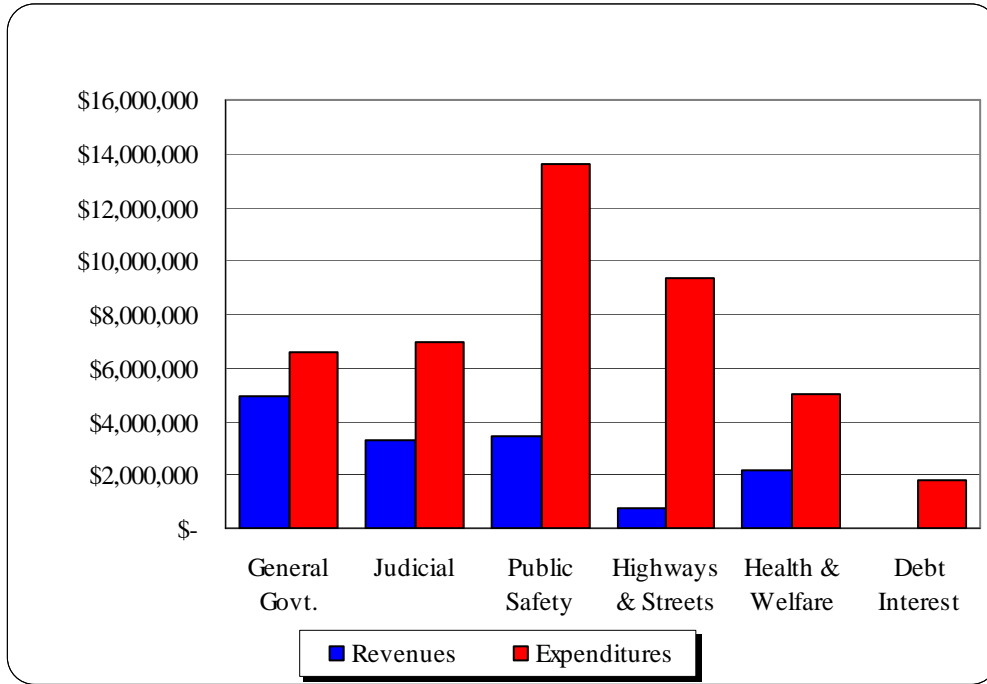
The County's expenses exceeded revenues by \$590 thousand during the current fiscal year. Changes in net assets are summarized as follows:

### GRAYSON COUNTY'S CHANGES IN NET ASSETS

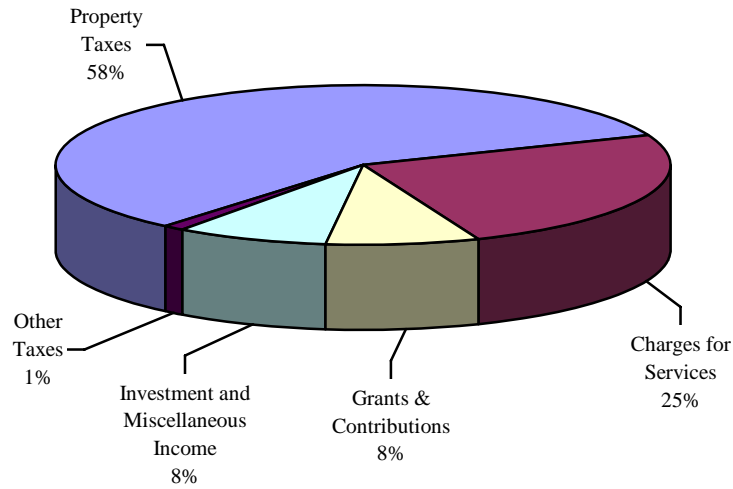
	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 10,997,124	\$ 11,365,883	\$ 855,452	\$ 754,043	\$ 11,852,576	\$ 12,119,926
Operating grants and contributions	3,607,172	4,459,343	226,547	30,674	3,833,719	4,490,017
General revenues:						
Property taxes	25,507,432	25,422,887	-	-	25,507,432	25,422,887
Other taxes	447,767	624,543	-	-	447,767	624,543
Miscellaneous revenue	175,104	9,045	102,527	-	277,631	9,045
Investment earnings	3,259,099	1,139,200	19,819	9,148	3,278,918	1,148,348
Gain on sale of assets	132,487	5,410	29,552	1,181	162,039	6,591
Insurance proceeds	-	-	25,953	192,096	25,953	192,096
Total revenues	44,126,185	43,026,311	1,259,850	987,142	45,386,035	44,013,453
Expenses:						
General government	6,571,877	6,513,294	-	-	6,571,877	6,513,294
Judicial	6,971,783	6,212,162	-	-	6,971,783	6,212,162
Elections	416	650,530	-	-	416	650,530
Public safety	13,644,835	13,472,646	-	-	13,644,835	13,472,646
Health and welfare	5,035,699	4,804,530	-	-	5,035,699	4,804,530
Highways and streets	9,351,696	10,411,116	-	-	9,351,696	10,411,116
Culture and recreation	191,799	59	-	-	191,799	59
Conservation and development	251,177	-	-	-	251,177	-
Interest on long-term debt	1,766,722	94,542	-	-	1,766,722	94,542
Fiscal fees	299	300	-	-	299	300
Intergovernmental	120,265	108,290	-	-	120,265	108,290
Airport	-	-	1,699,761	1,033,249	1,699,761	1,033,249
	43,906,568	42,267,469	1,699,761	1,033,249	45,606,329	43,300,718
Increase (decrease) in net assets before transfers	219,617	758,842	(439,911)	(46,107)	(220,294)	712,735
Transfers In (Out)	(809,884)	(326,613)	491,396	326,613	(318,488)	-
Change in net assets	(590,267)	432,229	51,485	280,506	(538,782)	712,735
Net assets, beginning	62,400,644	61,907,431	3,275,488	2,994,982	65,676,132	64,902,413
Prior period adjustment	(895,353)	60,984	-	-	(895,353)	60,984
Net assets, ending	\$ 60,915,024	\$ 62,400,644	\$ 3,326,973	\$ 3,275,488	\$ 64,241,997	\$ 65,676,132

Property tax revenues accounted for approximately 58 percent of revenues for governmental activities. The next largest segment of revenues came from charges for services, which accounted for 25 percent of total governmental revenues, with grants and contributions accounting for approximately 10 percent of total governmental revenues.

**Expenses and Program Revenues – Governmental Activities**



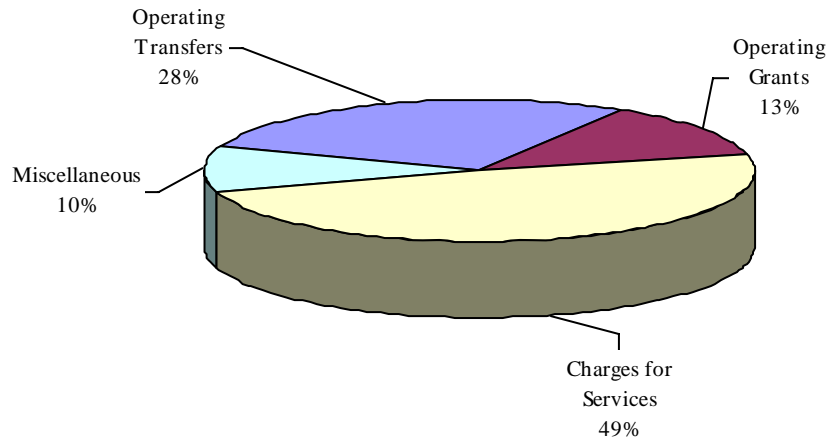
**Revenues by Source – Governmental Activities**



## Business-type activities

The business-type activity of the County is the operation of a regional airport. Approximately 49 percent of airport operations is funded by tenant payments for rental of industrial and aircraft facilities. Operating grants comprise another 13 percent, and transfers from the General Fund to support the airport fire operations account for 28 percent of revenues.

**Revenues by Source - Business-type Activities**



## Financial Analysis of Grayson County's Funds

As noted earlier, Grayson County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of Grayson County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Grayson County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Grayson County's governmental funds reported combined ending fund balances of \$78.4 million, an increase of approximately \$59.1 million in comparison with the prior year. This large increase was the result of proceeds from a bond issue which have not yet been spent to complete a highway construction project. Approximately 15 percent of this total amount (\$11.4 million) constitutes unrestricted fund balance, which is available for spending at the government's discretion. Approximately \$4 million is unreserved but designated for construction and other purposes. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has committed to pay debt service (\$5.5 million), road and bridge expenditures (\$2.4 million), capital project expenditures (\$54.7 million) or fund a special purpose trust (\$66 thousand).

The General Fund is the chief operating fund of Grayson County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$11.4 million. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. At September 30, 2007, unreserved fund balance represents 40 percent of total General Fund expenditures.

The fund balance of Grayson County's General Fund increased by \$2.1 million during the current fiscal year. The key factors in this growth comes from increased property tax collections (current, delinquent, and penalties) resulting from continued growth in the tax base, and increases in charges for services and intergovernmental grants..

Debt service fund balances totaled \$5.5 million, all of which is reserved for the payment of debt service. The increase in fund balance during the current year in the debt service funds was \$5.4 million. This increase resulted from the issuance of bonds, a portion of which was allocated to debt service.

### Proprietary Funds

Grayson County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Airport at the end of the year amounted to \$342 thousand. The total increase in net assets for the fund was \$51 thousand. Airport operations and transfers from the County's General Fund (\$491 thousand) resulted in this increase. Other factors concerning the finances of this fund have already been addressed in the discussion of Grayson County's business-type activities.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget were significant (\$1.2 million decrease in appropriations), with the most significant items being decreases in general government expenses of \$415 thousand and public safety expenses of \$737 thousand.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

Grayson County's investment in capital assets for its governmental and business-type activities as of September 30, 2007 amounts to \$44.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, and bridges.

Major capital asset events during the current fiscal year included the following:

- Purchase of several law enforcement and road maintenance vehicles;
- Computer equipment in various departments; and
- Upgrades of County roads.

#### **Grayson County's Capital Assets (net of depreciation)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Land	\$ 1,363,954	\$ 1,261,581	\$ 2,600,238	\$ 2,645,500	\$ 3,964,192	\$ 3,907,081
Infrastructure	25,903,958	27,614,010	-	-	25,903,958	27,614,010
Buildings	6,510,267	7,979,386	69,188	82,399	6,579,455	8,061,785
Improvements other than buildings	274,512	310,770	17,054	-	291,566	310,770
Machinery and equipment	4,232,596	3,968,450	78,745	86,519	4,311,341	4,054,969
Construction in progress	284,739	711,735	219,746	-	504,485	711,735
<b>Total Capital Assets</b>	<b>\$ 38,570,025</b>	<b>\$ 41,845,932</b>	<b>\$ 2,984,971</b>	<b>\$ 2,814,418</b>	<b>\$ 41,544,997</b>	<b>\$ 44,660,350</b>

Additional information on Grayson County's capital assets can be found in Note IV on pages 26 and 27 of this report.



### Long-term Debt

At the end of the current fiscal year, Grayson County had total bonded debt of \$64.6 million. A portion of the debt service payments on this amount are funded through property taxes assessed annually. The larger portion of the debt payable will be funded through toll payments to be received from the Texas Department of Transportation (TxDOT) in connection with an agreement between TxDOT and the County to reimburse the County for debt incurred for Highway 289 expansion and upgrade costs. Additionally, the County is liable for capital lease payments (\$535 thousand) which are backed by the full faith and credit of the government.

#### Grayson County's Outstanding Debt

	Governmental Activities	
	2007	2006
Pass-Through Toll Revenue Bonds Payable	\$ 63,725,000	\$ -
Premium on Pass-Through Toll Bonds	389,848	-
General Obligation Bonds Payable	940,000	1,050,000
Capital Leases Payable	535,464	782,689
Compensated Absences Payable	578,888	504,139
Total Bonds and Leases Payable	<u>\$ 66,169,200</u>	<u>\$ 2,336,828</u>

Grayson County's total indebtedness increased during the current fiscal year due to the issuance of \$63,725,000 of Pass-Through Toll Revenue and Limited Tax Bonds, Series 2007. Proceeds from this bond issue will be used to finance expansion of and improvements to State Highway 289 within the County, as well as pay for part of the costs of issuance of the bonds.

Grayson County's remaining bonded debt (general obligation bonds) consists of \$1.6 million of taxable permanent improvement bonds issued in 1994 to finance the addition to the existing jail. The original bond issue was payable over a 20 year period, but was not callable until after the first 10 years of the bonds had been paid (2004). Because there has been a considerable drop in interest rates, refinancing the callable portion of the bonds was done during fiscal year 2003, resulting in a significant drop in rates, and savings to the taxpayer.

Additional information on Grayson County's long-term debt can be found in Note IV on pages 30-32 of this report.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Grayson County in September 2007 is 4.7 percent, which is an increase from a rate of 4.6 percent a year ago. This rate is comparable to the state's average unemployment rate of 4.3 percent and the national average of 4.7 percent.
- Inflationary trends in the region compare favorably to national indices.
- The continued growth northward from the Dallas area will continue to put demands on all aspects of county government.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$11,470,618. For accounting and budgeting purposes, the Commissioners' Court has separated the General Fund into three separate, and identifiable funds. Daily operations of the County are paid from the primary fund (General Fund), which comprises \$10,578,654 of the available fund balance. A separate fund represents funds that are derived from the difference of the revenue generated from housing federal inmates in the County jail, and the cost to house Grayson County inmates in other contracted locations (Contingency Fund). Due to the uncertain nature of these funds, they are to be used for large, one-time purchases, rather than to fund ongoing operations. At September 30, this fund had no fund balance. A third portion of the General Fund comes from the State of Texas' settlement of a lawsuit against the tobacco industry (Tobacco Settlement Fund). The Commissioners' Court has set these funds aside to fund the ongoing operations of the Health Department, as far as costs are not covered by state or federal grants, and user charges. At September 30, this amount represented \$891,964 of the fund balance. For reporting purposes, these amounts are all combined into a single amount.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Grayson County'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.

## **BASIC FINANCIAL STATEMENTS**

GRAYSON COUNTY, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 78,850,350	\$ 238,013	\$ 79,088,363
Receivables (net of allowance for uncollectibles)	5,300,975	45,897	5,346,872
Intergovernmental Receivable	-	137,900	137,900
Prepaid Items	126,640	-	126,640
Capitalized Debt Issuance Costs	853,683	-	853,683
Investment in Highway 289	6,660,221	-	6,660,221
Capital Assets:			
Land	1,363,954	2,600,238	3,964,192
Infrastructure	99,438,508	14,667,933	114,106,441
Buildings	17,486,392	5,143,147	22,629,539
Improvements other than Buildings	485,450	17,054	502,504
Machinery and Equipment	13,923,561	348,047	14,271,608
Accumulated Depreciation	(94,412,580)	(20,011,193)	(114,423,773)
Construction in Progress	284,739	219,746	504,485
Total Assets	<u>130,361,893</u>	<u>3,406,782</u>	<u>133,768,675</u>
<b>LIABILITIES</b>			
Accounts Payable	2,189,274	79,809	2,269,083
Intergovernmental Payable	5	-	5
Accrued Interest Payable	690,728	-	690,728
Deferred Revenues	187,083	-	187,083
Other Current Liabilities	210,579	-	210,579
Noncurrent Liabilities			
Due Within One Year	320,810	-	320,810
Due in More Than One Year	65,848,390	-	65,848,390
Total Liabilities	<u>69,446,869</u>	<u>79,809</u>	<u>69,526,678</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	37,146,922	-	37,146,922
Restricted for:			
Debt Service	5,547,989	-	5,547,989
Capital Projects	54,769,902	-	54,769,902
Road & Bridge	2,549,521	-	2,549,521
Purpose of Trust	65,506	-	65,506
Unrestricted Net Assets	(39,164,816)	3,326,973	(35,837,843)
Total Net Assets	<u>\$ 60,915,024</u>	<u>\$ 3,326,973</u>	<u>\$ 64,241,997</u>

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

GRAYSON COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
General Government	\$ 6,571,877	\$ 4,480,428	\$ 438,097
Judicial	6,971,783	2,794,439	510,252
Elections	416	-	-
Public Safety	13,644,835	2,835,345	603,651
Highways and Streets	9,351,696	235,452	524,689
Health and Welfare	5,035,699	651,460	1,530,483
Culture and Recreation	191,799	-	-
Conservation and Development	251,177	-	-
Bond Interest	1,766,722	-	-
Miscellaneous Fees	299	-	-
Intergovernmental	120,265	-	-
Total Governmental Activities:	43,906,568	10,997,124	3,607,172
<b>BUSINESS-TYPE ACTIVITIES:</b>			
Grayson County Airport	1,699,761	855,452	226,547
Total Business-Type Activities:	1,699,761	855,452	226,547
<b>TOTAL PRIMARY GOVERNMENT:</b>	\$ 45,606,329	\$ 11,852,576	\$ 3,833,719

General Revenues:

Taxes:

- Property Taxes, Levied for General Purposes
- Property Taxes, Levied for Debt Service
- Other Taxes
- Penalty and Interest
- Miscellaneous Revenue
- Investment Earnings
- Gain on Sale of Fixed Assets
- Insurance Recovery
- Juvenile Detention Center Renovations
- Transfers In (Out)

Total General Revenues, Special Items, and Transfers

Change in Net Assets

- Net Assets--Beginning
- Prior Period Adjustment
- Net Assets--Ending

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

Net (Expense) Revenue and  
Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,653,352)	\$ -	\$ (1,653,352)
(3,667,092)	-	(3,667,092)
(416)	-	(416)
(10,205,839)	-	(10,205,839)
(8,591,555)	-	(8,591,555)
(2,853,756)	-	(2,853,756)
(191,799)	-	(191,799)
(251,177)	-	(251,177)
(1,766,722)	-	(1,766,722)
(299)	-	(299)
(120,265)	-	(120,265)
<u>(29,302,272)</u>	<u>-</u>	<u>(29,302,272)</u>
-	(617,762)	(617,762)
-	(617,762)	(617,762)
<u>(29,302,272)</u>	<u>(617,762)</u>	<u>(29,920,034)</u>
25,392,143	-	25,392,143
115,289	-	115,289
177,400	-	177,400
270,367	-	270,367
175,104	102,527	277,631
3,259,099	19,819	3,278,918
132,487	29,552	162,039
-	25,953	25,953
(318,488)	-	(318,488)
(491,396)	491,396	-
<u>28,712,005</u>	<u>669,247</u>	<u>29,381,252</u>
(590,267)	51,485	(538,782)
62,400,644	3,275,488	65,676,132
(895,353)	-	(895,353)
<u>\$ 60,915,024</u>	<u>\$ 3,326,973</u>	<u>\$ 64,241,997</u>

GRAYSON COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007

	General Fund	Road & Bridge Fund	Highway 289 Completion Fund
<b>ASSETS</b>			
Cash and Investments	\$ 11,263,735	\$ 2,858,971	\$ 55,303,803
Taxes Receivable	1,640,433	115,788	-
Receivables (net of allowance for uncollectibles)	617,975	9,128	-
Intergovernmental Receivables	311,617	323,431	-
Prepaid Items	126,640	-	-
Total Assets	<u>\$ 13,960,400</u>	<u>\$ 3,307,318</u>	<u>\$ 55,303,803</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 776,647	\$ 466,592	\$ 543,013
Intergovernmental Payable	-	-	-
Due to Others	-	-	-
Deferred Revenues	1,503,886	291,205	-
Other Current Liabilities	209,249	-	-
Total Liabilities	<u>2,489,782</u>	<u>757,797</u>	<u>543,013</u>
Fund Balances:			
Reserved For:			
Debt Service	-	-	-
Capital Projects	-	-	54,760,790
Road & Bridge	-	2,549,521	-
Purpose of Trust	-	-	-
Unreserved Designated For:			
Specific Purpose	-	-	-
Capital Projects	-	-	-
Unreserved and Undesignated:			
Reported in the General Fund	11,470,618	-	-
Total Fund Balances	<u>11,470,618</u>	<u>2,549,521</u>	<u>54,760,790</u>
Total Liabilities and Fund Balances	<u>\$ 13,960,400</u>	<u>\$ 3,307,318</u>	<u>\$ 55,303,803</u>

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

Other Funds	Total Governmental Funds
\$ 9,423,841	\$ 78,850,350
26,622	1,782,843
223,305	850,408
398,192	1,033,240
-	126,640
\$ 10,071,960	\$ 82,643,481

\$ 400,069	\$ 2,186,321
5	5
2,954	2,954
26,925	1,822,016
1,330	210,579
431,283	4,221,875

5,547,989	5,547,989
9,112	54,769,902
-	2,549,521
65,506	65,506
2,970,907	2,970,907
1,047,163	1,047,163
-	11,470,618
9,640,677	78,421,606

\$ 10,071,960	\$ 82,643,481
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GRAYSON COUNTY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007

<b>Total Fund Balances - Governmental Funds</b>	\$	78,421,606
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 \$132,286,748 and the accumulated depreciation was \$90,440,816. In addition, long-term liabilities, including bonds and leases payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.		39,587,862
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2007 capital outlays and debt principal payments is to increase net assets.		2,527,896
The 2007 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(4,187,361)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying capital lease proceeds as an increase in debt payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.		(55,434,979)
<b>Net Assets of Governmental Activities</b>	\$	60,915,024

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

GRAYSON COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	General Fund	Road & Bridge Fund	Highway 289 Completion Fund
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 23,689,211	\$ 1,651,995	\$ -
Other Taxes	177,400	-	-
Penalty and Interest on Taxes	400,711	28,753	-
Licenses and Permits	140,936	-	-
Intergovernmental Revenue and Grants	1,467,604	252,430	-
Charges for Services	2,602,073	2,111,281	-
Fines	63,435	-	-
Forfeits	-	-	-
Vehicle Registration Fees	433,000	2,011,131	-
Investment Earnings	849,413	166,747	1,821,011
Contributions & Donations from Private Sources	-	-	-
Other Revenue	394,913	7,726	-
Total Revenues	<u>30,218,696</u>	<u>6,230,063</u>	<u>1,821,011</u>
<b>EXPENDITURES:</b>			
Current:			
General Government	5,769,039	-	-
Judicial	6,324,897	-	-
Elections	-	-	-
Public Safety	11,852,899	-	-
Highways and Streets	-	6,168,738	-
Health and Welfare	1,329,600	-	-
Culture and Recreation	191,799	-	-
Conservation and Development	270,645	-	-
Debt Service:			
Debt Principal	151,795	48,750	-
Debt Interest	19,909	890	-
Miscellaneous Fees	-	-	-
Capital Outlay:			
Capital Outlay	-	-	6,660,221
Intergovernmental:			
Intergovernmental	120,265	-	-
Total Expenditures	<u>26,030,848</u>	<u>6,218,378</u>	<u>6,660,221</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,187,848</u>	<u>11,685</u>	<u>(4,839,210)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Capital-related Debt Issued (Regular Bonds)	-	-	57,000,000
Sale of Real and Personal Property	-	163,810	-
Transfers In	180,000	-	2,600,000
Premium or Discount on Issuance of Bonds	-	-	-
Transfers Out (Use)	(2,250,594)	-	-
Total Other Financing Sources (Uses)	<u>(2,070,594)</u>	<u>163,810</u>	<u>59,600,000</u>
Net Change in Fund Balances	2,117,254	175,495	54,760,790
Fund Balance - October 1 (Beginning)	9,353,364	2,374,026	-
Fund Balance - September 30 (Ending)	<u>\$ 11,470,618</u>	<u>\$ 2,549,521</u>	<u>\$ 54,760,790</u>

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

Other Funds	Total Governmental Funds
\$ 228,464	\$ 25,569,670
-	177,400
5,892	435,356
253,864	394,800
1,491,725	3,211,759
2,656,737	7,370,091
74,267	137,702
101,258	101,258
-	2,444,131
421,928	3,259,099
353,942	353,942
312,132	714,771
<u>5,900,209</u>	<u>44,169,979</u>
1,208,927	6,977,966
666,030	6,990,927
416	416
1,838,551	13,691,450
1,359,879	7,528,617
3,634,703	4,964,303
-	191,799
-	270,645
158,060	358,605
1,043,433	1,064,232
299	299
-	6,660,221
-	<u>120,265</u>
<u>9,910,298</u>	<u>48,819,745</u>
<u>(4,010,089)</u>	<u>(4,649,766)</u>
6,725,000	63,725,000
14,054	177,864
1,947,459	4,727,459
403,291	403,291
<u>(2,968,261)</u>	<u>(5,218,855)</u>
<u>6,121,543</u>	<u>63,814,759</u>
2,111,454	59,164,993
<u>7,529,223</u>	<u>19,256,613</u>
<u>\$ 9,640,677</u>	<u>\$ 78,421,606</u>

GRAYSON COUNTY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	59,164,993
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2007 capital outlays and debt principal payments is to increase net assets.		2,527,896
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.		(4,187,361)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.		(58,095,795)
<b>Change in Net Assets of Governmental Activities</b>	<u>\$</u>	<u>(590,267)</u>

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

GRAYSON COUNTY, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2007

	Business- Type Activities
	Grayson County Airport
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Investments	\$ 238,013
Accounts Receivable	45,897
Due from Other Governments	137,900
Total Current Assets	421,810
<b>Noncurrent Assets:</b>	
Capital Assets:	
Land	2,600,238
Infrastructure	14,667,933
Buildings	5,143,147
Improvements other than Buildings	17,054
Machinery and Equipment	348,047
Accumulated Depreciation	(20,011,193)
Construction in Progress	219,746
Total Noncurrent Assets	2,984,972
Total Assets	3,406,782
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts Payable	44,468
Security Deposits Payable	12,122
Compensated Absences Payable	23,219
Total Liabilities	79,809
<b>NET ASSETS</b>	
Unrestricted Net Assets	3,326,973
Total Net Assets	\$ 3,326,973

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

GRAYSON COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Business- Type Activities
	Grayson County Airport
<b>OPERATING REVENUES:</b>	
Grant Funding	\$ 226,547
Charges for Services	67,128
Rents and Royalties	788,324
Other Revenue	102,527
Total Operating Revenues	1,184,526
<b>OPERATING EXPENSES:</b>	
Salaries, Wages and Benefits	450,398
Purchased Professional & Technical Services	52,117
Purchased Property Services	348,091
Other Operating Expenses	824,498
Depreciation	24,657
Total Operating Expenses	1,699,761
Operating Income (Loss)	(515,235)
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Gain on Sale of Property	29,552
Investment Earnings	19,819
Insurance Recovery	25,953
Total Non-operating Revenue (Expenses)	75,324
Income Before Transfers	(439,911)
Non-Operating Transfer In	491,396
Change in Net Assets	51,485
Total Net Assets - October 1 (Beginning)	3,275,488
Total Net Assets - September 30 (Ending)	\$ 3,326,973

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

GRAYSON COUNTY, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Business-Type Activities
	Grayson County Airport
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 982,878
Cash Received from Contributions/Grants	226,547
Cash Payments to Employees for Services	(449,735)
Cash Payments for Other Operating Expenses	(1,325,201)
Net Cash Provided by (Used for) Operating Activities	(565,511)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer In	491,396
Insurance Proceeds	25,953
Net Cash Provided by Non-Capital Financing Activities	517,349
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>	
Acquisition of Capital Assets	(244,210)
Proceeds on Sale of Assets	78,552
Net Cash Provided by (Used for) Capital & Related Financing Activities	(165,658)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	19,818
Net Increase(Decrease) in Cash and Cash Equivalents	(194,002)
Cash and Cash Equivalents at Beginning of the Year:	432,015
Cash and Cash Equivalents at the End of the Year:	\$ 238,013
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>	
Operating Income (Loss):	\$ (515,235)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:	
Depreciation	24,657
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	24,899
Decrease (increase) in Prepaid Expenses	500
Increase (decrease) in Accounts Payable	(101,566)
Increase (decrease) in Security Deposits	571
Increase (decrease) in Compensated Absences	663
Net Cash Provided by (Used for) Operating Activities	\$ (565,511)

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

GRAYSON COUNTY, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2007

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	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 3,796,717
Investments - Current	4,059,319
Accounts Receivable	1,501
Total Assets	<u>\$ 7,857,537</u>
LIABILITIES	
Accounts Payable	\$ 1,811
Due to Other Funds	157,868
Due to Others	7,697,858
Total Liabilities	<u>\$ 7,857,537</u>

The accompanying notes are an integral part of this statement.



**GRAYSON COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying basic financial statements of Grayson County, Texas (the "County") have been prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. These notes to the financial statements are an integral part of the basic financial statements of the County. The following is a discussion of the more significant accounting policies utilized by the County.

**A. REPORTING ENTITY**

GASB Statement No. 14 "*The Financial Reporting Entity*," establishes criteria which should be considered and evaluated along with other judgmental factors before a decision is made to include one governmental unit with another governmental unit for the purpose of issuing basic financial statements. The five criteria considered were (1) financial accountability, (2) appointment of a voting majority, (3) imposition of will, (4) financial benefit to or a burden on a primary government, and (5) financial accountability as a result of fiscal dependency.

In evaluating how to define the County for financial reporting purposes, management has considered all potential component units. The decision on whether or not to include a potential component unit in the reporting entity was made by applying the criteria set forth in the preceding paragraph.

The County is a partner in a joint venture with various local governmental units. These governments have formed the Juvenile Detention Center of Grayson, Cooke, and Fannin Counties, which provides residential services for juveniles of any county. This joint venture does not meet the criteria stated above for inclusion in the County's financial statements and has no equity interest to require its inclusion as an investment in the County's financial statements per guidance established by GASB No. 14. Details of this investment are discussed in Note IV-G.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been generally removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-like activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes 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. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements because they can not be used for the County's operations. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

**GRAYSON COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if 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.

Property taxes 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 County.

The County reports the following major governmental funds:

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

Road and Bridge Fund is used to account for the operation, construction and maintenance of roads and bridges. Financing is provided by a special annual property tax levy to the extent miscellaneous revenue (principally fines and fees of office) are not sufficient to provide such financing. The County is divided into four precincts; each precinct is provided with a separate budget administered by the County Commissioner elected from such precinct.

Highway 289 Completion Fund accounts for the cost of designing, developing, constructing, extending, expanding or improving State Highway 289, a part of the state highway system located in the County. The financing is provided by a bond issue payable in whole or in part from payments received by the County pursuant to a Pass-Through Toll Agreement between the County and the Texas Department of Transportation.

The County reports the following proprietary fund:

Enterprise Fund – The Airport Fund accounts for the operation of the Grayson County Airport. All activities necessary to provide for the Airport's services are accounted for in this fund, including, but not limited to, administration, operations, and maintenance. The name of the airport will change to North Texas Regional Airport for the 2008 reporting period.

**GRAYSON COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION, continued**

Additionally, the County reports the following fund types:

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, and other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund 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-like activities and Enterprise Funds, subject to this same limitation. The County 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 revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**D. ASSETS, LIABILITIES AND NET ASSETS**

**Cash and Investments**

Cash includes amounts in demand deposit and savings accounts, as well as short-term investments with a maturity date within three months of the date acquired by the County.

The County is legally permitted to purchase as investments or collateralize deposits with the following types of instruments: (1) obligations of the United States or its agencies; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities and other political subdivisions of any state having an investment quality rating of A; (5) certificates of deposit issued by state or national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or secured by obligations described in (1) through (4) above; and (6) fully collateralized direct repurchase agreements.

**GRAYSON COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**D. ASSETS, LIABILITIES AND NET ASSETS, continued**

**Inventories**

Inventories of supplies on hand have not been recorded. Such supplies are not considered material and have been expensed when purchased.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied prior to October 1 of each year and become delinquent on the subsequent February 1. See Note IV for details of the property tax calendar. Delinquent real property taxes are expected to be collected as these delinquent amounts are a lien against the related property until paid. These amounts are classified as noncurrent and are reflected on the balance sheets of the related funds. A corresponding balance is reflected as deferred revenue as these amounts are not available spendable resources.

Collections of the current year's levy are reported as current revenue if received by June 30 (within nine months of the October 1 due date). Collections received thereafter are reported as delinquent tax revenue.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 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.

**GRAYSON COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**D. ASSETS, LIABILITIES AND NET ASSETS, continued**

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

Assets	Years
Buildings	20-50
Improvements	5-50
Equipment	5-20
Infrastructure (streets and drainage)	35-125

**Compensated Absences**

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Accrued sick pay benefits are lost upon termination. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

**Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, the face amount of debt issued is reported as other financing sources for the governmental fund types.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as another financing source. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are charged to current operations rather than being deferred and amortized due to the relatively immaterial effect on the basic financial statements taken as a whole.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Net Assets**

Net assets represent the difference between assets and liabilities. (Net assets invested in capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.) Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**GRAYSON COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

Page 6 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. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Adjustment to Net Assets</u>
Non-depreciable Assets				
Land	\$ 1,261,581	\$ -	\$ 1,261,581	\$
Construction in Progress	711,735	-	711,735	
Total Non-depreciable Assets	<u>1,973,316</u>	<u>-</u>	<u>1,973,316</u>	
Depreciable Assets				
Infrastructure	98,930,621	71,316,611	27,614,010	
Buildings	17,620,793	9,641,407	7,979,386	
Improvements	474,575	163,805	310,770	
Machinery and Equipment	<u>13,287,443</u>	<u>9,318,993</u>	<u>3,968,450</u>	
Total Depreciable Assets	<u>130,313,432</u>	<u>90,440,816</u>	<u>39,872,816</u>	
Total Assets at Historical Cost	<u>\$ 132,286,748</u>	<u>\$ 90,440,816</u>	<u>\$ 41,845,932</u>	41,845,932
Capitalized Debt Issuance Costs				78,758
Subtotal				<u>41,924,690</u>
<u>Long-term Liabilities at the Beginning of the year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			\$ 1,050,000	
Capital Leases Payable			782,689	
Compensated Absences			<u>504,139</u>	
			<u>\$ 2,336,828</u>	
Change in Net Assets				<u>(2,336,828)</u>
Net Adjustment to Net Assets				<u>\$ 39,587,862</u>

**GRAYSON COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS,  
continued**

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Pages 6 and 9 provide reconciliations between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<hr/>			
Current Year Capital Outlay			
Land	\$ 112,000	\$	\$
Infrastructure	827,893		
Improvements Other than Buildings	10,875		
Machinery and Equipment	1,092,944		
Construction in Progress	<u>126,959</u>		
Total Capital Outlay	<u>\$ 2,170,671</u>	2,170,671	2,170,671
<hr/>			
Debt Principal Payments			
Bond Principal	\$ 110,000		
Capital Lease Principal	<u>247,225</u>		
Total Principal Payments	<u>\$ 357,225</u>	<u>357,225</u>	<u>357,225</u>
Total Adjustment to Net Assets		<u>\$ 2,527,896</u>	<u>\$ 2,527,896</u>

**GRAYSON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS,**  
**continued**

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES, continued**

Another element of the reconciliations on Pages 6 and 9 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes collected from prior year levies	\$ 710,341	\$ (710,341)	\$
Uncollected taxes (assumed collectible) from current year levy	726,363	726,363	726,363
Uncollected taxes (assumed collectible) from prior year levy	908,570	-	908,570
Adjustments to prior year estimate of collectible taxes	78,260	(78,260)	-
Subtotal		<u>(62,238)</u>	<u>1,634,933</u>
<u>Adjustments to Expenses and Liabilities</u>			
Record beginning balance for accrued interest payable	16,014	-	(16,014)
Record increase in accrued interest payable	674,714	(674,714)	(674,714)
Record increase in compensated absences payable	74,749	(74,749)	(74,749)
Reclassify Highway 289 capital outlay to investment in Highway 289	6,660,221	6,660,221	6,660,221
Record beginning balance of debt issuance costs	78,758	-	78,758
Record amortization of debt issuance costs	39,839	(39,839)	(39,839)
Record amortization of bond premium	13,443	13,443	13,443
Subtotal		<u>5,884,362</u>	<u>5,868,348</u>
<u>Adjustments to Revenue and Receivables</u>			
Record beginning balance for fee office receivables, net	891,717	-	891,717
Decrease fee office receivable, net	75,539	(75,539)	(75,539)
Record beginning balance for penalties and interest receivable, net	983,295	-	983,295
Decrease in penalties and interest receivable, net	164,989	(164,989)	(164,989)
Subtotal		<u>(240,528)</u>	<u>1,634,484</u>



**GRAYSON COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES, continued**

Reclassifications	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
Reclassify proceeds from sale of capital assets	\$ 177,864	\$ (177,864)	\$ (177,864)
Record gain on assets retired	132,487	132,487	132,487
Reclassify proceeds from bond issue	63,725,000	(63,725,000)	(63,725,000)
Reclassify premium on bond issue	403,291	(403,291)	(403,291)
Reclassify debt issuance costs	814,765	814,765	814,763
Reclassify renovation costs	318,488	(318,488)	(318,488)
Subtotal		<u>(63,677,391)</u>	<u>(63,677,391)</u>
<u>Prior Period Adjustments</u>			
Increase accumulated depreciation on buildings	895,353	-	(895,353)
Subtotal		<u>-</u>	<u>(895,353)</u>
Total Adjustments to Net Assets		<u>\$ (58,095,795)</u>	<u>\$ (55,434,979)</u>

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. DEFICIT FUND EQUITY**

Deficit fund equity in individual funds at September 30, 2007, consists of the following:

Help America Vote Act Fund	\$ 14,629
Star Recovery Court Fund	6,760
Star Family Drug Court	9,484
Holiday Lights Fund	3,356
CJD Domestic Violence Fund	9,212
County Attorney Victim's Liaison Grant Fund	7,952
Total Deficits	<u>\$ 51,393</u>

The deficit fund equity is expected to be recovered through future contributions and revenue.

**GRAYSON COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. CASH AND INVESTMENTS**

Legal and Contractual Provisions Governing Deposits and Investments

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

At September 30, 2007, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was:

Bank of Texas		\$ (930,392)
Texas Local Government Investment Pool		80,013,383
LOGIC		<u>5,372</u>
Total		<u>\$ 79,088,363</u>

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

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 costs to report net assets and share prices since that amount approximates fair value.

**GRAYSON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**A. CASH AND INVESTMENTS, continued**

LOGIC operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, to the extent such rule is applicable to their operations. Accordingly, it uses that amortized cost method permitted by SEC Rule 2a-7 to report net assets and share prices since that amount approximates fair value. The investment activities of LOGIC are administered by Patterson & Associates and SW Capital Corporation. There is no regulatory oversight by the State of Texas over LOGIC.

Policies Governing Deposits and Investments

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

**Custodial Credit Risk – Cash Deposits:** This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County's investment policy requires that all county funds be collateralized or insured consistent with federal and state law and the current bank depository contract through either FDIC insurance coverage or with obligations of the United States or its agencies and instrumentalities. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2007 were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

**Custodial Credit Risk – Investments:** This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form; thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

**Other Credit Risk:** There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of September 30, 2007, TexPool's investment credit quality rating was AAAM and LOGIC's investment credit quality rating was Aaa/MRI+ as rated by Standard & Poor's.

**B. RESTRICTED ASSETS**

Bank deposits and investments of \$5,547,232 in the Debt Service Funds are restricted by law for the retirement of outstanding bonded debt and capital lease liability and interest. Deposits and investments of \$9,112 in the Special Right-of-Way Fund and \$55,303,803 in the Highway 289 Completion Fund (Capital Projects Funds) are restricted to the purchase of right-of-ways and highway construction. Bank deposits and investments of \$65,506 in the Texoma Succeeding Generations Trust (Permanent Fund) are restricted for the purchase or construction of a building to be used for the cultural benefit of the citizens of the County.

**GRAYSON COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**C. PROPERTY TAXES**

Property subject to taxation consists of real property and certain personal property situated in the County. Certain properties of religious, educational and charitable organizations, including the federal government and the State of Texas, are exempt from taxation. Additionally, there are other exemptions, in arriving at the total assessed valuation of property subject to County taxation. The valuations are subject to County-wide revaluation every year. The effective tax rate is computed based upon the previous year's total assessed valuation.

Portions of the adopted tax rate are assessed and designated for specific purposes. These designated tax revenue are deposited into funds created for the accumulation and disbursement of these revenue. The following schedule details the components of the 2006 tax rate and the revenue allocated to each fund:

<u>Fund</u>	<u>Rate Per \$100</u>	<u>Current (2006) Tax Revenue Collected</u>
Permanent Improvement Bonds - 2003 Series (Debt Service)	\$ 0.002288	\$ 23,689,211
Road and Bridge Fund (Special Revenue)	0.031696	1,651,995
Permanent Improvement Fund (Capital Projects)	0.001981	119,332
General Fund	0.454935	109,132
Total	<u>\$ 0.490900</u>	<u>\$ 25,569,670</u>

Ad valorem taxes are levied prior to October 1 and are due and payable from October 1 of the year in which levied until January 31 of the following year without interest or penalty. Taxes become delinquent February 1 of each year and are subject to simple interest of twelve percent (12%) per annum, plus a six percent (6%) penalty for the first calendar month such taxes are delinquent, plus an additional two percent (2%) each month thereafter not to exceed twelve percent (12%).

Taxes on real property attach as an enforceable lien as of January 1 and are a lien against such property until paid. The County may foreclose on real property upon which it has a lien for unpaid taxes with the exception of homestead property belonging to persons 65 years of age or older. Delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title to the property. Any liens and subsequent suits against the taxpayer for payment of delinquent personal property taxes are barred unless instituted within four years from the time such taxes become delinquent. Unlike real property, the sale or transfer of most personal property does not require any evidence that taxes thereon are paid.

**GRAYSON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**D. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2007, was as follows:

Governmental Activities

	Balance 10/1/2006	Additions	Retirements/ Reclassifications	Prior Period Adjustment	Balance 9/30/2007
Non-depreciable Assets:					
Land	\$ 1,261,581	\$ 112,000	\$ (9,627)	\$ -	\$ 1,363,954
Construction in Progress	711,735	126,959	(553,955)	-	284,739
Total Non-depreciable Assets	<u>1,973,316</u>	<u>238,959</u>	<u>(563,582)</u>	<u>-</u>	<u>1,648,693</u>
Depreciable Assets:					
Infrastructure	98,930,621	827,893	(320,006)	-	99,438,508
Buildings	17,620,793	-	(134,401)	-	17,486,392
Improvements Other than Buildings	474,575	10,875	-	-	485,450
Machinery and Equipment	13,287,443	1,092,944	(456,826)	-	13,923,561
Total Depreciable Assets	<u>130,313,432</u>	<u>1,931,712</u>	<u>(911,233)</u>	<u>-</u>	<u>131,333,911</u>
Totals at Historic Cost	<u>132,286,748</u>	<u>2,170,671</u>	<u>(1,474,815)</u>	<u>-</u>	<u>132,982,604</u>
Accumulated Depreciation:					
Infrastructure	71,316,611	2,537,945	(320,006)	-	73,534,550
Buildings	9,641,407	558,677	(119,311)	895,353	10,976,126
Improvements Other than Buildings	163,805	47,133	-	-	210,938
Machinery and Equipment	9,318,993	1,043,606	(671,633)	-	9,690,966
Total Accumulated Depreciation	<u>90,440,816</u>	<u>4,187,361</u>	<u>(1,110,950)</u>	<u>895,353</u>	<u>94,412,580</u>
Governmental Activities Capital Assets, Net	<u>\$ 41,845,932</u>	<u>\$ (2,016,690)</u>	<u>\$ (363,865)</u>	<u>\$ (895,353)</u>	<u>\$ 38,570,024</u>

**GRAYSON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**D. CAPITAL ASSETS, continued**

Business-type Activities

	Balance 10/1/2006	Additions	Retirements	Balance 9/30/2007
Non-depreciable Assets:				
Land	\$ 2,645,500	\$ -	\$ (45,262)	\$ 2,600,238
Construction in Progress	-	219,746	-	219,746
Total Non-depreciable Assets	<u>2,645,500</u>	<u>219,746</u>	<u>(45,262)</u>	<u>2,819,984</u>
Depreciable Assets:				
Infrastructure	14,667,933	-	-	14,667,933
Buildings	5,143,147	-	-	5,143,147
Improvements other than Buildings		17,054		17,054
Machinery and Equipment	384,502	7,410	(43,865)	348,047
Total Depreciable Assets	<u>20,195,582</u>	<u>24,464</u>	<u>(43,865)</u>	<u>20,176,181</u>
Totals at Historic Cost	<u>22,841,082</u>	<u>244,210</u>	<u>(89,127)</u>	<u>22,996,165</u>
Accumulated Depreciation:				
Infrastructure	14,667,933	-	-	14,667,933
Buildings	5,060,748	11,740	-	5,072,488
Improvements other than Buildings		1,471		1,471
Machinery and Equipment	297,983	11,446	(40,128)	269,301
Total Accumulated Depreciation	<u>20,026,664</u>	<u>24,657</u>	<u>(40,128)</u>	<u>20,011,193</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,814,418</u>	<u>\$ 219,553</u>	<u>\$ (48,999)</u>	<u>\$ 2,984,972</u>

Depreciation expense was charged to functions/programs of the governmental and business-type activities as follows:

Governmental activities:	
General government	\$ 640,797
Judicial	20,836
Public safety	421,305
Health and welfare	67,860
Conservation	973
Highways and streets	<u>3,035,590</u>
Total depreciation expense – governmental activities	<u>\$ 4,187,361</u>
Business-type activities:	
Airport	<u>\$ 24,657</u>
Total depreciation expense – business-type activities	<u>\$ 24,657</u>

**GRAYSON COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The County had no interfund balances as of September 30, 2007.

Interfund transfers during the year ended September 30, 2007 consisted of the following amounts:

<u>Transfer From</u>	<u>Amount</u>	<u>Transfer To</u>	<u>Explanation</u>
General Fund	\$ 491,396	Airport Fund	Supplement Fund Resources
General Fund	25,962	Public Health Fund	Supplement Fund Resources
General Fund	1,733,236	Non-Major Funds	Supplement Fund Resources
Non-Major Funds	2,600,000	Highway 289 Completion Fund	Supplement Fund Resources
Non-Major Funds	368,261	Non-Major Funds	Supplement Fund Resources
	<u>\$ 5,218,855</u>		

**F. LEASING OPERATIONS**

Airport operations consist principally of leasing land and buildings. All such leases are operating leases, as defined by GAAP. Excluding renewal options, three of fifty-one leases expire during the next five fiscal years.

Below is a summary of the cost and related accumulated depreciation of buildings used in operating leasing activity as of September 30, 2007:

Buildings	\$ 5,143,147
Less: Accumulated depreciation	<u>(5,072,488)</u>
Net	<u>\$ 70,759</u>

The following is a summary of minimum future rentals to be received on non-cancellable operating leases in effect as of September 30, 2007. The summary does not include amounts attributable to potential future increases in rental payments due to increases in the consumer price index, renewal options or unit revenue (fuel flowage).

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 624,977
2009	622,601
2010	622,016
2011	600,154
2012	655,025
2013-2017	2,121,686
2018-2022	1,647,347
2023-2027	1,558,658
2028-2032	948,742
2033-2037	181,194
2038-2042	122,713
Thereafter	<u>47,210</u>
Total	<u>\$ 9,752,323</u>

**GRAYSON COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**G. INVESTMENTS IN JOINT VENTURES**

The Cooke, Fannin, and Grayson County Juvenile Detention Center (Detention 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 Detention Center is managed by a board of directors, which is composed of seven members, three appointed by the Commissioners of Grayson County, and two members each appointed by the Commissioners of Cooke and Fannin Counties, respectively. The Detention 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 and personnel support and benefits by contract dated October 31, 1983. All costs associated with the Detention Center after applicable charges and grants are shared by the Participants and are allocated as follows: Cooke, 20%; Fannin, 20%; and Grayson, 60%. The County has an ongoing financial responsibility because the Detention Center's continued existence depends upon the continual funding by its members. The Detention Center does not have stock and the members do not have an explicit, measurable right to the net resources of the Detention Center; therefore, no equity interest exists.

Complete financial statements of the individual joint venture can be obtained from its administrative office as follows:

Cooke, Fannin and Grayson County  
Juvenile Detention Center  
9501 Dyess Street  
Denison, Texas 75020



**GRAYSON COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**H. CAPITAL LEASES**

During the year ended September 30, 2002, the County entered into a lease agreement with Banc One Leasing Corporation for heavy machinery. The lease meets the criteria of a capital lease, and \$450,000 was recorded as an addition to County's fixed assets to record the assets acquired. Commitments under the capital lease agreement require semi-annual payments of \$49,639 including interest at 3.65%.

During the year ended September 30, 2003, the County entered into a lease agreement with Banc One Leasing Corporation for electrical service equipment. The lease meets the criteria of a capital lease, and \$1,129,211 was recorded as an addition to the County's fixed assets to record the asset acquired. Commitments under the capital lease agreement require quarterly payments of \$41,737 including interest at 3.67%.

During the year ended September 30, 2004, the County entered into a capital lease agreement with Banc One Leasing Corporation for computer network equipment. The lease meets the criteria of a capital lease, and \$232,203 was recorded as an addition to the County's capital assets to record the assets acquired. Commitments under the capital lease agreement require quarterly payments of \$12,729 including interest at 3.57%.

Debt service requirements are as follows:

<u>Year Ending September 30</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2008	\$ 205,810	\$ 16,809	\$ 222,619
2009	161,816	9,888	171,704
2010	167,838	3,867	171,705
Total	<u>\$ 535,464</u>	<u>\$ 30,564</u>	<u>\$ 566,028</u>

**GRAYSON COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**I. LONG-TERM DEBT**

**General Obligation Bonds**

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenue. The original amount of general obligation bonds issued in prior years was \$2,920,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities - refunding	1.5%-4.9%	\$ 940,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30,	Governmental Activities		Total
	Principal	Interest	Requirements
2008	\$ 115,000	\$ 43,038	\$ 158,038
2009	120,000	38,783	158,783
2010	130,000	33,803	163,803
2011	135,000	28,083	163,083
2012	140,000	21,603	161,603
2013-2014	300,000	22,451	322,451
Total	\$ 940,000	\$ 187,761	\$ 1,127,761

**Pass-Through Toll Revenue and Limited Tax Bonds**

On February 1, 2007 Grayson County issued \$63,725,000 of Pass-Through Toll Revenue and Limited Tax Bonds, Series 2007 (the "Bonds"). The Bonds were issued pursuant to the authority granted to the County by Chapter 1479, Texas Government Code, as amended; and the "Order Authorizing the Issuance of Grayson County, Texas Pass-Through Toll Revenue and Limited Tax Bonds, Series 2007" adopted by the Commissioners Court on January 22, 2007 (the "Order"). The Order authorizes the issuance of the Bonds payable in whole or in part from payments (the "Payments") received by the County pursuant to a Pass-Through Toll Agreement effective as of November 17, 2006 (the "Agreement") between the County and the Texas Department of Transportation (the "Department"), an agency of the State of Texas charged with administering state and federal funds for highway construction and maintenance.

Proceeds from the sale of the Bonds are being used for (i) designing, developing, financing, constructing, extending, expanding or improving a non-toll project or facility for State Highway 289, a part of the state highway system located in the County, (ii) capitalizing a portion of the interest on the Bonds, and (iii) paying the costs of issuing the Bonds.

**GRAYSON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**I. LONG-TERM DEBT, continued**

Annual debt service requirements to maturity for the Pass-Through Toll Revenue and Limited Tax Bonds, Series 2007 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2008	\$ -	\$ 2,751,638	\$ 2,751,638
2009	-	2,751,638	2,751,638
2010	-	2,751,638	2,751,638
2011	2,850,000	2,694,638	5,544,638
2012	2,965,000	2,578,338	5,543,338
2013-2017	16,755,000	10,973,090	27,728,090
2018-2022	20,795,000	6,932,352	27,727,352
2023-2026	20,360,000	1,821,050	22,181,050
Total	<u>\$ 63,725,000</u>	<u>\$ 33,254,382</u>	<u>\$ 96,979,382</u>

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds	\$ 1,050,000	\$ -	\$ 110,000	\$ 940,000	\$ 115,000
Pass-through toll revenue and limited tax bonds	-	63,725,000	-	63,725,000	-
Premium on pass-through toll revenue and limited tax bonds	-	403,291	13,443	389,848	-
Capital leases	782,689	-	247,225	535,464	205,810
Compensated absences	504,139	74,749	-	578,888	-
Governmental activities long-term liabilities	<u>\$ 2,336,828</u>	<u>\$ 64,203,040</u>	<u>\$ 370,668</u>	<u>\$ 66,169,200</u>	<u>\$ 320,810</u>
Business-type activities					
Compensated absences	\$ 22,556	\$ -	\$ 663	\$ 23,219	\$ -
Business-type activities long-term liabilities	<u>\$ 22,556</u>	<u>\$ -</u>	<u>\$ 663</u>	<u>\$ 23,219</u>	<u>\$ -</u>

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

**GRAYSON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**J. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables on the fund financial statements at September 30, 2007, were as follows:

	Property Taxes	Intergovern- mental Receivable	Other	Total Receivables
Governmental Activities:				
General Fund	\$ 1,640,433	\$ 311,617	\$ 617,975	\$ 2,570,025
Road and Bridge Fund	115,778	323,431	9,128	448,337
Non-major Governmental Funds	26,622	398,192	223,305	658,119
Total – Governmental Activities	<u>\$ 1,782,843</u>	<u>\$ 1,033,240</u>	<u>\$ 850,408</u>	<u>\$ 3,666,491</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Receivables on the government-wide statement of net assets at September 30, 2007 were as follows:

Category	Receivable	(Allowance)	Net
Governmental Activities:			
Property Taxes	\$ 1,782,843	\$ -	\$ 1,782,843
Penalty & Interest on Taxes	818,306	-	818,306
Intergovernmental Receivable	1,033,240	-	1,033,240
Fee Office	3,408,221	(2,592,043)	816,178
Other	850,408	-	850,408
Total	<u>\$ 7,893,018</u>	<u>\$ (2,592,043)</u>	<u>\$ 5,300,975</u>

Payables on the fund financial statements at September 30, 2007, were as follows:

	Accounts Payable	Intergovern- mental Payable	Due to Others	Other	Total
Governmental Activities;					
General Fund	\$ 776,647	\$ -	\$ -	\$ 209,249	\$ 985,896
Road and Bridge Fund	466,592	-	-	-	466,592
Highway 289 Completion Fund	543,013	-	-	-	543,013
Non-major Governmental Funds	400,069	5	2,954	1,330	404,358
Total – Governmental Activities	<u>\$ 2,186,321</u>	<u>\$ 5</u>	<u>\$ 2,954</u>	<u>\$ 210,579</u>	<u>\$ 2,399,859</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**GRAYSON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**K. FEDERAL ARBITRAGE**

General obligation bonds are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions.

**L. OPERATING LEASES**

The County is committed under various non-cancellable leases for building and office space. These leases are considered for accounting purposes to be operating leases. None of the leases contain renewal or purchase options or escalation clauses. None of the properties under the operating leases are subleased by the County as of September 30, 2007. The County has no leases with related parties.

**M. COMMITMENTS AND CONTINGENCIES**

The County is in compliance with all terms of bond indenture agreements, all contracts, and federal, state and local laws and regulations. The various federal and state financial awards and contracts in which the County participates are subject to program compliance audits. The audits of these programs have not yet been accepted by the granting agencies. The amount, if any, which may be disallowed, cannot be determined at this time, although the County expects such amounts, if any, to not be material. Accordingly, no liabilities have been accrued as a contingency related to compliance matters.

**N. RETIREMENT PLAN**

Plan Description

Grayson County, Texas provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 573 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.

**GRAYSON COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**N. RETIREMENT PLAN, continued**

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 11.27% for the months of the accounting year in 2007, and 10.88% for the months of the accounting year in 2006.

The deposit rate payable by the employee members for calendar year 2007 is the rate of 7%, as adopted by the governing body of the employer.

Annual Pension Cost

For the employer's accounting year ended September 30, 2007, the annual pension cost for the TCDRS plan for its employees was \$1,837,416 and the actual contributions were \$1,837,416. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2004 and December 31, 2005, the basis for determining the contribution rates for calendar years 2007 and 2006. The December 31, 2006, actuarial valuation is the most recent valuation.

**Actuarial Valuation Information**

Actuarial Valuation Date	12/31/04	12/31/05	12/31/06
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, closed
Amortization period in years	20	20	15
Asset valuation method	long-term appreciation for adjustment	long-term appreciation for adjustment	SAF: 10-yr smoothed value, ESF: Fund value
<b>Actuarial Assumptions:</b>			
Investment return*	8.0%	8.0%	8.0%
Projected salary increases	5.5%	5.5%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

\*Includes inflation at the stated rate

**GRAYSON COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS, continued**

**N. RETIREMENT PLAN, continued**

**Trend Information for the  
Retirement Plan for the Employees of Grayson County**

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/05	\$ 1,712,432	100%	\$ -
09/30/06	1,623,136	100%	-
09/30/07	1,837,416	100%	-

**O. RISK MANAGEMENT**

The County provides medical and life insurance for its employees through Texas Association of Counties. The County pays \$755 per month per participating employee for this coverage. The total cost to the County for providing medical and life insurance benefits for its employees for the year ending September 30, 2007 was \$3,398,650.

**P. POST-RETIREMENT BENEFITS**

The County does not provide any health care and life insurance benefits or any other benefits to its retired employees. Certain health care and life insurance benefits are available to retired employees through the County's insurance plan at the retiree's expense.

**Q. PRIOR PERIOD ADJUSTMENTS**

It was discovered during the audit that one of the County's buildings had not been depreciated for the past three years. The following prior period adjustment was made to the government-wide financial statements to correct accumulated depreciation for buildings:

The beginning balance of accumulated depreciation on buildings was corrected.

Increase Accumulated Depreciation - Buildings	<u>\$ 895,353</u>
Net decrease in net assets	<u>\$ 895,353</u>

**REQUIRED SUPPLEMENTARY INFORMATION**



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

**REQUIRED SUPPLEMENTARY INFORMATION**  
**(UNAUDITED)**

<u>Year</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2004	\$ 29,770,293	\$ 37,310,876	\$ 7,540,583	79.79%	\$ 14,604,641	51.63%
2005	33,378,754	41,111,354	7,732,600	81.19%	15,386,627	50.26%
2006	38,124,658	44,398,395	6,268,737	85.88%	16,639,295	37.67%

GRAYSON COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(GAAP BASIS)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 23,515,308	\$ 23,515,308	\$ 23,689,211	\$ 173,903
Other Taxes	170,000	170,000	177,400	7,400
Penalty and Interest on Taxes	375,000	375,000	400,711	25,711
Licenses and Permits	159,000	136,500	140,936	4,436
Intergovernmental Revenue and Grants	1,242,400	1,497,000	1,467,604	(29,396)
Charges for Services	2,610,125	2,563,125	2,602,073	38,948
Fines	75,000	75,000	63,435	(11,565)
Vehicle Registration Fees	290,000	290,000	433,000	143,000
Investment Earnings	625,000	825,000	849,413	24,413
Other Revenue	298,500	402,617	394,913	(7,704)
<b>Total Revenues</b>	<b>29,360,333</b>	<b>29,849,550</b>	<b>30,218,696</b>	<b>369,146</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	7,124,272	6,708,855	5,769,039	939,816
Judicial	6,554,935	6,444,768	6,324,897	119,871
Public Safety	13,060,844	12,324,052	11,852,899	471,153
Health and Welfare	1,275,303	1,309,203	1,329,600	(20,397)
Culture and Recreation	183,599	197,599	191,799	5,800
Conservation and Development	281,536	280,030	270,645	9,385
Debt Service:				
Debt Principal	145,019	145,019	151,795	(6,776)
Debt Interest	26,686	26,686	19,909	6,777
Intergovernmental:				
Intergovernmental	121,965	121,965	120,265	1,700
<b>Total Expenditures</b>	<b>28,774,159</b>	<b>27,558,177</b>	<b>26,030,848</b>	<b>1,527,329</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>586,174</b>	<b>2,291,373</b>	<b>4,187,848</b>	<b>1,896,475</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	180,000	180,000	180,000	-
Transfers Out (Use)	(3,165,309)	(2,633,109)	(2,250,594)	382,515
<b>Total Other Financing Sources (Uses)</b>	<b>(2,985,309)</b>	<b>(2,453,109)</b>	<b>(2,070,594)</b>	<b>382,515</b>
<b>Net Change</b>	<b>(2,399,135)</b>	<b>(161,736)</b>	<b>2,117,254</b>	<b>2,278,990</b>
<b>Fund Balance - October 1 (Beginning)</b>	<b>9,353,364</b>	<b>9,353,364</b>	<b>9,353,364</b>	<b>-</b>
<b>Fund Balance - September 30 (Ending)</b>	<b>\$ 6,954,229</b>	<b>\$ 9,191,628</b>	<b>\$ 11,470,618</b>	<b>\$ 2,278,990</b>

GRAYSON COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - ROAD & BRIDGE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 3,708,000	\$ 3,708,000	\$ 1,651,995	\$ (2,056,005)
Penalty and Interest on Taxes	32,000	32,000	28,753	(3,247)
Intergovernmental Revenue and Grants	38,000	-	252,430	252,430
Charges for Services	2,027,000	2,065,000	2,111,281	46,281
Vehicle Registration Fees	-	-	2,011,131	2,011,131
Investment Earnings	118,000	118,000	166,747	48,747
Other Revenue	3,000	3,000	7,726	4,726
<b>Total Revenues</b>	<b>5,926,000</b>	<b>5,926,000</b>	<b>6,230,063</b>	<b>304,063</b>
<b>EXPENDITURES:</b>				
Current:				
Highways and Streets	6,572,281	6,595,281	6,168,738	426,543
Debt Service:				
Debt Principal	48,750	48,750	48,750	-
Debt Interest	891	891	890	1
<b>Total Expenditures</b>	<b>6,621,922</b>	<b>6,644,922</b>	<b>6,218,378</b>	<b>426,544</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(695,922)	(718,922)	11,685	730,607
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	6,000	29,000	163,810	134,810
<b>Total Other Financing Sources (Uses)</b>	<b>6,000</b>	<b>29,000</b>	<b>163,810</b>	<b>134,810</b>
Change in Fund Balance	(689,922)	(689,922)	175,495	865,417
Fund Balance - October 1 (Beginning)	-	2,374,026	2,374,026	-
<b>Fund Balance - September 30 (Ending)</b>	<b>\$ (689,922)</b>	<b>\$ 1,684,104</b>	<b>\$ 2,549,521</b>	<b>\$ 865,417</b>

GRAYSON COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - HIGHWAY 289 COMPLETION  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
Investment Earnings	\$ 890,980	\$ 890,980	\$ 1,821,011	\$ 930,031
Total Revenues	890,980	890,980	1,821,011	930,031
<b>EXPENDITURES:</b>				
Current:				
Capital Outlay:				
Capital Outlay	23,901,000	23,901,000	6,660,221	17,240,779
Total Expenditures	23,901,000	23,901,000	6,660,221	17,240,779
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,010,020)	(23,010,020)	(4,839,210)	18,170,810
<b>OTHER FINANCING SOURCES (USES):</b>				
Capital-related Debt Issued (Regular Bonds)	57,000,000	57,000,000	57,000,000	-
Transfers In	2,600,000	2,600,000	2,600,000	-
Total Other Financing Sources (Uses)	59,600,000	59,600,000	59,600,000	-
Change in Fund Balance	36,589,980	36,589,980	54,760,790	18,170,810
Fund Balance - October 1 (Beginning)	-	-	-	-
Fund Balance - September 30 (Ending)	\$ 36,589,980	\$ 36,589,980	\$ 54,760,790	\$ 18,170,810

**GRAYSON COUNTY, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2007**

**A. BUDGETARY INFORMATION**

The County adopts annual appropriated budgets for the General Fund, some Special Revenue Funds and the Debt Service Fund on the modified accrual basis of accounting. Project length budgets are adopted for Capital Projects Funds and amended on an annual basis to reflect the uncompleted portion of the projects.

The County 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 various funds. 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.

## **COMBINING STATEMENTS**

**GRAYSON COUNTY, TEXAS  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007**

**SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for specific revenues that are legally restricted or designated to expenditures for particular purposes.

**Public Health Fund** – used to account for all financial resources of the Grayson County Health Department. Funding is provided by federal and state grants and contracts, fees, County funds and the Oliver Dewey Mayor Foundation and the Lenore Rainey Trust Fund for use in the following programs: Infants and Child Care, Community Health, and Bio-terrorism Preparedness.

**Juvenile Boot Camp Fund** – used to account for the revenue and expenditures incurred in the operation of the juvenile boot camp.

**Grayson County Employee Activity Fund** - to account for funds received from courthouse vending revenues. Funds received are used to support activities directed at improving employee morale, including an annual awards and recognition event.

**Holiday Lights Fund** – the startup funding for this program was provided by local granting agencies to establish a holiday lights display at Loy Park. Annually, the event is held from Thanksgiving until New Years, with donations being accepted to continue and improve the displays.

**Tax Assessor-Collector Special Inventory Tax Fund** – to account for interest earned in the operation of the special inventory function of the Tax Assessor-Collector's office. Tax code specifies that the collector shall retain any interest generated by the escrow account to defray the cost of administration of the prepayment procedure established by this section.

**Courthouse Security Fund** – created by the Texas legislature during the year ended September 30, 1994, for the purpose of providing security services in the form of additional security personnel, additional equipment designed to prevent unauthorized entrance to the premises, or equipment designed to detect possession of unlawful weapons on the premises. The revenue for this fund will be derived from fees assessed to individuals convicted of misdemeanor or felony criminal charges in either County or district courts.

**Justice Court Building Security Fund** – to account for fees collected by the district, county and justice courts for the purpose of providing security services to county buildings housing a justice court.

**Justice Court Technology Fund** – to account for the receipt of fees of office collected by the Justices of the Peace, which are restricted to the enhancement of technology and computer services in the justice courts.

**Help America Vote Act Fund (HAVA)** – to account for funds received for voter education, election worker education, updating or acquiring voting systems in accordance with the Federal Help America Vote Act of 2002.

**County Clerk Records Management Fund** – created by the Texas legislature to collect funds to provide for the means to preserve and archive official County documents, vital statistics and other records in a more effective and efficient manner. The revenue for these funds is derived from fees charged by the County and District Clerks for data preservation.

**GRAYSON COUNTY, TEXAS  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007**

**SPECIAL REVENUE FUNDS, continued,**

**County Clerk Records Archive Fund** – created by the Texas legislature to collect funds to provide for the means to preserve and archive official County documents, vital statistics and other records in a more effective and efficient manner. The revenue for these funds is derived from fees charged by the County and District Clerks for data preservation.

**County Clerk Vital Statistics Fund** – created by the Texas legislature to collect funds to provide for the means to preserve and archive official County documents, vital statistics and other records in a more effective and efficient manner. The revenue for these funds is derived from fees charged by the County and District Clerks for data preservation.

**District Clerk Records Management Fund** – created by the Texas legislature to collect funds to provide for the means to preserve and archive official County documents, vital statistics and other records in a more effective and efficient manner. The revenue for these funds is derived from fees charged by the County and District Clerks for data preservation.

**County Records Preservation Fund** – created by the Texas legislature to collect funds to provide for the means to preserve and archive official County documents, vital statistics and other records in a more effective and efficient manner. The revenue for these funds is derived from fees charged by the County and District Clerks for data preservation.

**Historical Commission Fund** – to account for receipts received from Grayson County and other donations. Expenditures are for historical activities in Grayson County. Historical markers are the prime activities.

**Child Protective Services Fund** – to account for the proceeds received from County funds and other collections that are designated for this program, which provides substitute care and other child care expenses for abused or neglected children.

**Court Reporter Services Fund** – to account for the payment of court-reporter-related services that may include maintaining an adequate number of court reporters to provide services to the courts, obtaining court reporter transcript services, purchasing court reporter equipment, or providing other services related to the functions of a court reporter.

**Drug Court Donations Fund** – To account for donations received to support the Drug Court program. Donations received are to be used for incentive awards to participants in the state-funded program.

**Star Recovery Court Fund** – to track funds from the Department of Justice to develop and implement treatment, testing to integrate substance abuse treatment, testing sanctions and incentives in a judicially supervised court setting.

**Star Family Drug Court Fund** – a state grant program used for the purpose of providing group and outpatient substance abuse treatment services to offenders and family members who can benefit from such a program.

**District Attorney Hot Check Fund** – to account for fees collected by the County Attorney under the "Hot Check" statute. Expenditures from this fund shall be at the sole discretion of the County Attorney and may be used only to defray the salaries and expenses of the prosecutor's office.



**GRAYSON COUNTY, TEXAS  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007**

**SPECIAL REVENUE FUNDS, continued,**

**District Attorney Forfeiture Fund** – to account for receipts of forfeited properties, as enabled by House Bill 65 of the 71st Texas Legislature, which amended Chapter 59 in the Code of Criminal Procedure. Resources may be used for the official purposes of the County Attorney's office.

**Law Library Fund** – to account for the receipt of library fees of office collected by the County Clerk and the District Clerk, which are restricted to payment of the cost of maintaining the County law library.

**District Attorney State Supplemental Fund** – established under the provisions of government Code Section 46.004, which states, "Each state prosecutor is entitled to receive not less than \$22,500 a year from the state to be used by the prosecutor to help defray the salaries and expenses of the office. That money may not be used to supplement the prosecutor's salary." The funds received by the Grayson County Attorney's office is primarily used to pay the costs of prosecutors and support staff.

**Criminal Justice Division Domestic Violence Grant Fund** – to account for the proceeds and expenditures for this grant Resources are to be used to fund a domestic violence investigator to work with local police agencies in training their officers in the proper investigation and treatment of domestic violence incidents.

**County Attorney Victim's Liaison Grant Fund** – to account for federal funding provided through the state Attorney General's office. The grant award is to hire staff to assist victims of crime with the legal process, and in receiving compensation for expenses incurred in recovering from criminal activity.

**Law Enforcement Block Grant Fund** – to account for the proceeds and expenditures for this grant. Funds are provided by the U. S. Department of Justice. The Local Law Enforcement Block Grants Program was authorized by the Omnibus Fiscal Year 1997 Appropriations Act, Public Law 104-208 for the purpose of providing units of local government with funds to underwrite projects to reduce crime and improve public safety.

**COPS Meth Grant Fund** – to account for federal funding provided through the Community Oriented Policing Services grant which is used to implement and operate program to address methamphetamine problems in the County.

**Homeland Security Fund** – to account for funds received from the Federal Office of Domestic Preparedness, and administered by the Texas Engineering Extension Service. The funds are used to purchase communications equipment that will help local officials adequately respond to terrorist activity.

**Victim Information and Notification Everyday (VINE) Fund** – to track funds received to deliver crime victim services by providing information, resources and funding to crime victims.

**Sheriff Drug Forfeiture Fund** – to account for receipts of forfeited properties, as enabled by House Bill 65 of the 71st Texas Legislature, which amended Chapter 59 in the Code of Criminal Procedure. Resources may be used for law enforcement purposes.

**Jail Commissary Fund** – to account for cash receipts received for jail commissary proceeds. Expenditures are restricted to benefits for the County jail at the sole discretion of the County Sheriff.

**Federal Forfeiture Fund** – to account for funds provided through a Federal Equitable Sharing Agreement to be used for law enforcement purposes.

**GRAYSON COUNTY, TEXAS  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007**

**SPECIAL REVENUE FUNDS, continued,**

**Juvenile Detention Center Renovations Fund** – to account for the cost of improvements to the juvenile detention center building.

**Title IV-E Federal Funds** – to account for the spending of federal funds received for administrative expenses incurred in the provision of foster care for juveniles.

**Juvenile Probation Fees Fund** – to account for amounts collected by the Juvenile Probation Department from probationers for probation fees and restitution.

**Juvenile Case Manager Fees Fund** – to account for fees collected to finance the salary and benefits of a juvenile case manager employed to provide services in cases involving juvenile offenders.

**DEBT SERVICE FUNDS**

The Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and principal and interest payments on capital lease obligations.

**2003 Refunding Bonds Fund** - 1994 and 2003 Series - The function of this fund is to accumulate monies for payment of general obligation and taxable permanent improvement bonds, which are serial bonds due in annual installments. Property taxes levied in excess of actual requirements are legally restricted to servicing this debt until the bond issue is retired. These funds may also account for bonds refinanced through defeasance of previously issued bonds.

**State Highway 289 Bonds Fund** – The function of this fund is to accumulate monies for payment of obligations related to the issuance of debt for the costs of upgrading Highway 289. Monies received through the Toll Revenue Agreement with Texas Department of Transportation are legally restricted to servicing this debt until the bond issue is retired.

**CAPITAL PROJECTS FUNDS**

Capital Projects Funds are used to account for the acquisition and construction of major facilities other than those financed by proprietary funds and trust funds.

**Permanent Improvement Fund** - to account for the cost of improvements to buildings and sidewalks, etc. Financing is provided by tax assessments.

**Lateral Road Fund** - to account for capital expenditures for road and bridge precincts from resources provided by the State of Texas for that purpose.

**Right-of-Way Acquisition Fund** - accounts for the cost of acquiring state right-of-way. The financing is provided by a special property tax levied in prior years and interest on investments.

**PERMANENT FUND**

**Texoma Succeeding Generations Trust Fund** - to account for the assets of this trust held by the County as trustee for the benefit of the citizens of the County. The principal and accumulated earnings are to be retained by the trustee for 150 years (until 2112), at which time the accumulated monies are to be used to purchase or construct a facility within the County to be used for the cultural benefit of the citizens.

GRAYSON COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2007

	Public Health Fund	Juvenile Boot Camp Fund	Employee Activity Fund	Holiday Lights Fund
<b>ASSETS</b>				
Cash and Investments	\$ 374,621	\$ 86,116	\$ 14,019	\$ 9,946
Taxes Receivable	-	-	-	-
Receivables (net of allowance for uncollectibles)	327	200,758	2,225	-
Intergovernmental Receivables	154,397	77,208	-	-
<b>Total Assets</b>	<b>\$ 529,345</b>	<b>\$ 364,082</b>	<b>\$ 16,244</b>	<b>\$ 9,946</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 180,381	\$ 41,437	\$ -	\$ 13,302
Intergovernmental Payable	-	-	-	-
Due to Others	2,954	-	-	-
Deferred Revenues	-	-	-	-
Other Current Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>183,335</b>	<b>41,437</b>	<b>-</b>	<b>13,302</b>
<b>Fund Balances:</b>				
<b>Reserved For:</b>				
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Purpose of Trust	-	-	-	-
<b>Unreserved Designated For:</b>				
Specific Purpose	346,010	322,645	16,244	(3,356)
Capital Projects	-	-	-	-
<b>Total Fund Balances</b>	<b>346,010</b>	<b>322,645</b>	<b>16,244</b>	<b>(3,356)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 529,345</b>	<b>\$ 364,082</b>	<b>\$ 16,244</b>	<b>\$ 9,946</b>

Tax A/C S-I-T Penalty Fund	Courthouse Security Fund	Justice Court Bldg Security Fund	Justice Court Technology Fund	HAVA Funding	County Clerk Records Mgmt. Fund	County Clerk Records Archive Fund	County Clerk Vital Statistics
\$ 89,741	\$ 655,473	\$ 13,777	\$ 134,748	\$ (13,299)	\$ 306,703	\$ 372,091	\$ 23,347
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 89,741</u>	<u>\$ 655,473</u>	<u>\$ 13,777</u>	<u>\$ 134,748</u>	<u>\$ (13,299)</u>	<u>\$ 306,703</u>	<u>\$ 372,091</u>	<u>\$ 23,347</u>
\$ -	\$ 642	\$ -	\$ 1,410	\$ -	\$ 120,579	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,330	-	-	-
-	642	-	1,410	1,330	120,579	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
89,741	654,831	13,777	133,338	(14,629)	186,124	372,091	23,347
-	-	-	-	-	-	-	-
<u>89,741</u>	<u>654,831</u>	<u>13,777</u>	<u>133,338</u>	<u>(14,629)</u>	<u>186,124</u>	<u>372,091</u>	<u>23,347</u>
<u>\$ 89,741</u>	<u>\$ 655,473</u>	<u>\$ 13,777</u>	<u>\$ 134,748</u>	<u>\$ (13,299)</u>	<u>\$ 306,703</u>	<u>\$ 372,091</u>	<u>\$ 23,347</u>

GRAYSON COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2007

	District Clerk Records Management	County Records Mgmt. Fund	Historical Commission Fund	Child Protective Services Fund
<b>ASSETS</b>				
Cash and Investments	\$ 338	\$ 155,181	\$ 13,348	\$ 40
Taxes Receivable	-	-	-	-
Receivables (net of allowance for uncollectibles)	-	-	-	-
Intergovernmental Receivables	-	-	-	-
Total Assets	<u>\$ 338</u>	<u>\$ 155,181</u>	<u>\$ 13,348</u>	<u>\$ 40</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 24	\$ 11,398	\$ -	\$ 10
Intergovernmental Payable	-	-	-	-
Due to Others	-	-	-	-
Deferred Revenues	-	-	-	-
Other Current Liabilities	-	-	-	-
Total Liabilities	<u>24</u>	<u>11,398</u>	<u>-</u>	<u>10</u>
Fund Balances:				
Reserved For:				
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Purpose of Trust	-	-	-	-
Unreserved Designated For:				
Specific Purpose	314	143,783	13,348	30
Capital Projects	-	-	-	-
Total Fund Balances	<u>314</u>	<u>143,783</u>	<u>13,348</u>	<u>30</u>
Total Liabilities and Fund Balances	<u>\$ 338</u>	<u>\$ 155,181</u>	<u>\$ 13,348</u>	<u>\$ 40</u>

Court Reporter Service Fund	Drug Court Fund	Drug Court Donations Fund	Star Family Drug Court Fund	DA Hot Check Fund	DA Forfeiture Fund	Law Library Fund	DA State Supplement Fund
\$ -	\$ 5,552	\$ (16,613)	\$ (18,617)	\$ 6,334	\$ 27,108	\$ 62,079	\$ 15,093
-	-	-	-	-	-	-	-
-	-	-	-	7,395	-	69	-
-	-	10,007	10,893	-	-	-	-
<u>\$ -</u>	<u>\$ 5,552</u>	<u>\$ (6,606)</u>	<u>\$ (7,724)</u>	<u>\$ 13,729</u>	<u>\$ 27,108</u>	<u>\$ 62,148</u>	<u>\$ 15,093</u>
\$ -	\$ -	\$ 154	\$ 1,760	\$ -	\$ 168	\$ 5,815	\$ -
-	-	-	-	-	-	5	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,084
-	-	-	-	-	-	-	-
-	-	154	1,760	-	168	5,820	2,084
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	5,552	(6,760)	(9,484)	13,729	26,940	56,328	13,009
-	-	-	-	-	-	-	-
-	5,552	(6,760)	(9,484)	13,729	26,940	56,328	13,009
<u>\$ -</u>	<u>\$ 5,552</u>	<u>\$ (6,606)</u>	<u>\$ (7,724)</u>	<u>\$ 13,729</u>	<u>\$ 27,108</u>	<u>\$ 62,148</u>	<u>\$ 15,093</u>

GRAYSON COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2007

	CJD Domestic Violence Grant	OAG Victim Coordinator Grant Fund	Law Enforcement Block Grant	COPS Meth Grant Fund
<b>ASSETS</b>				
Cash and Investments	\$ (59,528)	\$ (13,766)	\$ 14,209	\$ -
Taxes Receivable	-	-	-	-
Receivables (net of allowance for uncollectibles)	-	-	-	-
Intergovernmental Receivables	50,316	5,814	-	-
Total Assets	<u>\$ (9,212)</u>	<u>\$ (7,952)</u>	<u>\$ 14,209</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Intergovernmental Payable	-	-	-	-
Due to Others	-	-	-	-
Deferred Revenues	-	-	-	-
Other Current Liabilities	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
<b>Reserved For:</b>				
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Purpose of Trust	-	-	-	-
<b>Unreserved Designated For:</b>				
Specific Purpose	(9,212)	(7,952)	14,209	-
Capital Projects	-	-	-	-
Total Fund Balances	<u>(9,212)</u>	<u>(7,952)</u>	<u>14,209</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ (9,212)</u>	<u>\$ (7,952)</u>	<u>\$ 14,209</u>	<u>\$ -</u>

Homeland Security Fund	VINE Grant Fund	Sheriff Forfeiture Fund	Jail Commissary Fund	Federal Forfeiture Fund	Juvenile Detention Ctr Renovations	Title IV-E Federal Funds	Juvenile Probation Fees Fund
\$ -	\$ 54	\$ 165,498	\$ 51,079	\$ 16,409	\$ -	\$ 157,587	\$ 40,067
-	-	-	-	-	-	-	-
-	-	-	12,531	-	-	-	-
-	-	-	-	-	-	89,557	-
<u>\$ -</u>	<u>\$ 54</u>	<u>\$ 165,498</u>	<u>\$ 63,610</u>	<u>\$ 16,409</u>	<u>\$ -</u>	<u>\$ 247,144</u>	<u>\$ 40,067</u>
\$ -	\$ -	\$ 3,312	\$ 2,023	\$ -	\$ -	\$ 13,434	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	3,312	2,023	-	-	13,434	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	54	162,186	61,587	16,409	-	233,710	40,067
-	-	-	-	-	-	-	-
-	54	162,186	61,587	16,409	-	233,710	40,067
<u>\$ -</u>	<u>\$ 54</u>	<u>\$ 165,498</u>	<u>\$ 63,610</u>	<u>\$ 16,409</u>	<u>\$ -</u>	<u>\$ 247,144</u>	<u>\$ 40,067</u>



GRAYSON COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2007

	Juvenile Case Manager Fees Fund	Total Nonmajor Special Revenue Funds	2003 Refunding Bonds Fund	State Highway 289 Bonds Fund
<b>ASSETS</b>				
Cash and Investments	\$ 62,897	\$ 2,751,632	\$ 29,437	\$ 5,517,795
Taxes Receivable	-	-	9,316	-
Receivables (net of allowance for uncollectibles)	-	223,305	-	-
Intergovernmental Receivables	-	398,192	-	-
<b>Total Assets</b>	<u>\$ 62,897</u>	<u>\$ 3,373,129</u>	<u>\$ 38,753</u>	<u>\$ 5,517,795</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ -	\$ 395,849	\$ -	\$ -
Intergovernmental Payable	-	5	-	-
Due to Others	-	2,954	-	-
Deferred Revenues	-	2,084	8,559	-
Other Current Liabilities	-	1,330	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>402,222</u>	<u>8,559</u>	<u>-</u>
<b>Fund Balances:</b>				
<b>Reserved For:</b>				
Debt Service	-	-	30,194	5,517,795
Capital Projects	-	-	-	-
Purpose of Trust	-	-	-	-
<b>Unreserved Designated For:</b>				
Specific Purpose	62,897	2,970,907	-	-
Capital Projects	-	-	-	-
<b>Total Fund Balances</b>	<u>62,897</u>	<u>2,970,907</u>	<u>30,194</u>	<u>5,517,795</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 62,897</u>	<u>\$ 3,373,129</u>	<u>\$ 38,753</u>	<u>\$ 5,517,795</u>

Total Nonmajor Debt Service Funds	Permanent Improvement Fund	Lateral Road Fund	Right-of-Way Acquisition Fund	Texoma Succeeding Generations	Total Nonmajor Governmental Funds
\$ 5,547,232	\$ 879,859	\$ 170,500	\$ 9,112	\$ 65,506	\$ 9,423,841
9,316	17,306	-	-	-	26,622
-	-	-	-	-	223,305
-	-	-	-	-	398,192
<u>\$ 5,556,548</u>	<u>\$ 897,165</u>	<u>\$ 170,500</u>	<u>\$ 9,112</u>	<u>\$ 65,506</u>	<u>\$ 10,071,960</u>
\$ -	\$ -	\$ 4,220	\$ -	\$ -	\$ 400,069
-	-	-	-	-	5
-	-	-	-	-	2,954
8,559	16,282	-	-	-	26,925
-	-	-	-	-	1,330
<u>8,559</u>	<u>16,282</u>	<u>4,220</u>	<u>-</u>	<u>-</u>	<u>431,283</u>
5,547,989	-	-	-	-	5,547,989
-	-	-	9,112	-	9,112
-	-	-	-	65,506	65,506
-	-	-	-	-	2,970,907
-	880,883	166,280	-	-	1,047,163
<u>5,547,989</u>	<u>880,883</u>	<u>166,280</u>	<u>9,112</u>	<u>65,506</u>	<u>9,640,677</u>
<u>\$ 5,556,548</u>	<u>\$ 897,165</u>	<u>\$ 170,500</u>	<u>\$ 9,112</u>	<u>\$ 65,506</u>	<u>\$ 10,071,960</u>

GRAYSON COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Public Health Fund	Juvenile Boot Camp Fund	Employee Activity Fund	Holiday Lights Fund
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-	-
Licenses and Permits	253,864	-	-	-
Intergovernmental Revenue and Grants	617,774	297,701	-	-
Charges for Services	856,836	1,278,376	-	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment Earnings	12,453	9,157	442	1,567
Contributions & Donations from Private Sources	100,496	-	-	237,413
Other Revenue	10	-	11,553	-
Total Revenues	<u>1,841,433</u>	<u>1,585,234</u>	<u>11,995</u>	<u>238,980</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	-	6,367	59,417
Judicial	-	-	-	-
Elections	-	-	-	-
Public Safety	-	1,558,794	-	-
Highways and Streets	-	-	-	-
Health and Welfare	3,628,231	-	-	-
Debt Service:				
Debt Principal	-	-	-	-
Debt Interest	-	-	-	-
Miscellaneous Fees	-	-	-	-
Total Expenditures	<u>3,628,231</u>	<u>1,558,794</u>	<u>6,367</u>	<u>59,417</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,786,798)</u>	<u>26,440</u>	<u>5,628</u>	<u>179,563</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Capital-related Debt Issued (Regular Bonds)	-	-	-	-
Sale of Real and Personal Property	-	-	-	-
Transfers In	1,890,278	-	-	-
Premium or Discount on Issuance of Bonds	-	-	-	-
Transfers Out (Use)	<u>(329,453)</u>	<u>(33,219)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,560,825</u>	<u>(33,219)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(225,973)	(6,779)	5,628	179,563
Fund Balance - October 1 (Beginning)	<u>571,983</u>	<u>329,424</u>	<u>10,616</u>	<u>(182,919)</u>
Fund Balance - September 30 (Ending)	<u>\$ 346,010</u>	<u>\$ 322,645</u>	<u>\$ 16,244</u>	<u>\$ (3,356)</u>

Tax A/C S-I-T Penalty Fund	Courthouse Security Fund	Justice Court Bldg Security Fund	Justice Court Technology Fund	HAVA Funding	County Clerk Records Mgmt. Fund	County Clerk Records Archive Fund	County Clerk Vital Statistics
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	4,886	-	-	-	-
14,982	79,927	7,992	35,726	-	166,137	-	11,309
-	-	-	-	-	-	-	-
4,033	31,683	465	5,697	-	15,219	15,072	1,072
-	-	-	-	-	-	-	-
-	190	-	-	-	-	153,070	-
<u>19,015</u>	<u>111,800</u>	<u>8,457</u>	<u>46,309</u>	-	<u>181,356</u>	<u>168,142</u>	<u>12,381</u>
324	7,750	-	-	-	229,411	15,565	10,348
-	-	-	17,649	-	-	-	-
-	-	-	-	416	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	35,277	-	-
-	-	-	-	-	2,096	-	-
-	-	-	-	-	-	-	-
<u>324</u>	<u>7,750</u>	-	<u>17,649</u>	<u>416</u>	<u>266,784</u>	<u>15,565</u>	<u>10,348</u>
<u>18,691</u>	<u>104,050</u>	<u>8,457</u>	<u>28,660</u>	<u>(416)</u>	<u>(85,428)</u>	<u>152,577</u>	<u>2,033</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>18,691</u>	<u>104,050</u>	<u>8,457</u>	<u>28,660</u>	<u>(416)</u>	<u>(85,428)</u>	<u>152,577</u>	<u>2,033</u>
<u>71,050</u>	<u>550,781</u>	<u>5,320</u>	<u>104,678</u>	<u>(14,213)</u>	<u>271,552</u>	<u>219,514</u>	<u>21,314</u>
<u>\$ 89,741</u>	<u>\$ 654,831</u>	<u>\$ 13,777</u>	<u>\$ 133,338</u>	<u>\$ (14,629)</u>	<u>\$ 186,124</u>	<u>\$ 372,091</u>	<u>\$ 23,347</u>

GRAYSON COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	District Clerk Records Management	County Records Mgmt. Fund	Historical Commission Fund	Child Protective Services Fund
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	8,551	66,913	-	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment Earnings	-	7,176	594	-
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	<u>8,551</u>	<u>74,089</u>	<u>594</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	284	39,718	-	-
Judicial	-	-	-	-
Elections	-	-	-	-
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
Health and Welfare	-	-	-	6,472
Debt Service:				
Debt Principal	12,783	-	-	-
Debt Interest	759	-	-	-
Miscellaneous Fees	-	-	-	-
Total Expenditures	<u>13,826</u>	<u>39,718</u>	<u>-</u>	<u>6,472</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,275)</u>	<u>34,371</u>	<u>594</u>	<u>(6,472)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Capital-related Debt Issued (Regular Bonds)	-	-	-	-
Sale of Real and Personal Property	-	-	-	-
Transfers In	5,589	-	-	6,500
Premium or Discount on Issuance of Bonds	-	-	-	-
Transfers Out (Use)	-	(5,589)	-	-
Total Other Financing Sources (Uses)	<u>5,589</u>	<u>(5,589)</u>	<u>-</u>	<u>6,500</u>
Net Change in Fund Balance	314	28,782	594	28
Fund Balance - October 1 (Beginning)	-	115,001	12,754	2
Fund Balance - September 30 (Ending)	<u>\$ 314</u>	<u>\$ 143,783</u>	<u>\$ 13,348</u>	<u>\$ 30</u>

Court Reporter Service Fund	Drug Court Fund	Drug Court Donations Fund	Star Family Drug Court Fund	DA Hot Check Fund	DA Forfeiture Fund	Law Library Fund	DA State Supplement Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	121,995	33,978	-	-	-	31,546
-	-	-	-	-	-	89,578	-
-	-	-	-	-	52,528	-	-
-	246	-	-	-	930	3,218	-
-	2,150	-	-	-	-	23	-
31,500	-	-	-	115,798	-	11	-
<u>31,500</u>	<u>2,396</u>	<u>121,995</u>	<u>33,978</u>	<u>115,798</u>	<u>53,458</u>	<u>92,830</u>	<u>31,546</u>
-	-	-	-	-	-	-	-
31,500	572	121,880	43,182	144,751	42,246	107,281	31,937
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>31,500</u>	<u>572</u>	<u>121,880</u>	<u>43,182</u>	<u>144,751</u>	<u>42,246</u>	<u>107,281</u>	<u>31,937</u>
-	1,824	115	(9,204)	(28,953)	11,212	(14,451)	(391)
-	-	-	-	-	-	-	-
-	-	-	-	-	5,331	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	5,331	-	-
-	1,824	115	(9,204)	(28,953)	16,543	(14,451)	(391)
-	3,728	(6,875)	(280)	42,682	10,397	70,779	13,400
<u>\$ -</u>	<u>\$ 5,552</u>	<u>\$ (6,760)</u>	<u>\$ (9,484)</u>	<u>\$ 13,729</u>	<u>\$ 26,940</u>	<u>\$ 56,328</u>	<u>\$ 13,009</u>

GRAYSON COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	CJD Domestic Violence Grant	OAG Victim Coordinator Grant Fund	Law Enforcement Block Grant	COPS Meth Grant Fund
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	50,316	42,920	4,545	1,759
Charges for Services	-	-	-	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment Earnings	-	-	597	30
Contributions & Donations from Private Sources	13,860	-	-	-
Other Revenue	-	-	-	-
Total Revenues	<u>64,176</u>	<u>42,920</u>	<u>5,142</u>	<u>1,789</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	-	-	-
Judicial	78,083	46,949	-	-
Elections	-	-	-	-
Public Safety	-	-	-	1,800
Highways and Streets	-	-	-	-
Health and Welfare	-	-	-	-
Debt Service:				
Debt Principal	-	-	-	-
Debt Interest	-	-	-	-
Miscellaneous Fees	-	-	-	-
Total Expenditures	<u>78,083</u>	<u>46,949</u>	<u>-</u>	<u>1,800</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(13,907)</u>	<u>(4,029)</u>	<u>5,142</u>	<u>(11)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Capital-related Debt Issued (Regular Bonds)	-	-	-	-
Sale of Real and Personal Property	-	-	-	-
Transfers In	11,111	-	-	-
Premium or Discount on Issuance of Bonds	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>11,111</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(2,796)</u>	<u>(4,029)</u>	<u>5,142</u>	<u>(11)</u>
Fund Balance - October 1 (Beginning)	<u>(6,416)</u>	<u>(3,923)</u>	<u>9,067</u>	<u>11</u>
Fund Balance - September 30 (Ending)	<u>\$ (9,212)</u>	<u>\$ (7,952)</u>	<u>\$ 14,209</u>	<u>\$ -</u>

Homeland Security Fund	VINE Grant Fund	Sheriff Forfeiture Fund	Jail Commissary Fund	Federal Forfeiture Fund	Juvenile Detention Ctr Renovations	Title IV-E Federal Funds	Juvenile Probation Fees Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	30,108	10,000	-	-	-	172,884	-
-	-	-	55,392	-	-	-	-
-	-	48,730	-	-	-	-	19,585
-	-	6,758	2,672	788	-	7,691	1,511
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	30,108	65,488	58,064	788	-	180,575	21,096
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	30,108	42,119	56,062	508	33,219	113,942	1,999
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	30,108	42,119	56,062	508	33,219	113,942	1,999
-	-	23,369	2,002	280	(33,219)	66,633	19,097
-	-	-	-	-	-	-	-
-	-	1,066	-	-	-	-	-
762	-	-	-	-	33,219	-	-
-	-	-	-	-	-	-	-
762	-	1,066	-	-	33,219	-	-
762	-	24,435	2,002	280	-	66,633	19,097
(762)	54	137,751	59,585	16,129	-	167,077	20,970
\$ -	\$ 54	\$ 162,186	\$ 61,587	\$ 16,409	\$ -	\$ 233,710	\$ 40,067



GRAYSON COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Juvenile Case Manager Fees Fund	Nonmajor Special Revenue Funds	2003 Refunding Bonds Fund	State Highway 289 Bonds Fund
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ 119,332	\$ -
Penalty and Interest on Taxes	-	-	2,030	-
Licenses and Permits	-	253,864	-	-
Intergovernmental Revenue and Grants	-	1,420,412	-	-
Charges for Services	-	2,656,737	-	-
Fines	39,700	74,267	-	-
Forfeits	-	101,258	-	-
Investment Earnings	1,958	131,029	4,046	198,069
Contributions & Donations from Private Sources	-	353,942	-	-
Other Revenue	-	312,132	-	-
Total Revenues	<u>41,658</u>	<u>5,303,641</u>	<u>125,408</u>	<u>198,069</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	-	369,184	-	814,765
Judicial	-	666,030	-	-
Elections	-	416	-	-
Public Safety	-	1,838,551	-	-
Highways and Streets	-	-	-	-
Health and Welfare	-	3,634,703	-	-
Debt Service:				
Debt Principal	-	48,060	110,000	-
Debt Interest	-	2,855	46,778	993,800
Miscellaneous Fees	-	-	299	-
Total Expenditures	-	<u>6,559,799</u>	<u>157,077</u>	<u>1,808,565</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>41,658</u>	<u>(1,256,158)</u>	<u>(31,669)</u>	<u>(1,610,496)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Capital-related Debt Issued (Regular Bonds)	-	-	-	6,725,000
Sale of Real and Personal Property	-	6,397	-	-
Transfers In	-	1,947,459	-	-
Premium or Discount on Issuance of Bonds	-	-	-	403,291
Transfers Out (Use)	-	(368,261)	-	-
Total Other Financing Sources (Uses)	-	<u>1,585,595</u>	-	<u>7,128,291</u>
Net Change in Fund Balance	41,658	329,437	(31,669)	5,517,795
Fund Balance - October 1 (Beginning)	21,239	2,641,470	61,863	-
Fund Balance - September 30 (Ending)	<u>\$ 62,897</u>	<u>\$ 2,970,907</u>	<u>\$ 30,194</u>	<u>\$ 5,517,795</u>

Total Nonmajor Debt Service Funds	Permanent Improvement Fund	Lateral Road Fund	Right-of-Way Acquisition Fund	Texoma Succeeding Generations	Total Nonmajor Governmental Funds
\$ 119,332	\$ 109,132	\$ -	\$ -	\$ -	\$ 228,464
2,030	3,862	-	-	-	5,892
-	-	-	-	-	253,864
-	-	71,313	-	-	1,491,725
-	-	-	-	-	2,656,737
-	-	-	-	-	74,267
-	-	-	-	-	101,258
202,115	43,080	9,144	33,421	3,139	421,928
-	-	-	-	-	353,942
-	-	-	-	-	312,132
<u>323,477</u>	<u>156,074</u>	<u>80,457</u>	<u>33,421</u>	<u>3,139</u>	<u>5,900,209</u>
814,765	24,978	-	-	-	1,208,927
-	-	-	-	-	666,030
-	-	-	-	-	416
-	-	-	-	-	1,838,551
-	-	44,130	1,315,749	-	1,359,879
-	-	-	-	-	3,634,703
110,000	-	-	-	-	158,060
1,040,578	-	-	-	-	1,043,433
299	-	-	-	-	299
<u>1,965,642</u>	<u>24,978</u>	<u>44,130</u>	<u>1,315,749</u>	<u>-</u>	<u>9,910,298</u>
<u>(1,642,165)</u>	<u>131,096</u>	<u>36,327</u>	<u>(1,282,328)</u>	<u>3,139</u>	<u>(4,010,089)</u>
6,725,000	-	-	-	-	6,725,000
-	7,657	-	-	-	14,054
-	-	-	-	-	1,947,459
403,291	-	-	-	-	403,291
-	-	-	(2,600,000)	-	(2,968,261)
<u>7,128,291</u>	<u>7,657</u>	<u>-</u>	<u>(2,600,000)</u>	<u>-</u>	<u>6,121,543</u>
5,486,126	138,753	36,327	(3,882,328)	3,139	2,111,454
61,863	742,130	129,953	3,891,440	62,367	7,529,223
<u>\$ 5,547,989</u>	<u>\$ 880,883</u>	<u>\$ 166,280</u>	<u>\$ 9,112</u>	<u>\$ 65,506</u>	<u>\$ 9,640,677</u>

## **FIDUCIARY FUNDS**

**GRAYSON COUNTY, TEXAS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2007**

Agency Funds are used to account for the assets held by the County as an agent for individuals, private organizations, and other governments.

**State Court Costs and Arrest Fees Fund** - To account for collections of the various court costs and arrest fees, as established by the State of Texas. Funds collected are remitted to the State on a quarterly basis. The County is generally allowed to retain ten percent of the funds collected as a service fee and all interest earned on the funds.

**Appellate Justice System Fund** - To account for the collections of this court cost. Funds collected are to be used to assist the Court of Appeals in the administration of the judicial appellate process.

**Seized Funds** - Collections that are held in trust until awarded by the courts and remitted to the appropriate state, county, or individual.

**Adult Probation Restitution Fund**- This is a departmental fund used by the Adult Probation Department to account for collections from probationers for fines, probation fees, court costs, probationer support and restitution. All such collections are subsequently remitted to the appropriate individual, County official or County fund.

**District Attorney Bad Check Victims Fund** - Collections by the County Attorney for hot checks are accounted for in the County Attorney Bad Check Victims account. Collections are subsequently remitted to the appropriate person or entity.

**Tax Assessor Collector Fund** - To account for the collections of various taxes for other governments and Grayson County. The County is allowed to retain a percentage of taxes collected for other governments as a collection fee.

**Sheriff Law Enforcement Operating Fund** - The Sheriff Operating Fund accounts for fee collections by the Sheriff Department, which are reportable to the County Treasurer.

**Sheriff Bonds Fund** - This fund is to account for bond money collected by the Sheriff. Bond money is held in trust for felony cases recorded by the District Clerk pending court-ordered disbursement.

**County Clerk Trust Fund** - Maintained by the County Clerk, this fund accounts for funds held by the Clerk which are payable to the State for fees collected as well as trust money held in non-interest bearing accounts or investments for civil cases before the County Court or County Court-at-Law. Disbursements are made upon disposition of the cases by court order.

**District Clerk Trust Fund** - This trust fund maintained by the District Clerk accounts for funds paid to the Clerk by the State Comptroller being held pending determination of use, as well as cash and investments held pending disposition of civil cases before the District Courts.

**Jail Inmate Trust Fund** - This account is money held by the Sheriff for inmates of the jail. The funds are held until the inmate is released or transferred.

GRAYSON COUNTY, TEXAS  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Agency Funds			
	State Court Costs and Arrest Fees	Appellate Justice System	Seized Funds	Adult Probation Restitution
<b>ASSETS</b>				
Cash and investments	\$ 321,062	\$ 9,936	\$ 161,308	\$ 233,789
Accounts receivable	1,501	-	-	-
Total assets	<u>\$ 322,563</u>	<u>\$ 9,936</u>	<u>\$ 161,308</u>	<u>\$ 233,789</u>
<b>LIABILITIES</b>				
Due to other agencies and individuals	<u>\$ 322,563</u>	<u>\$ 9,936</u>	<u>\$ 161,308</u>	<u>\$ 233,789</u>
Total liabilities	<u>\$ 322,563</u>	<u>\$ 9,936</u>	<u>\$ 161,308</u>	<u>\$ 233,789</u>

Agency Funds

District Attorney Bad Check Trust	Tax Assessor Collector	Sheriff Law Enforcement Operating	Sheriff Bonds	County Clerk Trust	District Clerk Trust
\$ 19,286	\$ 1,708,537	\$ 6,821	\$ 361,120	\$ 1,711,004	\$ 3,271,105
-	-	-	-	-	-
<u>\$ 19,286</u>	<u>\$ 1,708,537</u>	<u>\$ 6,821</u>	<u>\$ 361,120</u>	<u>\$ 1,711,004</u>	<u>\$ 3,271,105</u>
<u>\$ 19,286</u>	<u>\$ 1,708,537</u>	<u>\$ 6,821</u>	<u>\$ 361,120</u>	<u>\$ 1,711,004</u>	<u>\$ 3,271,105</u>
<u>\$ 19,286</u>	<u>\$ 1,708,537</u>	<u>\$ 6,821</u>	<u>\$ 361,120</u>	<u>\$ 1,711,004</u>	<u>\$ 3,271,105</u>

GRAYSON COUNTY, TEXAS  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Agency Funds	
	Jail Inmate Trust	Total
<b>ASSETS</b>		
Cash and investments	\$ 52,068	\$ 7,856,036
Accounts receivable	-	1,501
	\$ 52,068	\$ 7,857,537
<b>Total assets</b>	<b>\$ 52,068</b>	<b>\$ 7,857,537</b>
<b>LIABILITIES</b>		
Due to other agencies and individuals	\$ 52,068	\$ 7,857,537
	\$ 52,068	\$ 7,857,537
<b>Total liabilities</b>	<b>\$ 52,068</b>	<b>\$ 7,857,537</b>

**OTHER INFORMATION REQUIRED BY GAO**





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

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Fort Worth, Texas  
76102-4702

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

We have audited the financial statements of Grayson County, Texas (the "County") as of and for the year ended September 30, 2007, and have issued our report thereon dated June 11, 2008. 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 County'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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

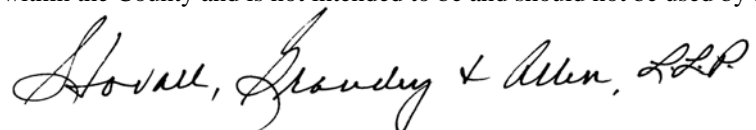
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies 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 County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 management, the Commissioners' Court and others within the County and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Stovall, Grandey & Allen, LLP".

STOVALL, GRANDEY & ALLEN, LLP

Fort Worth, Texas

June 11, 2008



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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Suite 900  
Fort Worth, Texas  
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To the Honorable Judge and  
Members of the Commissioners' Court of  
Grayson County, Texas

Compliance

We have audited the compliance of Grayson County, (the "County"), with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

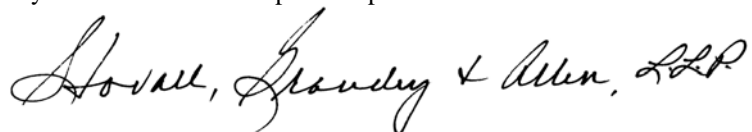
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of and for the year ended September 30, 2007, and have issued our report thereon dated June 11, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the County's trustees, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



STOVALL, GRANDEY & ALLEN, LLP  
Fort Worth, Texas  
June 11, 2008

**GRAYSON COUNTY, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<u>Passed through Texas Department of Health:</u>		
Special Supplemental Food Program for Women, Infants and Children (WIC)	10.557	\$ 505,664
Total Passed through Texas Department of Health		<u>505,664</u>
<u>Passed through the Texas Department of Agriculture:</u>		
National School Lunch Program	10.555	80,088
Total Passed through the Texas Department of Agriculture		<u>80,088</u>
<b>Total U.S. Department of Agriculture</b>		<u>585,752</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>		
<u>Direct Programs:</u>		
State Criminal Alien Assistance Program	16.606	56,653
Total Direct Programs		<u>56,653</u>
<u>Passed through Office of the Governor, Criminal Justice Division:</u>		
Juvenile Accountability Block Grant	16.523	1,759
STAR Drug Court Program	16.738	165,062
Violence Against Women Act	16.588	50,316
Total Passed through Office of the Governor, Criminal Justice Division		<u>217,137</u>
<u>Passed through Office of the Attorney General:</u>		
Victim Coordinator and Liaison Grant	16.576	42,920
Total Passed through Office of the Attorney General		<u>42,920</u>
<b>Total U.S. Department of Justice</b>		<u>316,710</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>		
<u>Passed through Texas Department of Transportation:</u>		
Airport Maintenance Program	20.106	226,547
Highway Planning and Construction	20.205	6,660,222
Total Passed through Texas Department of Transportation		<u>6,886,769</u>
<b>Total U.S. Department of Transportation</b>		<u>6,886,769</u>

**GRAYSON COUNTY, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007, continued**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
<u>Passed through Texas Department of Health:</u>		
Title V, Part A - Maternal and Child Health Programs	93.110	\$ 66,925
Title XX - Family Planning - Social Services Block Grant	93.667	112,776
Medicaid - Title XIX - Medical Assistance Program	93.778	30,978
Preventive Health Services Block Grant	93.991	123,927
Immunization Grant	93.268	52,175
OPHP/Bioterrorism Grant	93.283	226,829
Total Passed through Texas Department of Health		<u>613,610</u>
<u>Passed through Texas Juvenile Probation Commission:</u>		
Title IV-E - Foster Care	93.658	87,666
Total Passed through Texas Juvenile Probation Commission		<u>87,666</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>701,276</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>		
<u>Passed through the Texas Department of Public Safety,</u>		
<u>Division of Emergency Management:</u>		
Disaster Grants - Public Assistance	97.036	252,430
Total Passed through the Texas Department of Public Safety, Division of Emergency Management		<u>252,430</u>
<b>Total U.S. Department of Homeland Security</b>		<u>252,430</u>
<b>Total Federal Expenditures</b>		<u>\$ 8,742,937</u>

**GRAYSON COUNTY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**GENERAL**

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards programs of Grayson County. The County's reporting entity is defined in Note I of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

**BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note I of the financial statements.

**GRAYSON COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**Type of Report on Financial Statements**

Unqualified

**Reportable Conditions**

None

**Noncompliance Material to the Financial Statements**

None

**Type of Report on Compliance with Major Programs**

Unqualified opinion

**Findings and Questioned Costs for Federal Awards as defined in Section \_\_.510(a), OMB A-133**

None

**Dollar Threshold Considered Between Type A and Type B Federal Programs**

\$300,000

**Low Risk Auditee Statements**

The County was classified as a low-risk auditee in the context of OMB Circular A-133

**Major Federal Programs**

Program	CFDA No.	Pass Through Agency
Highway Planning and Construction	20.205	Texas Department of Transportation



**GRAYSON COUNTY  
SCHEDULE OF PRIOR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**There were no prior findings**