

GRAYSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2017**

GRAYSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

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GRAYSON COUNTY, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2017

COMMISSIONERS' COURT

Bill Magers	County Judge
Jeff Whitmire	Commissioner, Precinct #1
David Whitlock	Commissioner, Precinct #2
Phyllis James	Commissioner, Precinct #3
Bart Lawrence	Commissioner, Precinct #4

JUDICIAL

Brian Gary	Judge, 397th District Court
James P. Fallon	Judge, 15th District Court
Rayburn Nall	Judge, 59th District Court
James Henderson	Judge, County Court-at-Law #1
Carol Siebman	Judge, County Court-at-Law #2

LAW ENFORCEMENT

Tom Watt	County Sheriff
Joseph D. Brown	District Attorney
Alan Brown*	Chief Adult Probation Officer
Bill Bristow*	Chief Juvenile Probation Officer

FINANCIAL ADMINISTRATION

J. Richey Rivers*	County Auditor
Gayla Hawkins	County Treasurer
Bruce Stidham	Tax Assessor/Collector

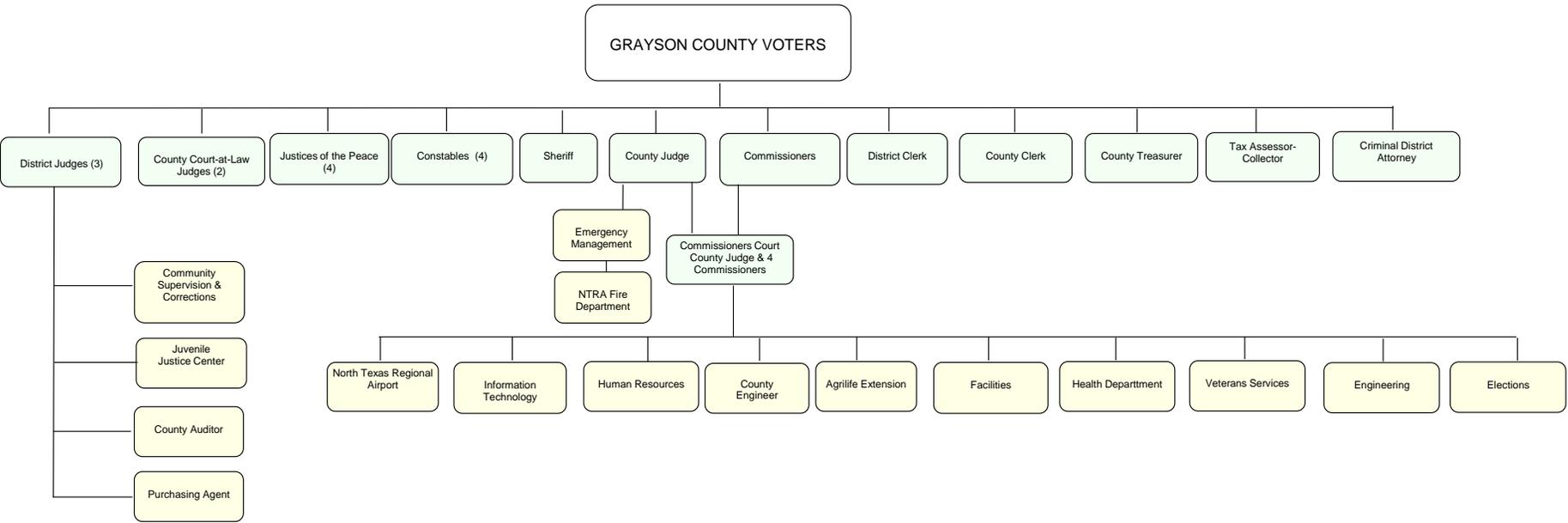
RECORDING OFFICIALS

Kelly Ashmore	District Clerk
Wilma Bush	County Clerk

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

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GRAYSON COUNTY ORGANIZATION CHART



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FINANCIAL SECTION

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P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Grayson County, Texas as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Grayson County, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grayson County, Texas, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information and the schedule of funding progress for other post-employment benefits on pages 4 through 13 and 57 through 66, respectively, to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtain during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for purposes of forming opinions on the financial statements that collectively comprise Grayson County's basic financial statement. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2018, on our consideration of the Grayson County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Grayson County's internal control over financial reporting and compliance.

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

Waco, Texas
June 15, 2018

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of Grayson County, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2017.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Grayson County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$65.3 million (net position).
- The County's total net position decreased by \$7.3 million.
- As of the close of the current fiscal year, Grayson County's governmental funds reported combined ending fund balances of \$32.9 million, a decrease of \$1.0 million in comparison with the prior year. Of the total fund balance, \$16.9 million is available for spending at the government's discretion as unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$18.7 million, or 47.1% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to Grayson County's basic financial statements. The County's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and 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 the County's finances in a manner similar to private-sector business. The analysis of the County's overall financial condition and operations begins on page 14. Its primary purpose is to show whether the County is better or worse off as a result of the year's activities.

The *Statement of Net Position* presents information on all of the County's assets, deferred outflows/inflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is changing.

The *Statement of Activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in 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 the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, judicial and legal, highways and streets, and health and welfare. The business-type activity of the County is the operation of an airport.

The government-wide financial statements can be found on pages 14 – 16 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. The 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 near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 48 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, State Highway 289 Bonds Fund, the Right-of-Way Acquisition Fund, and the Permanent Improvements Fund, all of which are considered to be major funds. Data from the other 43 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its major funds. Budgetary comparison schedules have been provided for the General Fund and major Special Revenue Funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17 – 22 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 23 – 26 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements on pages 28 – 56 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 57 – 66 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$65.3 million as of September 30, 2017, a decrease of \$7.3 million as compared with the previous fiscal year.

By far, the largest portion of Grayson County's net position (\$44.5 million or 68.1% 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 POSITION

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 91,281,256	\$ 94,766,160	\$ 296,491	\$ 336,863	\$ 91,577,747	\$ 95,103,023
Capital assets	<u>28,205,928</u>	<u>29,521,103</u>	<u>16,412,996</u>	<u>16,985,527</u>	<u>44,618,924</u>	<u>46,506,630</u>
Total assets	<u>119,487,184</u>	<u>124,287,263</u>	<u>16,709,487</u>	<u>17,322,390</u>	<u>136,196,671</u>	<u>141,609,653</u>
Deferred outflows of resources	<u>10,527,493</u>	<u>12,109,794</u>	<u>83,968</u>	<u>96,406</u>	<u>10,611,461</u>	<u>12,206,200</u>
Current liabilities	11,319,228	8,851,079	24,943	68,223	11,344,171	8,919,302
Long-term liabilities	<u>69,443,283</u>	<u>71,400,018</u>	<u>294,495</u>	<u>274,571</u>	<u>69,737,778</u>	<u>71,674,589</u>
Total liabilities	<u>80,762,511</u>	<u>80,251,097</u>	<u>319,438</u>	<u>342,794</u>	<u>81,081,949</u>	<u>80,593,891</u>
Deferred inflows of resources	<u>445,548</u>	<u>627,511</u>	<u>4,546</u>	<u>6,469</u>	<u>450,094</u>	<u>633,980</u>
Net position:						
Net investment in						
capital assets	28,046,641	29,285,459	16,412,996	16,985,527	44,459,637	46,270,986
Restricted	15,498,668	17,319,584	-	-	15,498,668	17,319,584
Unrestricted	<u>5,261,309</u>	<u>8,913,406</u>	<u>56,475</u>	<u>84,006</u>	<u>5,317,784</u>	<u>8,997,412</u>
Total net position	<u>\$ 48,806,618</u>	<u>\$ 55,518,449</u>	<u>\$ 16,469,471</u>	<u>\$ 17,069,533</u>	<u>\$ 65,276,089</u>	<u>\$ 72,587,982</u>

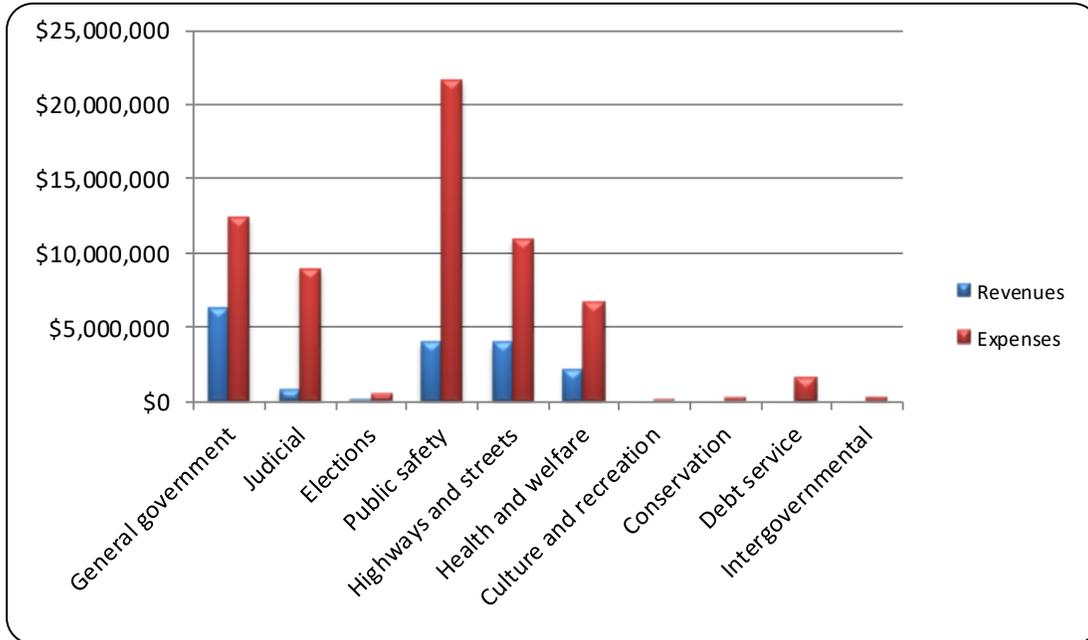
The County's expenses exceeded revenues by \$7.3 million during the current fiscal year. Changes in net position are summarized as follows:

GRAYSON COUNTY, TEXAS' CHANGES IN NET POSITION

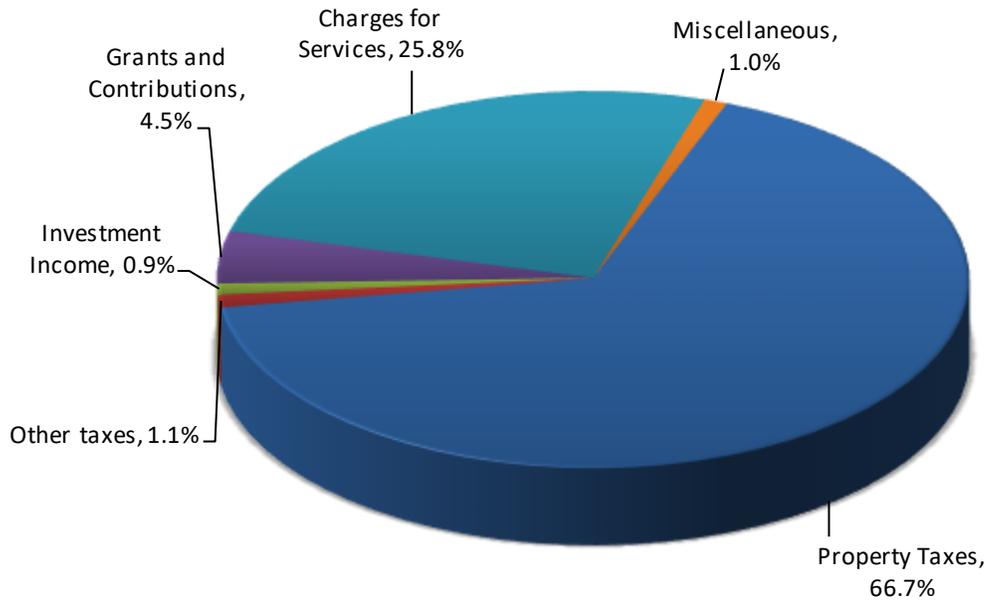
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 14,590,464	\$ 14,197,812	\$ 1,009,034	\$ 992,047	\$ 15,599,498	\$ 15,189,859
Operating grants and contributions	2,543,488	2,224,746	50,000	55,768	2,593,488	2,280,514
General revenues:						
Property taxes	37,695,923	35,516,158	-	-	37,695,923	35,516,158
Other taxes	619,449	691,454	-	-	619,449	691,454
Miscellaneous	531,966	657,203	8,225	8,053	540,191	665,256
Investment earnings	528,438	201,218	2,422	1,492	530,860	202,710
Insurance proceeds	36,629	59,926	65,951	21,436	102,580	81,362
Total revenues	<u>56,546,357</u>	<u>53,548,517</u>	<u>1,135,632</u>	<u>1,078,796</u>	<u>57,681,989</u>	<u>54,627,313</u>
Expenses:						
General government	12,411,401	8,994,748	-	-	12,411,401	8,994,748
Judicial	8,957,385	8,880,182	-	-	8,957,385	8,880,182
Elections	472,067	555,242	-	-	472,067	555,242
Public safety	21,612,959	20,093,836	-	-	21,612,959	20,093,836
Health and welfare	10,934,112	10,500,474	-	-	10,934,112	10,500,474
Highways and streets	6,581,254	6,512,107	-	-	6,581,254	6,512,107
Culture and recreation	142,118	135,900	-	-	142,118	135,900
Conservation and development	262,775	176,137	-	-	262,775	176,137
Interest on long-term debt	1,607,959	1,680,786	-	-	1,607,959	1,680,786
Intergovernmental	276,158	194,885	-	-	276,158	194,885
Airport	-	-	1,735,694	1,668,646	1,735,694	1,668,646
Total expenses	<u>63,258,188</u>	<u>57,724,297</u>	<u>1,735,694</u>	<u>1,668,646</u>	<u>64,993,882</u>	<u>59,392,943</u>
Increases in net position before transfers						
	(6,711,831)	(4,175,780)	(600,062)	(589,850)	(7,311,893)	(4,765,630)
Transfers						
	-	(228,868)	-	228,868	-	-
Change in net position						
	(6,711,831)	(4,404,648)	(600,062)	(360,982)	(7,311,893)	(4,765,630)
Net position, beginning						
	<u>55,518,449</u>	<u>59,923,097</u>	<u>17,069,533</u>	<u>17,430,515</u>	<u>72,587,982</u>	<u>77,353,612</u>
Net position, ending						
	<u>\$ 48,806,618</u>	<u>\$ 55,518,449</u>	<u>\$ 16,469,471</u>	<u>\$ 17,069,533</u>	<u>\$ 65,276,089</u>	<u>\$ 72,587,982</u>

Property tax revenues accounted for approximately 66.7% percent of revenues for governmental activities. The next largest segment of revenues came from charges for services, which accounted for 25.8% percent of total governmental revenues, with grants and contributions accounting for approximately 4.5% percent of total governmental revenues.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

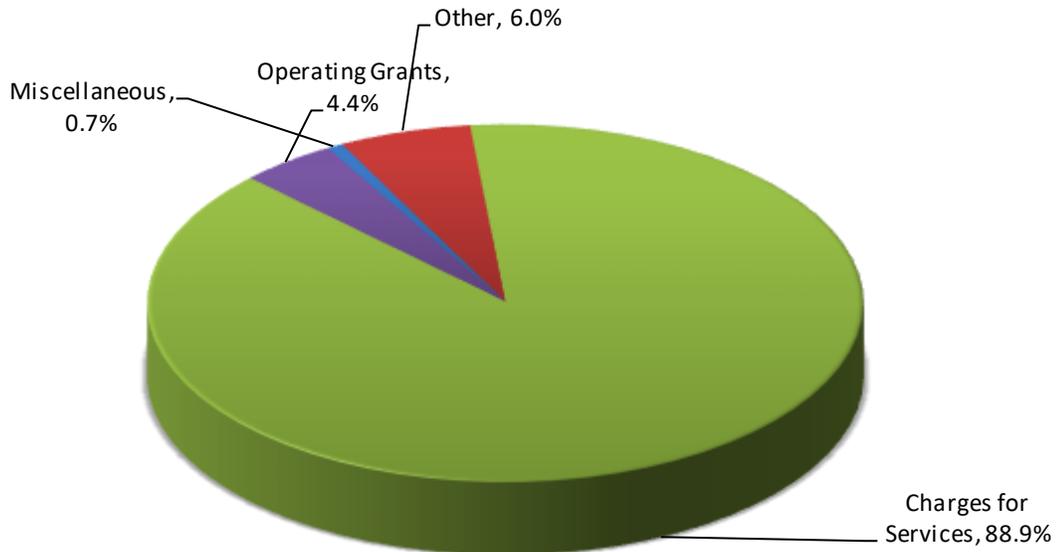


Government Activities

The County’s total governmental net position decreased by \$6.7 in comparison with the prior fiscal year’s decrease of \$4.4 million. The total cost of all governmental activities this year was \$63.3 million, an increase of 9.6% over the prior fiscal year. The amount that our taxpayers paid for these activities through property taxes was \$37.7 million or 59.6% of total governmental expenses. The next largest segment of revenues came from charges for services, which accounted for \$14.6 million or 23.1% of total governmental expenses.

Business-type Activities

The business-type activity of the County is the operations of a regional airport. Approximately 88.9% of airport revenue is generated by tenant payments for rental of industrial and aircraft facilities. Operating grants comprise another 4.4%.



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental Funds

The focus on 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 the 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 \$32.9 million, a decrease of approximately \$1.0 million in comparison with the prior year. Approximately 51.3% percent of this total amount (\$16.9 million) constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately \$5.1 million is restricted for construction and other purposes. The remainder of fund balance is restricted to indicate that it is not available for new spending because it is restricted to pay nonspendable items (\$712 thousand), road and bridge expenditures (\$5.2 million), special revenue expenditures (\$3.9 million) or fund a special purpose trust (\$71 thousand).

The General Fund is the chief operating fund of Grayson County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$18.7 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. At September 30, 2017, unassigned fund balance represents 47.1% of the total General Fund expenditures.

The fund balance of the County's General Fund increased by \$1.1 million during the current fiscal year. The increase resulted primarily from cost control in departmental budgets and increased revenue collection.

Grayson County maintains four road and bridge budgetary funds that are combined for financial statement reporting purposes. Each of the four funds is segregated for each of the four road and bridge precincts. The combined fund balance at September 30, 2017, is \$4.8 million, which is fully restricted for road construction purposes. The road and bridge precinct fund balances decreased \$626,282 during the fiscal year 2017.

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 position of the Airport at the end of the year amounted to \$56,475. The total decrease in net position for the fund was \$600,062. 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 represent a net increase of \$328 thousand in appropriations. This was due to increased needs in the Judicial Department.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Grayson County's investment in capital assets as of September 30, 2017, amounts to \$44.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, and bridges.

The County added several pieces of equipment such as a chipspreader, several trucks, and sheriff's office vehicles with police packages for fiscal year 2017.

GRAYSON COUNTY'S CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,371,954	\$ 1,371,954	\$ 2,829,106	\$ 2,829,106	\$ 4,201,060	\$ 4,201,060
Construction in progress	362,047	-	-	-	362,047	-
Infrastructure	10,499,443	11,613,335	11,750,025	12,244,335	22,249,468	23,857,670
Buildings	11,692,200	12,357,864	1,644,691	1,750,282	13,336,891	14,108,146
Improvements other than buildings	65,464	106,317	176	1,762	65,640	108,079
Machinery and equipment	4,214,820	4,071,633	188,998	160,042	4,403,818	4,231,675
Total capital assets	<u>\$ 28,205,928</u>	<u>\$ 29,521,103</u>	<u>\$ 16,412,996</u>	<u>\$ 16,985,527</u>	<u>\$ 44,618,924</u>	<u>\$ 46,506,630</u>

Additional information regarding the County's capital assets can be found in Note III on pages 42 – 43 of this report.

Long-term Debt

At the end of the current fiscal year, Grayson County had total bonded debt of \$40.3 million. A small 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 using pass-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.

GRAYSON COUNTY'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Pass-through Toll Revenue Bonds payable	\$ 40,265,000	\$ 43,850,000	\$ -	\$ -	\$ 40,265,000	\$ 43,850,000
Premium on Pass-through Toll Bonds	3,209,324	3,697,897	-	-	3,209,324	3,697,897
Capital lease	159,287	235,644	-	-	159,287	235,644
Compensated absences payable	1,252,111	1,168,104	8,383	8,412	1,260,494	1,176,516
Net Pension Liability	10,359,982	9,841,973	105,714	101,464	10,465,696	9,943,437
Net OPEB obligation	18,837,707	17,048,356	182,494	166,798	19,020,201	17,215,154
	<u>\$ 74,083,411</u>	<u>\$ 75,841,974</u>	<u>\$ 296,591</u>	<u>\$ 276,674</u>	<u>\$ 74,380,002</u>	<u>\$ 76,118,648</u>

In 2007, Grayson County issued \$63,725,000 of Pass-through Toll Revenue and Limited Tax Bonds. 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. In 2012 and 2013, a portion of the debt was refunded to take advantage of favorable interest rates. At September 30, 2017, the total remaining debt was \$40,265,000.

Additional information on Grayson County's long-term debt can be found in Note III on pages 43 – 46 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for Grayson County on September 30, 2017, is 3.2 percent, which is less than the rate of 4.0 percent a year ago. This rate is lower than the state's average unemployment rate of 4.0 percent, and lower than the national average of 4.1 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.
- Grayson County is anticipating an expanding of the tax base in 2018.
- During the current fiscal year, unassigned fund balance in the General Fund increased to \$18.7 million.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the 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**

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GRAYSON COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and investments	\$ 35,195,799	\$ 254,939	\$ 35,450,738
Receivables (net of allowance for uncollectibles)	5,446,179	3,547	5,449,726
Intergovernmental receivable	49,916,053	-	49,916,053
Prepaid items	711,841	38,005	749,846
Inventory	11,384	-	11,384
Capital assets:			
Land	1,371,954	2,829,106	4,201,060
Construction in progress	362,047	-	362,047
Infrastructure	101,266,674	29,447,530	130,714,204
Buildings	29,432,047	6,186,486	35,618,533
Improvements other than buildings	911,654	24,389	936,043
Machinery and equipment	20,782,748	405,117	21,187,865
Accumulated depreciation	(125,921,196)	(22,479,632)	(148,400,828)
Total assets	<u>119,487,184</u>	<u>16,709,487</u>	<u>136,196,671</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	2,298,675	-	2,298,675
Deferred outflows related to pensions	8,228,818	83,968	8,312,786
Total deferred outflows of resources	<u>10,527,493</u>	<u>83,968</u>	<u>10,611,461</u>
LIABILITIES			
Accounts payable	851,818	14,497	866,315
Intergovernmental payable	4,772,381	-	4,772,381
Accrued interest payable	400,268	-	400,268
Accrued wages payable	576,033	5,161	581,194
Security deposits payable	-	3,189	3,189
Unearned revenue	78,600	-	78,600
Noncurrent liabilities:			
Due within one year	4,640,128	2,096	4,642,224
Due in more than one year	69,443,283	294,495	69,737,778
Total liabilities	<u>80,762,511</u>	<u>319,438</u>	<u>81,081,949</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	445,548	4,546	450,094
Total deferred inflows of resources	<u>445,548</u>	<u>4,546</u>	<u>450,094</u>
NET POSITION			
Net investment in capital assets	28,046,641	16,412,996	44,459,637
Restricted for:			
Debt service	245,197	-	245,197
Capital projects	5,118,751	-	5,118,751
Road and bridge	5,487,485	-	5,487,485
Public health	1,124,482	-	1,124,482
Juvenile services	721,787	-	721,787
Election administration	571,301	-	571,301
Emergency management	93,748	-	93,748
Records management	915,799	-	915,799
Court security and technology	119,867	-	119,867
Tax accessor-collector operations	114,443	-	114,443
Law enforcement	111,389	-	111,389
Inmate welfare	273,773	-	273,773
Court management	276,129	-	276,129
Purpose of trust	70,779	-	70,779
Other	253,738	-	253,738
Unrestricted	5,261,309	56,475	5,317,784
Total net position	<u>\$ 48,806,618</u>	<u>\$ 16,469,471</u>	<u>\$ 65,276,089</u>

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

GRAYSON COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities:			
General government	\$ 12,411,401	\$ 4,894,434	\$ 1,333,069
Judicial	8,957,385	664,635	108,762
Elections	472,067	-	115,196
Public safety	21,612,959	3,330,899	661,433
Highways and streets	10,934,112	3,804,153	96,940
Health and welfare	6,581,254	1,896,343	228,088
Culture and recreation	142,118	-	-
Conservation and development	262,775	-	-
Bond interest	1,607,959	-	-
Intergovernmental	276,158	-	-
Total governmental activities	63,258,188	14,590,464	2,543,488
Business-type activities:			
Grayson County Airport	1,735,694	1,009,034	50,000
Total business-type activities	1,735,694	1,009,034	50,000
Total primary government	\$ 64,993,882	\$ 15,599,498	\$ 2,593,488
General revenues:			
Taxes:			
Property taxes, levied for general purposes			
Property taxes, levied for debt service			
Other taxes			
Penalty and interest			
Miscellaneous revenue			
Investment earnings			
Insurance recoveries			
Total general revenues and transfers			
Change in net position			
Net position - beginning			
Net position - ending			

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

Net (Expense) Revenue and Changes in Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$(6,183,898)	\$ -	\$(6,183,898)
(8,183,988)	-	(8,183,988)
(356,871)	-	(356,871)
(17,620,627)	-	(17,620,627)
(7,033,019)	-	(7,033,019)
(4,456,823)	-	(4,456,823)
(142,118)	-	(142,118)
(262,775)	-	(262,775)
(1,607,959)	-	(1,607,959)
(276,158)	-	(276,158)
<u>(46,124,236)</u>	<u>-</u>	<u>(46,124,236)</u>
-	(676,660)	(676,660)
-	(676,660)	(676,660)
(46,124,236)	(676,660)	(46,800,896)
37,592,729	-	37,592,729
103,194	-	103,194
231,056	-	231,056
388,393	-	388,393
531,966	8,225	540,191
528,438	2,422	530,860
<u>36,629</u>	<u>65,951</u>	<u>102,580</u>
<u>39,412,405</u>	<u>76,598</u>	<u>39,489,003</u>
(6,711,831)	(600,062)	(7,311,893)
<u>55,518,449</u>	<u>17,069,533</u>	<u>72,587,982</u>
<u>\$ 48,806,618</u>	<u>\$ 16,469,471</u>	<u>\$ 65,276,089</u>

GRAYSON COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General	Road and Bridge	State Highway 289 Bonds
ASSETS			
Cash and investments	\$ 20,038,258	\$ 4,882,712	\$ 245,197
Taxes receivable	2,041,619	215,680	-
Receivables (net of allowances for uncollectibles)	464,506	886,674	-
Intergovernmental receivables	1,973,205	87,124	47,534,625
Due from other funds	22,515	-	-
Prepaid items	703,167	-	-
Inventory	11,384	-	-
Total assets	25,254,654	6,072,190	47,779,822
LIABILITIES			
Accounts payable	408,054	71,937	-
Accrued wages payable	422,276	61,769	-
Intergovernmental payable	2,941,470	-	-
Due to other funds	-	-	-
Unearned revenue	3,600	75,000	-
Total liabilities	3,775,400	208,706	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	1,864,192	194,968	-
Unavailable revenue-court fines	156,310	876,351	-
Unavailable revenue-TXDOT revenue	-	-	47,534,625
Total deferred inflows of resources	2,020,502	1,071,319	47,534,625
Fund balances:			
Nonspendable:			
Prepaid items	703,167	-	-
Inventory	11,384	-	-
Restricted for:			
Public health	-	-	-
Juvenile services	-	-	-
Election administration	-	-	-
Emergency management	-	-	-
Records management	-	-	-
Holiday lights	-	-	-
Court security and technology	-	-	-
Tax accessor-collector operations	-	-	-
Historical commission	-	-	-
District attorney operations	-	-	-
Law enforcement	-	-	-
Inmate welfare	-	-	-
Court management	-	-	-
Road and bridge	-	4,792,165	-
Debt service	-	-	245,197
Capital projects	-	-	-
Purpose of trust	-	-	-
Other	-	-	-
Unassigned:	18,744,201	-	-
Total fund balances	19,458,752	4,792,165	245,197
Total liabilities, fund balances, and deferred inflows of resources	\$ 25,254,654	\$ 6,072,190	\$ 47,779,822

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

<u>Right-of-Way Acquisition</u>	<u>Permanent Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental</u>
\$ 4,466,698	\$ 732,692	\$ 4,830,242	\$ 35,195,799
-	6,554	-	2,263,853
-	-	469,989	1,821,169
-	-	321,099	49,916,053
-	-	-	22,515
-	-	8,674	711,841
-	-	-	11,384
4,466,698	739,246	5,630,004	89,942,614
-	148,645	223,182	851,818
-	-	91,988	576,033
-	-	1,830,911	4,772,381
-	-	22,515	22,515
-	-	-	78,600
-	148,645	2,168,596	6,301,347
-	5,994	-	2,065,154
-	-	69,015	1,101,676
-	-	-	47,534,625
-	5,994	69,015	50,701,455
-	-	8,674	711,841
-	-	-	11,384
-	-	1,124,482	1,124,482
-	-	721,787	721,787
-	-	571,301	571,301
-	-	93,748	93,748
-	-	915,799	915,799
-	-	144,100	144,100
-	-	119,867	119,867
-	-	114,443	114,443
-	-	12,102	12,102
-	-	118,844	118,844
-	-	111,389	111,389
-	-	273,773	273,773
-	-	276,129	276,129
-	-	378,115	5,170,280
-	-	-	245,197
4,466,698	584,607	57,439	5,108,744
-	-	70,779	70,779
-	-	134,894	134,894
-	-	(1,855,272)	16,888,929
4,466,698	584,607	3,392,393	32,939,812
\$ 4,466,698	\$ 739,246	\$ 5,630,004	\$ 89,942,614

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GRAYSON COUNTY, TEXAS

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

SEPTEMBER 30, 2018

Total fund balances - governmental funds balance sheet	\$ 32,939,812
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,205,928
The deferred outflows related to pensions are not an available resource and, therefore, are not reported in the funds.	8,228,818
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	52,062,612
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(72,630,552)</u>
Net position of governmental activities	<u>\$ 48,806,618</u>

GRAYSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General	Road and Bridge	State Highway 289 Bonds
REVENUES			
Taxes:			
Property	\$ 33,355,919	\$ 3,918,692	\$ -
Other	231,056	-	-
Penalty and interest on taxes	347,949	39,336	-
Licenses and permits	291,518	-	-
Intergovernmental revenue and grants	1,213,392	154,804	5,281,625
Charges for services	2,599,327	700,093	-
Fines and fees	-	1,228,244	-
Forfeits	41,504	-	-
Vehicle registration fees	1,538,937	1,650,584	-
Investment earnings	375,216	61,209	5,184
Contributions and donations from private sources	-	96,940	-
Other revenue	478,480	2,539	-
Total revenues	<u>40,473,298</u>	<u>7,852,441</u>	<u>5,286,809</u>
EXPENDITURES			
Current:			
General government	9,082,527	-	1,000
Judicial	8,015,033	-	-
Elections	444,100	-	-
Public safety	15,729,644	-	-
Highways and streets	-	7,887,676	-
Health and welfare	4,458,116	-	-
Culture and recreation	141,267	-	-
Conservation and development	251,754	-	-
Debt service:			
Principal	-	76,357	3,585,000
Interest	-	6,699	1,644,503
Capital outlay	1,357,735	525,525	-
Intergovernmental	276,158	-	-
Total expenditures	<u>39,756,334</u>	<u>8,496,257</u>	<u>5,230,503</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>716,964</u>	<u>(643,816)</u>	<u>56,306</u>
OTHER FINANCING SOURCES (USES)			
Sale of real and personal property	12,222	7,678	-
Proceeds from insurance	26,773	9,856	-
Transfers in	500,000	-	-
Transfers out	(197,087)	-	-
Total other financing sources and uses	<u>341,908</u>	<u>17,534</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,058,872	(626,282)	56,306
FUND BALANCES, BEGINNING	<u>18,399,880</u>	<u>5,418,447</u>	<u>188,891</u>
FUND BALANCES, ENDING	<u>\$ 19,458,752</u>	<u>\$ 4,792,165</u>	<u>\$ 245,197</u>

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

<u>Right-of-Way Acquisition</u>	<u>Permanent Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental</u>
\$ -	\$ 103,194	\$ -	\$ 37,377,805
-	-	-	231,056
-	1,108	-	388,393
-	-	759,324	1,050,842
-	-	2,124,578	8,774,399
-	-	4,141,783	7,441,203
-	-	43,293	1,271,537
-	-	235,550	277,054
-	-	-	3,189,521
40,454	9,352	37,023	528,438
-	-	147,621	244,561
-	-	336	481,355
40,454	113,654	7,489,508	61,256,164
-	869,719	1,073,976	11,027,222
-	-	391,044	8,406,077
-	-	284	444,384
-	-	3,929,587	19,659,231
441,952	-	-	8,329,628
-	-	1,866,309	6,324,425
-	-	-	141,267
-	-	-	251,754
-	-	-	3,661,357
-	-	-	1,651,202
-	-	267,784	2,151,044
-	-	-	276,158
441,952	869,719	7,528,984	62,323,749
(401,498)	(756,065)	(39,476)	(1,067,585)
-	-	18,828	38,728
-	-	-	36,629
-	-	197,087	697,087
-	-	(500,000)	(697,087)
-	-	(284,085)	75,357
(401,498)	(756,065)	(323,561)	(992,228)
4,868,196	1,340,672	3,715,954	33,932,040
\$ 4,466,698	\$ 584,607	\$ 3,392,393	\$ 32,939,812

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GRAYSON COUNTY, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net change in fund balances - total governmental funds	\$(992,228)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(1,307,070)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(4,777,059)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.	(8,105)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect of net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,690,194
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(3,317,563)</u>
Change in net position of governmental activities	<u><u>\$(6,711,831)</u></u>

GRAYSON COUNTY, TEXAS

STATEMENT OF NET POSITION PROPRIETARY FUNDS

SEPTEMBER 30, 2017

Grayson
County
Airport

ASSETS

Current assets:

Cash and investments	\$ 254,939
Other receivables	3,547
Prepaid expenses	38,005
Total current assets	<u>296,491</u>

Noncurrent assets:

Capital assets:

Land	2,829,106
Infrastructure	29,447,530
Buildings	6,186,486
Improvements other than buildings	24,389
Machinery and equipment	405,117
Accumulated depreciation	(22,479,632)
Total noncurrent assets	<u>16,412,996</u>

Total assets	<u>16,709,487</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	<u>83,968</u>
Total deferred outflows of resources	<u>83,968</u>

LIABILITIES

Current liabilities:

Accounts payable	14,497
Accrued wages payable	5,161
Security deposits payable	3,189
Compensated absences	2,096

Noncurrent liabilities:

Compensated absences	6,287
Net pension liability	105,714
Net OPEB obligation	182,494

Total liabilities	<u>319,438</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	<u>4,546</u>
Total deferred inflows of resources	<u>4,546</u>

NET POSITION

Net investment in capital assets	16,412,996
Unrestricted	<u>56,475</u>
Total net position	<u>\$ 16,469,471</u>

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

GRAYSON COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Grayson County Airport
OPERATING REVENUES	
Grant funding	\$ 50,000
Charges for services	38,693
Rents and royalties	970,341
Other revenue	<u>8,225</u>
Total operating revenues	<u>1,067,259</u>
OPERATING EXPENSES	
Salaries, wages and benefits	307,562
Purchased professional and technical services	398,298
Purchased property services	94,460
Other operating expenses	310,416
Depreciation	<u>624,958</u>
Total operating expenses	<u>1,735,694</u>
OPERATING LOSS	<u>(668,435)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	2,422
Insurance recovery	<u>65,951</u>
Total nonoperating revenues (expenses)	<u>68,373</u>
CHANGE IN NET POSITION	<u>(600,062)</u>
TOTAL NET POSITION, BEGINNING	<u>17,069,533</u>
TOTAL NET POSITION, ENDING	<u>\$ 16,469,471</u>

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

GRAYSON COUNTY, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Grayson County Airport</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 1,063,802
Cash payments to employees for services	(275,997)
Cash payments for other operating expenses	(828,676)
Net cash used by operating activities	<u>(40,871)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash paid from other funds	(3,547)
Insurance recovery	<u>65,951</u>
Net cash provided by noncapital financing activities	<u>62,404</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition on capital assets	(52,427)
Net cash used by capital and related financing activities	<u>(52,427)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	<u>2,422</u>
Net cash provided by investing activities	<u>2,422</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(28,472)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>283,411</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 254,939</u>

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

GRAYSON COUNTY, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Grayson County Airport</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$(668,435)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	624,958
Assets and liabilities:	
Decrease (increase) in receivables	19,058
Decrease (increase) in prepaid expenses	(3,611)
Decrease (increase) in deferred outflows related to pensions	12,438
Increase (decrease) in accounts payable	(21,891)
Increase (decrease) in accrued wages payable	(817)
Increase (decrease) in security deposits payable	27
Increase (decrease) in unearned revenue	(20,592)
Increase (decrease) in noncurrent liabilities	19,946
Increase (decrease) in compensated absences	(29)
Increase (decrease) in deferred inflows related to pensions	<u>(1,923)</u>
Net used by operating activities	<u><u>\$(40,871)</u></u>

GRAYSON COUNTY, TEXAS

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

SEPTEMBER 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>6,266,199</u>
Total assets	\$ <u><u>6,266,199</u></u>
LIABILITIES	
Due to other agencies and individuals	\$ <u>6,266,199</u>
Total liabilities	\$ <u><u>6,266,199</u></u>

GRAYSON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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 that 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 III-F.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and service charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 cannot 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.

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, as are the proprietary fund financial statements. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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:

The **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.

The **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.

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.

Right-of-Way Acquisition Fund – This fund is used to account for the cost of acquiring state right-of-way.

Permanent Improvements Fund – This fund is used to account for the cost of improvements to buildings and sidewalks, etc. Financing is provided by tax assessments.

Additionally, the County reports the following proprietary fund:

Enterprise Funds account for the operation of the North Texas Regional 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.

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.

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, Deferred Outflows/Inflows of Resources and Net Position or Equity

1. 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.

2. Inventories and Prepaid Items

Inventories of supplies on hand are valued using the average cost method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

3. 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 non-current 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. 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 September 30 (within 8 months of the January 31 due date). Collections received thereafter are reported as delinquent tax revenue.

4. 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 acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Assets	Years
Buildings	20 - 50
Improvements	5 - 50
Equipment	5 - 20
Infrastructure	35 - 125

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has the following items that qualify for reporting in this category.

- Deferred Charge on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – The difference is deferred and amortized over a closed five year period.
- Changes in actuarial assumptions – The changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has the following items that qualify for reporting in this category.

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

6. *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. The maximum amount of vacation leave that can be carried over at the end of the calendar year is one 160 hours. Time in excess of the 160-hour limit will not be advanced to the next calendar year. Payments in lieu of accrued vacation may be made from the elected official's budget for time in excess of the 160-hour limit if approved by Commissioners' Court. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

7. *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 position.

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.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDR's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For the purpose, plan contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are to be applied. It is the County's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

10. Fund Balance Flow Assumption

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

11. Fund Balance Classification

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

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

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by court resolution of the Commissioners' Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County Auditor.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

12. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. (Net investment in capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.) Net position 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.

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 Position

Page 19 provides the reconciliation between the *fund balance* for *total governmental funds* on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains, “capital assets used in governmental activities are not financial resources and, therefore, are not financial resources and, therefore, are not reported in the funds.” The details of this \$28,205,928 are as follows:

Land	\$	1,371,954
Construction in progress		362,047
Infrastructure		101,266,674
Less: Accumulated depreciation-infrastructure	(90,767,231)
Buildings		29,432,047
Less: Accumulated depreciation-buildings	(17,739,847)
Improvements other than buildings		911,654
Less: Accumulated depreciation-improvements other than buildings	(846,190)
Machinery and equipment		20,782,748
Less: Accumulated depreciation-machinery and equipment	(<u>16,567,928</u>)
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	<u>28,205,928</u>

Another element of that reconciliation explains, “Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the funds.” The details of this \$52,062,612 difference are as follows:

TxDOT receivable	\$	47,534,625
Penalty and interest receivable		1,361,157
Property tax receivable		2,065,154
Court fines receivable		<u>1,101,676</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	<u>52,062,612</u>

Another element of that reconciliation explains, “Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this (\$72,630,552) difference are as follows:

Bonds, notes, and capital leases	\$(40,424,287)
Deferred charge on refunding	2,298,675
Accrued interest payable	(400,268)
Compensated absences	(1,252,111)
Net pension liability	(10,359,982)
Net OPEB obligation	(18,837,707)
Bond premium	(3,209,324)
Deferred inflow on pension liabilities	<u>(445,548)</u>
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$(72,630,552)</u>

B. Explanation of Certain Differences Between the Governmental Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balance – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Government funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this (\$1,307,070) difference are as follows:

Capital outlay	\$ 2,448,518
Depreciation expense	<u>(3,755,588)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$(1,307,070)</u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this (\$4,777,059) difference are as follows:

Property tax revenue	\$ 318,118
Court fines	186,448
TxDOT revenue	<u>(5,281,625)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$(4,777,059)</u>

Another element of that reconciliation states, “The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net position.” The details of this (\$8,105) difference are as follows:

Capital assets proceeds	\$(<u>8,105</u>)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$(<u>8,105</u>)

Another element of that reconciliation states that, “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items where debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$3,690,194 difference are as follows:

Principal repayments	\$ 3,661,357
Amortized bond premium	<u>28,837</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u>3,690,194</u>

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$3,317,563) difference are as follows:

Compensated absences	\$(84,007)
Accrued interest	14,406
Increase in net pension liability	(1,458,611)
Increase in net OPEB obligation	<u>(1,789,351)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$(<u>3,317,563</u>)

III. DETAILED NOTES ON ALL FUNDS

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 depository 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, 2017, the total reported value of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was:

	<u>Reported Value</u>	<u>Weighted Average Maturity (Months)</u>
Certificates of Deposits	\$ 8,000,000	16
Cash Deposits	8,489,809	n/a
Landmark Bank	14,705,422	n/a
Landmark Bank - CDARS	6,500,000	20
FHLMC	2,975,568	36
TexPool	1,040,371	1
LOGIC	<u>5,767</u>	1
Total	<u>\$ 41,716,937</u>	

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

As of September 30, 2017, the County held the following fair value measurements:

- U.S. Agency Bond of \$2,975,568 was valued using a documented trade history in exact security pricing model (Level 2 Inputs).

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 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.

Investments for the County are reported at fair value, except for the position in investment pools. The County's investment in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

TexPool and Logic have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

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, 2017, 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, 2017, 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. 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 countywide 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 revenues are deposited into funds created for the accumulation and disbursement of these revenues. The following schedule details the components of the 2016 tax rate allocated to each fund:

	Rate Per \$100	Current (2016) Tax Revenue Collected
Road and bridge fund (special revenue)	\$ 0.049688	\$ 3,918,692
Permanent improvement fund (capital projects)	0.001307	103,194
General fund	0.422724	33,355,919
	<u>\$ 0.473719</u>	<u>\$ 37,377,805</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 12% per annum, plus a 6% penalty for the first calendar month such taxes are delinquent, plus an additional 2 percent each month thereafter not to exceed 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. 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.

C. Capital Assets

Capital assets activity for the year ended September 30, 2017, are as follows:

Primary Government

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,371,954	\$ -	\$ -	\$ 1,371,954
Construction in progress	-	362,047	-	362,047
Total assets not being depreciated	<u>1,371,954</u>	<u>362,047</u>	<u>-</u>	<u>1,734,001</u>
Capital assets, being depreciated:				
Infrastructure	101,054,322	532,358	(320,006)	101,266,674
Buildings	29,416,238	40,891	(25,082)	29,432,047
Improvements other than buildings	911,654	-	-	911,654
Machinery and equipment	19,647,282	1,513,222	(377,756)	20,782,748
Total capital assets being depreciated	<u>151,029,496</u>	<u>2,086,471</u>	<u>(722,844)</u>	<u>152,393,123</u>
Less accumulated depreciation:				
Infrastructure	89,440,987	1,646,250	(320,006)	90,767,231
Buildings	17,058,374	701,944	(20,471)	17,739,847
Improvements other than buildings	805,337	40,853	-	846,190
Machinery and equipment	15,575,649	1,366,541	(374,262)	16,567,928
Total accumulated depreciation	<u>122,880,347</u>	<u>3,755,588</u>	<u>(714,739)</u>	<u>125,921,196</u>
Total capital assets being depreciated, net	<u>28,149,149</u>	<u>(1,669,117)</u>	<u>(8,105)</u>	<u>26,471,927</u>
Governmental activities capital assets, net	<u>\$ 29,521,103</u>	<u>\$ (1,307,070)</u>	<u>\$ (8,105)</u>	<u>\$ 28,205,928</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,829,106	\$ -	\$ -	\$ 2,829,106
Total assets not being depreciated	<u>2,829,106</u>	<u>-</u>	<u>-</u>	<u>2,829,106</u>
Capital assets, being depreciated:				
Infrastructure	29,447,530	-	-	29,447,530
Buildings	6,186,486	-	-	6,186,486
Improvements other than buildings	24,389	-	-	24,389
Machinery and equipment	324,410	52,427	28,280	405,117
Total capital assets being depreciated	<u>35,982,815</u>	<u>52,427</u>	<u>28,280</u>	<u>36,063,522</u>
Less accumulated depreciation:				
Infrastructure	17,203,195	494,310	-	17,697,505
Buildings	4,436,204	105,591	-	4,541,795
Improvements other than buildings	22,627	1,586	-	24,213
Machinery and equipment	164,368	23,471	28,280	216,119
Total accumulated depreciation	<u>21,826,394</u>	<u>624,958</u>	<u>28,280</u>	<u>22,479,632</u>
Total capital assets being depreciated, net	<u>14,156,421</u>	<u>(572,531)</u>	<u>-</u>	<u>13,583,890</u>
Business-type activities capital assets, net	<u>\$ 16,985,527</u>	<u>\$ (572,531)</u>	<u>\$ -</u>	<u>\$ 16,412,996</u>

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

Governmental activities:		
General government	\$	563,684
Judicial		29,252
Public safety		909,229
Health and welfare		10,112
Highways and streets		<u>2,243,311</u>
Total depreciation expense - governmental activities	\$	<u><u>3,755,588</u></u>

D. Interfund Receivables, Payables and Transfers

Interfund balances during the year ended September 30, 2017, consisted of the following amounts:

<u>Due from</u>	<u>Amount</u>	<u>Due to</u>
General	\$ 22,515	Nonmajor

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund transfers during the year ended September 30, 2017, consisted of the following amounts:

<u>Transfer out</u>	<u>Amount</u>	<u>Transfer in</u>	<u>Explanation</u>
General fund	\$ 197,087	Nonmajor funds	Supplement fund resources
Nonmajor funds	<u>500,000</u>	General fund	Supplement fund resources
	<u>\$ 697,087</u>		

E. Leasing Operations

Airport operations consist principally of leasing land and buildings. All such leases are operating leases, as defined by GAAP. Excluding renewal options, 5 of 54 leases expire during the next 5 fiscal years.

Below is a summary of the cost and related accumulated depreciation of buildings used in operating leases activity as of September 30, 2017:

Buildings	\$ 6,186,486
Less: accumulated depreciation	<u>(4,541,795)</u>
Net	<u><u>\$ 1,644,691</u></u>

The following is a summary of minimum future rentals to be received on non-cancellable operating leases in effect as of September 30, 2017. 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).

Year Ending September 30,	Lease Obligation
2018	\$ 723,685
2019	655,902
2020	557,651
2021	524,920
2022	493,148
2023-2027	1,897,502
2028-2032	759,547
2033-2037	413,000
2038-2042	243,071
2043-2047	107,323
2048-2051	<u>76,353</u>
Total	<u>\$ 6,452,102</u>

F. Investments in Joint Venture

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, 86 Dyess Street, Denison, Texas 75020.

G. Long-term Debt

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 were 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.

Annual debt service requirements to maturity for the Pass-through Revenue and Limited Tax Bonds, Series 2012, and 2013 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2018	\$ 3,760,000	\$ 1,558,975	\$ 5,318,975
2019	3,875,000	1,444,450	5,319,450
2020	4,015,000	1,306,025	5,321,025
2021	4,195,000	1,120,850	5,315,850
2022	4,415,000	905,600	5,320,600
2023-2026	<u>20,005,000</u>	<u>1,504,088</u>	<u>21,509,088</u>
Total	<u>\$ 40,265,000</u>	<u>\$ 7,839,988</u>	<u>\$ 48,104,988</u>

Annual debt service requirements to maturity for the lease are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2018	\$ 78,527	\$ 4,528	\$ 83,055
2019	<u>80,760</u>	<u>2,296</u>	<u>83,056</u>
Total	<u>\$ 159,287</u>	<u>\$ 6,824</u>	<u>\$ 166,111</u>

Capital Leases

The County entered into a capital lease agreement with Welch State Bank for the purpose of leasing a recycler in March of 2017. The total acquisition cost of the recycler was \$318,700. Below is a summary of the cost and related accumulated depreciation of buildings used in operating leases activity as of September 30, 2017:

Heavy Equipment	\$ 318,700
Less: accumulated depreciation	(47,805)
Net	<u>\$ 270,895</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2017, is as follows:

Description	Balance 09/30/16	Additions	Retirements	Balance 09/30/17	Due within One year
Governmental activities:					
Pass-through toll revenue and limited tax refunding bonds, Series 2012	\$ 20,260,000	\$ -	\$ -	\$ 20,260,000	\$ 3,760,000
Pass-through toll revenue and limited tax bonds, Series 2007		-		-	
Pass-through toll revenue and limited tax refunding bonds, Series 2013	23,590,000	-	3,585,000	20,005,000	-
Premium on pass-through toll revenue and limited tax bonds	3,697,897	-	488,573	3,209,324	488,573
Capital lease	235,644	-	76,357	159,287	78,527
Compensated absences	1,168,104	1,566,380	1,482,373	1,252,111	313,028
Net Pension Liability	9,841,973	3,805,254	3,287,245	10,359,982	
Net OPEB obligation	<u>17,048,356</u>	<u>2,479,571</u>	<u>690,220</u>	<u>18,837,707</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 75,841,974</u>	<u>\$ 7,851,205</u>	<u>\$ 9,609,768</u>	<u>\$ 74,083,411</u>	<u>\$ 4,640,128</u>
Business-type activities:					
Compensated absences	\$ 8,412	\$ 2,704	\$ 2,733	\$ 8,383	\$ 2,096
Net Pension Liability	101,464	37,793	33,543	105,714	
Net OPEB obligation	<u>166,798</u>	<u>21,751</u>	<u>6,055</u>	<u>182,494</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 276,674</u>	<u>\$ 62,248</u>	<u>\$ 42,331</u>	<u>\$ 296,591</u>	<u>\$ 2,096</u>

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

I. Disaggregation of Receivables and Payables

Receivables on the fund financial statements at September 30, 2017, are as follows:

	General	Road and Bridge	State Highway 289 Bonds	Permanent Improvements	Other Governmental	Total Receivables
Receivables:						
Property taxes	\$ 2,041,619	\$ 215,680	\$ -	\$ 6,554	\$ -	\$ 2,263,853
Accounts	807,456	2,448,482	-	-	588,576	3,844,514
Intergovernmental	<u>1,973,205</u>	<u>87,124</u>	<u>47,534,625</u>	<u>-</u>	<u>324,971</u>	<u>49,919,925</u>
Gross receivable	4,822,280	2,751,286	47,534,625	6,554	913,547	56,028,292
Less: allowance for uncollectibles	<u>(389,325)</u>	<u>(1,561,808)</u>	<u>-</u>	<u>-</u>	<u>(122,459)</u>	<u>(1,951,133)</u>
Total	<u>\$ 4,432,955</u>	<u>\$ 1,189,478</u>	<u>\$ 47,534,625</u>	<u>\$ 6,554</u>	<u>\$ 791,088</u>	<u>\$ 53,954,700</u>

J. 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.

K. 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, 2017. The County has no leases with related parties.

IV. OTHER INFORMATION

A. 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.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Economic Development Agreement

The County has entered into a tax abatement agreements dated August 3, 2015, with Panda Sherman Power, LLC to reduce property taxes for constructing and operating an approximately 750 megawatt natural gas fired, combined cycle, electric generation facility and other related improvements. The County agrees to abate 64%, 62%, 40%, 58%, 56%, 54%, 52%, 50%, 48%, and 46% of ad valorem taxation of the Certified Appraisal Value of all Eligible Property in years one through ten, respectively. The County abated property taxes in the amount of \$600,779 for fiscal year 2017.

B. Defined Benefit Pension Plan

Plan Description

The County participates in 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 nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tcdrs.org.

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

Benefits Provided

TCDRS provides retirement, disability and survivor benefits for all of eligible employees. Benefit terms are established by the TCDRS ACT. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the act.

Members can retire at age 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 eight 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. Updated annuity purchase rates will go into effect for post-2017 benefit accruals earned after 2017. Benefits accrued before 2018 will not be impacted by this update. This change was reflected in the 2016 actuarial valuation.

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	299
Inactive employees entitled to but not yet receiving benefits	364
Active employees	<u>566</u>
	<u><u>1,229</u></u>

Contributions

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

Employees for the County were required to contribute 4% of their annual gross earnings during the fiscal year. The contribution rates for the County were 8.92% and 9.02% in calendar years 2016 and 2017, respectively. The County's contributions to TCDRS for the year ended September 30, 2017, were \$3,489,157, and were equal to the required contributions.

Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.5% per year
Investment rate of return	8.0%, net of pension plan investment expense, including inflation

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

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table projected to 2014 scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

The actuarial assumptions that determined the total pension liability as of December 31, 2016, were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012, except for mortality assumptions. Mortality assumptions were updated for the 2016 valuation to reflect projected improvements.

The long-term expected rate of return on pension plan investments is 8.10%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. The application of the investment return assumption was changed for purposes of determining plan liabilities in the 2016 actuarial valuation. All plan liabilities are now valued using an 8% discount rate. Previously, some liabilities were valued using a 7% discount rate and others were valued using a 9% discount rate.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2017 information for a 7 to 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.70%
Global Equities	MSCI World (net) Index	1.50%	5.00%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	4.70%
International Equities - Emerging	MSCI EM Standard (net)	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays Capital Aggregate Bond Index	3.00%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%

⁽¹⁾ Target asset allocation adopted at the April 2017 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per Cliffwater's 2017 capital market assumptions

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

⁽⁴⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 97,336,699	\$ 87,291,799	\$ 10,044,900
Changes for the year:			
Service cost	2,890,960	-	2,890,960
Interest on total pension liability ⁽¹⁾	7,799,190	-	7,799,190
Effect of economic/demographic gains or losses	216,101	-	216,101
Refund of contributions	(238,555)	(238,555)	-
Benefit payments	(4,794,910)	(4,794,910)	-
Administrative expenses	-	(70,170)	70,170
Member contributions	-	1,017,815	(1,017,815)
Net investment income	-	6,454,798	(6,454,798)
Employer contributions	-	3,320,791	(3,320,791)
Other ⁽²⁾	-	(237,779)	237,779
Balance at 12/31/2016	<u>\$ 103,209,485</u>	<u>\$ 92,743,789</u>	<u>\$ 10,465,696</u>

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

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

Sensitivity Analysis

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

	1% Decrease	Current	1% Increase
	7.1%	Discount Rate 8.1%	9.1%
Total pension liability	\$ 116,037,254	\$ 103,209,487	\$ 92,486,133
Fiduciary net position	<u>92,743,791</u>	<u>92,743,791</u>	<u>92,743,791</u>
Net pension liability/(asset)	<u>\$ 23,293,463</u>	<u>\$ 10,465,696</u>	<u>\$ (257,658)</u>

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the County recognized pension expense of \$3,407,406.

At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 450,094	\$ 172,881
Changes in actuarial assumptions	-	628,680
Difference between projected and actual investment earnings	-	5,596,789
Contributions subsequent to the measurement date	-	1,914,436
Total	<u>\$ 450,094</u>	<u>\$ 8,312,786</u>

\$1,914,436 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2018	\$ 1,966,647
2019	1,966,647
2020	1,856,539
2021	158,423

C. Risk Management

The County provides medical and life insurance for its employees through Texas Association of counties. The County pays \$876 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 ended September 30, 2017, was \$4,643,969.

D. Post-Retirement Benefits

The County provides certain health care benefits through a single-employer defined benefit OPEB plan. Regular, fulltime employees are eligible to participate in the County's health care plan as a retiree at a rate that is subsidized by the County. The retiree pays from 35% to 70% of the premium, depending on the plan in which they participate. Members are eligible at any age with 30 years of service or at age 60 with 8 years of service, or if the retiree's age plus service equals 75. Spouses and dependents of retirees are also eligible. Currently, the County has 475 active employees and 92 retirees eligible to participate in the plan.

When a regular, fulltime employee retires they are eligible to continue to participate in the County's group health insurance plan. Members who terminate employment prior to retirement are not eligible for retiree health care benefits.

Retirees are eligible for health care until they become Medicare eligible. The retiree pays full Medicare premiums. The County's coverage continues as a secondary health care plan.

Retirees who decide to opt-out for the health care plan are not eligible to opt back in when coverage from another entity ceases.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The County's annual OPEB cost for the current year and the related information is listed below:

Annual Required Contribution (ARC)	\$ 2,463,735
Interest on Net OPEB Obligation	731,644
Adjustment to the ARC	(694,057)
Annual OPEB Cost	<u>2,501,322</u>
Employer Contributions with Interest	(696,275)
Increase (Decrease) in Net OPEB Obligation	1,805,047
Net OPEB Obligation, beginning of year	<u>17,215,154</u>
Net OPEB Obligation, end of year	<u>\$ 19,020,201</u>

Expenses for post-retirement health care benefits are funded on a pay-as-you-go basis.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year (4.5% discount rate, and level percent of pay amortization).

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
09/30/15	\$ 2,849,160	\$ 737,873	26%	\$ 15,429,816
09/30/16	2,425,665	640,327	26%	17,215,154
09/30/17	2,501,322	696,275	28%	19,020,201

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (AAL) (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>
12/31/2011	\$ -	\$ 23,117,736	\$ 23,117,736	- %	\$ 18,213,046
12/31/2013	-	23,242,500	23,242,500	- %	19,351,693
12/31/2015	-	20,156,716	20,156,716	- %	21,691,224

The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the County and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial methods and significant assumptions used are as follows:

Actuarial Valuation Date	12/31/2015
Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level percent of payroll
Amortization Period	30 year open amortization
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.25%, per annum, net of expenses
Payroll Growth Rate	3% per annum
Projected Salary Increases	3.75% to 7.75%
General Inflation Rate	2.5%
Pre-65 Medical Trend	Initial rate of 7.5%, declining to an ultimate rate of 5.25% after 11 years
Post-65 Medical Trend	Initial rate of 7.0%, declining to an ultimate rate of 4.25% after 14 years

E. Deficit Fund Equity

The Courthouse Security, OAG Victim Coordinator Grant, Law Enforcement Block Grant and the Detention Center Renovation had deficit fund balance equities of \$16,922, \$7,423, \$16, and \$1,830,911 respectively as of September 30, 2017. The deficits in these funds will be made up through revenues being greater than expenditures in FY 2017.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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GRAYSON COUNTY, TEXAS

GENERAL FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 32,827,426	\$ 32,827,426	\$ 33,355,919	\$ 528,493
Other	220,000	220,000	231,056	11,056
Penalty and interest on taxes	425,000	425,000	347,949	(77,051)
Licenses and permits	248,000	248,000	291,518	43,518
Intergovernmental revenue and grants	951,617	951,617	1,213,392	261,775
Charges for services	2,442,400	2,442,400	2,599,327	156,927
Forfeits	25,000	25,000	41,504	16,504
Vehicle registration fees	1,350,000	1,350,000	1,538,937	188,937
Investment earnings	98,400	98,400	375,216	276,816
Other revenue	391,700	396,700	478,480	81,780
Total revenues	38,979,543	38,984,543	40,473,298	1,488,755
EXPENDITURES				
Current:				
General government	9,479,001	9,494,905	9,082,527	412,378
Judicial	8,115,515	8,352,515	8,015,033	337,482
Elections	531,148	531,148	444,100	87,048
Public safety	16,252,421	16,302,677	15,729,644	573,033
Health and welfare	4,560,610	4,560,610	4,458,116	102,494
Culture and recreation	185,587	185,587	141,267	44,320
Conservation and development	317,560	317,560	251,754	65,806
Capital outlay	1,453,655	1,483,655	1,357,735	125,920
Intergovernmental	302,620	302,620	276,158	26,462
Total expenditures	41,198,117	41,531,277	39,756,334	1,774,943
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(2,218,574)	(2,546,734)	716,964	3,263,698
OTHER FINANCING SOURCES (USES)				
Sale of real and personal property	17,500	17,500	12,222	(5,278)
Proceeds from insurance	-	-	26,773	26,773
Transfers in	(500,000)	(500,000)	500,000	1,000,000
Transfers out	(265,724)	(265,724)	(197,087)	68,637
Total other financing sources (uses)	(748,224)	(748,224)	341,908	1,090,132
NET CHANGE IN FUND BALANCES	(2,966,798)	(3,294,958)	1,058,872	4,353,830
FUND BALANCES, BEGINNING	18,399,880	18,399,880	18,399,880	-
FUND BALANCES, ENDING	\$ 15,433,082	\$ 15,104,922	\$ 19,458,752	\$ 4,353,830

GRAYSON COUNTY, TEXAS

ROAD AND BRIDGE FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 3,840,000	\$ 3,840,000	\$ 3,918,692	\$ 78,692
Penalty and interest on taxes	40,000	40,000	39,336	(664)
Intergovernmental revenue and grants	186,000	186,000	154,804	(31,196)
Charges for services	100,000	300,000	700,093	400,093
Fines	1,420,000	1,420,000	1,228,244	(191,756)
Vehicle registration fees	1,700,000	1,700,000	1,650,584	(49,416)
Investment earnings	25,500	25,500	61,209	35,709
Contributions and donations from private sources	-	-	96,940	96,940
Other revenue	1,000	1,000	2,539	1,539
Total revenues	<u>7,312,500</u>	<u>7,512,500</u>	<u>7,852,441</u>	<u>339,941</u>
EXPENDITURES				
Current:				
Highways and streets	8,008,377	8,225,909	7,887,676	338,233
Debt service:				
Principal	76,357	76,357	76,357	-
Interest	6,700	6,700	6,699	1
Capital outlay	361,000	361,000	525,525	(164,525)
Total expenditures	<u>8,452,434</u>	<u>8,669,966</u>	<u>8,496,257</u>	<u>173,709</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(1,139,934)</u>	<u>(1,157,466)</u>	<u>(643,816)</u>	<u>513,650</u>
OTHER FINANCING SOURCES (USES)				
Sale of real and personal property	-	-	7,678	7,678
Proceeds from insurance	-	-	9,856	9,856
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>17,534</u>	<u>17,534</u>
NET CHANGE IN FUND BALANCES	<u>(1,139,934)</u>	<u>(1,157,466)</u>	<u>(626,282)</u>	<u>531,184</u>
FUND BALANCES, BEGINNING	<u>5,418,447</u>	<u>5,418,447</u>	<u>5,418,447</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 4,278,513</u>	<u>\$ 4,260,981</u>	<u>\$ 4,792,165</u>	<u>\$ 531,184</u>

GRAYSON COUNTY, TEXAS

PERMANENT IMPROVEMENTS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 101,000	\$ 101,000	\$ 103,194	\$ 2,194
Other	1,000	1,000	1,108	108
Investment earnings	<u>3,000</u>	<u>3,000</u>	<u>9,352</u>	<u>6,352</u>
Total revenues	<u>105,000</u>	<u>105,000</u>	<u>113,654</u>	<u>8,654</u>
EXPENDITURES				
Current:				
General government	<u>990,000</u>	<u>990,000</u>	<u>869,719</u>	<u>120,281</u>
Total expenditures	<u>990,000</u>	<u>990,000</u>	<u>869,719</u>	<u>120,281</u>
NET CHANGE IN FUND BALANCES	(885,000)	(885,000)	(756,065)	128,935
FUND BALANCES, BEGINNING	<u>1,340,672</u>	<u>1,340,672</u>	<u>1,340,672</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 455,672</u>	<u>\$ 455,672</u>	<u>\$ 584,607</u>	<u>\$ 128,935</u>

GRAYSON COUNTY, TEXAS

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS**

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Plan Year Ended December 31	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service Cost	\$ 2,651,442	\$ 2,812,706	\$ 2,920,162
Interest total pension liability	7,044,733	7,444,413	7,877,970
Effect of plan changes	-	(331,368)	-
Effect of assumption changes or inputs	-	1,058,384	-
Effect of economic/demographic (gains) or losses	(610,971)	(350,420)	218,284
Benefit payments/refunds of contributions	<u>(4,309,127)</u>	<u>(4,874,600)</u>	<u>(5,084,308)</u>
Net change in total pension liability	4,776,077	5,759,115	5,932,109
Total pension liability - beginning	<u>87,784,707</u>	<u>92,560,784</u>	<u>98,319,898</u>
Total pension liability - ending (a)	<u>\$ 92,560,784</u>	<u>\$ 98,319,899</u>	<u>\$ 104,252,007</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 2,265,784	\$ 2,349,245	\$ 3,354,334
Member contributions	937,681	999,880	1,028,098
Investment income net of investment expenses	5,785,996	(555,507)	6,519,998
Benefit payments refunds of contributions	(4,309,127)	(4,874,600)	(5,084,308)
Administrative expenses	(67,710)	(64,158)	(70,878)
Other	<u>59,132</u>	<u>96,242</u>	<u>(240,181)</u>
Net change in plan fiduciary net position	4,671,756	(2,048,898)	5,507,063
Plan fiduciary net position - beginning	<u>85,550,677</u>	<u>90,222,433</u>	<u>88,173,534</u>
Plan fiduciary net position - ending (b)	<u>\$ 90,222,433</u>	<u>\$ 88,173,535</u>	<u>\$ 93,680,597</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 2,338,351</u>	<u>\$ 10,146,364</u>	<u>\$ 10,571,410</u>
Fiduciary net position as a percentage of total pension liability	97.47%	89.68%	89.86%
Pensionable covered payroll	\$ 23,382,785	\$ 24,859,799	\$ 25,702,459
Net pension liability as a percentage of covered payroll	10.00%	40.81%	41.13%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

GRAYSON COUNTY, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (1)	Actual Contribution as a % of Covered Payroll
2014	\$ 2,463,130	\$ 2,463,130	\$ -	\$ 23,065,727	10.7%
2015	2,334,054	2,334,054	-	24,531,813	9.5%
2016	2,451,974	2,451,974	-	26,549,498	9.2%
2017	2,489,157	3,489,157	(1,000,000)	27,059,591	12.9%

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

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

GRAYSON COUNTY, TEXAS

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Valuation Timing	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.
<u>Methods and assumptions used to determine contributions rates:</u>	
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	13.1 years (based on contribution rate calculated in 12/31/2016 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	3.0%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, net of investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule	2015: No changes in plan provisions 2016: No changes in plan provisions

GRAYSON COUNTY, TEXAS

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

SEPTEMBER 30, 2017

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
09/30/15	\$ 2,849,160	\$ 737,873	26%	\$ 15,429,816
09/30/16	2,425,665	640,327	26%	17,215,154
09/30/17	2,501,322	696,275	28%	19,020,201

GRAYSON COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2017

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 July, 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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Public Health Fund – This fund is used to account for programs operated by the Grayson County Health Department, including grant-funded programs through the Texas Department of State Health Services. Programs include: Family Planning, Wellness, Preventive Health Block Grant, Women, Infants and Children (WIC), Environmental Health, Tuberculosis Control, Public Health Preparedness, Indigent Health Services, Immunization Grant, and Susan Komen grants.

Juvenile Boot Camp Fund – This fund accounts for the revenues and expenditures incurred in the operation of the Juvenile Boot Camp.

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 Year's, with donations being accepted to continue and improve the displays.

Tax Assessor-Collector Special Inventory Tax Fund – This fund accounts 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 – This fund was 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 – This fund is 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 – This fund is 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) – This fund is to account 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 – This fund was 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 for data preservation.

County Clerk Records Archive Fund – This fund was 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 Clerk for data preservation.

County Clerk Vital Statistics Fund – This fund was 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 – This fund was 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 for data preservation.

County Records Management Fund – This fund was 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 – This fund accounts for receipts received from Grayson County and other donations. Expenditures are for historical activities in Grayson County. Historical markers are the prime activities.

Court Reporter Services Fund – This fund accounts 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 Fees Fund – This fund accounts for fees received to support the Drug Court program. Fees received are to be used for incentive awards to participants in the state funded program.

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

District Attorney Hot Check Fund – This fund accounts 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.

District Attorney Forfeiture Fund – This fund accounts 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 – This fund accounts 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 – This fund was 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 – This fund accounts 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 Coordinator Grant Fund – This fund accounts 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 – This fund accounts 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.

SAVNS – This grant program is created by a contract between the Office of the Attorney General and Grayson County to fund the Statewide Automated Victim Notification Service (SAVNS) program. Via these funds, the County provides relevant offender release information, notification of relevant court settings or events, promotes public safety and supports the rights of victims of crimes.

Sheriff Drug Forfeiture Fund – This fund is used 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 – This fund accounts 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.

Juvenile Case Manager Fees Fund – This fund is 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.

Interlocal Emergency Management Fund – This fund is to support inter-jurisdictional emergency management and disaster relief services between the County of Grayson and the Cities of Denison and Sherman, Texas, including without limitation, planning, recovery, public education and information, citizen preparedness, training, organizational development and operational support.

Citizens Corps Program – These federal funds from the Department of Homeland Security, which the County of Grayson received as a subgrantee from the Texas Department of Public Safety, were awarded to support activities to strengthen Grayson County citizen preparedness planning and capabilities, including without limitation, activities of the Grayson County Community Emergency Response Team.

State Homeland Security – These federal funds from the Department of Homeland Security, which the County of Grayson received as a subgrantee from the Texas Department of Public Safety, were awarded to support activities to expand and enhance emergency management plans, organization, equipment, training, exercise and evaluation of capabilities in response to CBRNE events as directed by the Office of Emergency Management and in coordination with the Texas Division of Emergency Management and the National Priorities as set out in the National Preparedness Guidelines published by the DHS.

County and District Court Technology Fund – This fund is to account for the receipt of fees of office collected by the County and District Clerks, which are restricted to the purchase and maintenance of technological enhancements, and continuing education for County court, statutory County court, or district court judges and clerks regarding technological enhancements for those courts. This fee was established by the 81st Legislature, effective September 1, 2009.

Law Enforcement Education Fund – This fund is used to account for funds provided by the state to peace officers to be used for continuing education purposes.

Time Payment Fee Fund – This fund is used to account for revenue generated by local fees that are used to promote efficiencies in those County departments that accept payments of fines.

Probate Education Fee Fund – This fund is used to account for fees collected on civil cases that are designated for use in the education of County employees who perform the probate function.

CSCD Bond Supervision Fund – This fund is used to account for revenues paid by defendants in cases prior to court hearings. The fees will be used to operate a program of monitoring defendants who have been charged, but whose cases are not yet adjudicated.

Election Services Contracts Fund – The Texas Election Code requires that fees earned for the purposes of administering elections for political parties or other public entities be accounted for separately. The funds can be used to reimburse the County for costs incurred in administering these elections and to defray expenses of the county election officer's office in connection with election-related duties. The secretary of state prescribes regulations for the use of any surplus in this fund.

Metropolitan Planning Organization Fund – In 2012, the County became the fiscal agent for the Metropolitan Planning Organization, serving Grayson County. The funding received is federal, originating with the U.S. Department of Transportation, Federal Transit Administration. The County's responsibility is to process payroll, provide accounts payable support, and submit quarterly reimbursement requests.

Supplemental Guardianship Fund – This fund is used to account for fees paid in original probate actions. The fee is to be used to provide compensation for court-appointed guardian ad litem or of court-appointed attorney ad litem and to fund local guardianship programs that provide guardians for indigent incapacitated persons who do not have family members suitable and willing to serve as guardians.

CAPITAL PROJECTS FUND

The *Capital Projects Fund* accounts for all resources used for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Lateral Road Fund – This fund is used to account for capital expenditures for road and bridge precincts from resources provided by the State of Texas for that purpose.

Detention Center Renovation – This fund is used to finance the Post Adjudication Construction fund for the detention center renovation

Post-Adjudication Construction – This fund is used to capture costs associated with the renovation of the detention center.

PERMANENT FUND

Texoma Succeeding Generations Trust Fund – This fund is used 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.

FIDUCIARY FUNDS

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 – This fund accounts 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 10 percent of the funds collected as a service fee and all interest earned on the funds.

Appellate Justice System Fund – This fund accounts 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 – This fund accounts for 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 departmental fund is used by the Adult Probation Department to account for collections from probationers for restitution and related interest. All such collections are subsequently remitted to the appropriate person or entity.

District Attorney Bad Check Trust Fund – This fund accounts for collections by the District Attorney for restitution on bad checks. Collections are subsequently remitted to the appropriate person or entity.

Tax Assessor-Collector Fund – This fund accounts 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 Bonds Fund – This fund accounts for cash bonds collected by the Sheriff. Cash bonds are held in trust for criminal cases recorded by the County and District Clerk, pending court-ordered disbursement.

County Clerk Trust Fund – This trust fund accounts for funds held by the County Clerk in non-interest bearing accounts or investments for civil cases before the County Court or County Court-at-Law. Disbursements are made upon court order.

District Clerk Trust Fund – This trust fund accounts for funds held by the District Clerk in non-interest bearing accounts and investments for civil cases before the District Courts. Disbursements are made upon court order.

Jail Inmate Trust Fund – This fund accounts for funds held by the Sheriff for inmates of the jail. The funds are held until the inmate is released or transferred. The inmates' commissary or applicable medical purchases are deducted from the inmate account prior to release, and paid to the appropriate vendor.

GRAYSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	Special Revenue				
	Public Health	Juvenile Boot Camp	Holiday Lights	Tax A/C S-I-T Penalty	Courthouse Security
ASSETS					
Cash and investments	\$ 956,481	\$ 456,756	\$ 151,621	\$ 114,443	\$ -
Receivables (net of allowance for uncollectibles)	39,227	349,824	-	-	6,599
Intergovernmental receivables	189,370	12,312	-	-	-
Prepaid expenses	-	8,674	-	-	-
Total assets	<u>1,185,078</u>	<u>827,566</u>	<u>151,621</u>	<u>114,443</u>	<u>6,599</u>
LIABILITIES					
Accounts payable	32,145	50,226	7,521	-	5,421
Accrued wages payable	28,451	55,272	-	-	-
Intergovernmental payable	-	-	-	-	-
Due to other funds	-	-	-	-	11,501
Total liabilities	<u>60,596</u>	<u>105,498</u>	<u>7,521</u>	<u>-</u>	<u>16,922</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-court fines	-	-	-	-	6,599
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,599</u>
FUND BALANCE					
Nonspendable:					
Prepaid items	-	8,674	-	-	-
Restricted for:					
Public health	1,124,482	-	-	-	-
Juvenile services	-	713,394	-	-	-
Election administration	-	-	-	-	-
Emergency management	-	-	-	-	-
Records management	-	-	-	-	-
Holiday lights	-	-	144,100	-	-
Court security and technology	-	-	-	-	-
Tax assessor-collector operations	-	-	-	114,443	-
Historical commission	-	-	-	-	-
District attorney operations	-	-	-	-	-
Law enforcement	-	-	-	-	-
Inmate welfare	-	-	-	-	-
Court management	-	-	-	-	-
Road and bridge	-	-	-	-	-
Capital projects	-	-	-	-	-
Purpose of trust	-	-	-	-	-
Other	-	-	-	-	-
Unassigned	-	-	-	-	(16,922)
Total fund balances	<u>1,124,482</u>	<u>722,068</u>	<u>144,100</u>	<u>114,443</u>	<u>(16,922)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,185,078</u>	<u>\$ 827,566</u>	<u>\$ 151,621</u>	<u>\$ 114,443</u>	<u>\$ 6,599</u>

Special Revenue

Justice Court Building Security	Justice Court Technology	HAVA Funding	County Clerk Records Management	County Clerk Records Archive	County Clerk Vital Statistics	District Clerk Records Management
\$ 50,596	\$ 57,202	\$ 31,815	\$ 146,679	\$ 136,422	\$ 22,157	\$ 105,486
-	408	-	1,790	-	-	2,048
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>50,596</u>	<u>57,610</u>	<u>31,815</u>	<u>148,469</u>	<u>136,422</u>	<u>22,157</u>	<u>107,534</u>
-	304	-	44,440	-	-	24
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>304</u>	<u>-</u>	<u>44,440</u>	<u>-</u>	<u>-</u>	<u>24</u>
-	408	-	1,790	-	-	2,048
<u>-</u>	<u>408</u>	<u>-</u>	<u>1,790</u>	<u>-</u>	<u>-</u>	<u>2,048</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	31,815	-	-	-	-
-	-	-	-	-	-	-
-	-	-	102,239	136,422	22,157	105,462
-	-	-	-	-	-	-
50,596	56,898	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>50,596</u>	<u>56,898</u>	<u>31,815</u>	<u>102,239</u>	<u>136,422</u>	<u>22,157</u>	<u>105,462</u>
<u>\$ 50,596</u>	<u>\$ 57,610</u>	<u>\$ 31,815</u>	<u>\$ 148,469</u>	<u>\$ 136,422</u>	<u>\$ 22,157</u>	<u>\$ 107,534</u>

GRAYSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	Special Revenue			
	County Records Management	Historical Commission	Court Reporter Service	Drug Court Fees
ASSETS				
Cash and investments	\$ 559,405	\$ 12,102	\$ -	\$ 97,092
Receivables (net of allowance for uncollectibles)	34,766	-	-	18,072
Intergovernmental receivables	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	<u>594,171</u>	<u>12,102</u>	<u>-</u>	<u>115,164</u>
LIABILITIES				
Accounts payable	9,886	-	-	-
Accrued wages payable	-	-	-	-
Intergovernmental payable	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>9,886</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-court fines	<u>34,766</u>	<u>-</u>	<u>-</u>	<u>18,072</u>
Total deferred inflows of resources	<u>34,766</u>	<u>-</u>	<u>-</u>	<u>18,072</u>
FUND BALANCE				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Public health	-	-	-	-
Juvenile services	-	-	-	-
Election administration	-	-	-	-
Emergency management	-	-	-	-
Records management	549,519	-	-	-
Holiday lights	-	-	-	-
Court security and technology	-	-	-	-
Tax assessor-collector operations	-	-	-	-
Historical commission	-	12,102	-	-
District attorney operations	-	-	-	-
Law enforcement	-	-	-	-
Inmate welfare	-	-	-	-
Court management	-	-	-	97,092
Road and bridge	-	-	-	-
Capital projects	-	-	-	-
Purpose of trust	-	-	-	-
Other	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>549,519</u>	<u>12,102</u>	<u>-</u>	<u>97,092</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 594,171</u>	<u>\$ 12,102</u>	<u>\$ -</u>	<u>\$ 115,164</u>

Special Revenue

Star Family Drug Court	District Attorney Hot Check	District Attorney Forfeiture	Law Library	District Attorney State Supplement	CJD Domestic Violence Grant
\$ 50	\$ 11,271	\$ 93,524	\$ 8,722	\$ 8,514	\$ -
-	-	-	-	-	3,872
-	-	-	-	-	-
-	-	-	-	-	-
<u>50</u>	<u>11,271</u>	<u>93,524</u>	<u>8,722</u>	<u>8,514</u>	<u>3,872</u>
-	38	-	811	-	-
-	357	499	1,046	436	1,182
-	-	-	-	-	-
-	-	-	-	-	2,690
<u>-</u>	<u>395</u>	<u>499</u>	<u>1,857</u>	<u>436</u>	<u>3,872</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	10,876	93,025	6,865	8,078	-
-	-	-	-	-	-
-	-	-	-	-	-
50	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>50</u>	<u>10,876</u>	<u>93,025</u>	<u>6,865</u>	<u>8,078</u>	<u>-</u>
<u>\$ 50</u>	<u>\$ 11,271</u>	<u>\$ 93,524</u>	<u>\$ 8,722</u>	<u>\$ 8,514</u>	<u>\$ 3,872</u>

GRAYSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	Special Revenue				
	OAG Victim Coordinator Grant	Law Enforcement Block Grant	SAVNS Grant	Sheriff Forfeiture	Jail Commissary
ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ 68,194	\$ 266,472
Receivables (net of allowance for uncollectibles)	-	-	-	-	8,051
Intergovernmental receivables	1,841	-	-	-	-
Prepaid expenses	-	-	-	-	-
Total assets	<u>1,841</u>	<u>-</u>	<u>-</u>	<u>68,194</u>	<u>274,523</u>
LIABILITIES					
Accounts payable	-	-	-	896	750
Accrued wages payable	956	-	-	-	-
Intergovernmental payable	-	-	-	-	-
Due to other funds	<u>8,308</u>	<u>16</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>9,264</u>	<u>16</u>	<u>-</u>	<u>896</u>	<u>750</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-court fines	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE					
Nonspendable:					
Prepaid items	-	-	-	-	-
Restricted for:					
Public health	-	-	-	-	-
Juvenile services	-	-	-	-	-
Election administration	-	-	-	-	-
Emergency management	-	-	-	-	-
Records management	-	-	-	-	-
Holiday lights	-	-	-	-	-
Court security and technology	-	-	-	-	-
Tax assessor-collector operations	-	-	-	-	-
Historical commission	-	-	-	-	-
District attorney operations	-	-	-	-	-
Law enforcement	-	-	-	67,298	-
Inmate welfare	-	-	-	-	273,773
Court management	-	-	-	-	-
Road and bridge	-	-	-	-	-
Capital projects	-	-	-	-	-
Purpose of trust	-	-	-	-	-
Other	-	-	-	-	-
Unassigned	<u>(7,423)</u>	<u>(16)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>(7,423)</u>	<u>(16)</u>	<u>-</u>	<u>67,298</u>	<u>273,773</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,841</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,194</u>	<u>\$ 274,523</u>

Special Revenue

Juvenile Case Manager Fees	Interlocal Emergency Management	Citizen Corps Program	State Homeland Security	County and District Court Technology	Law Enforcement Education
\$ 8,393	\$ 98,299	\$ -	\$ -	\$ 12,373	\$ 44,091
-	-	-	-	5,332	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>8,393</u>	<u>98,299</u>	<u>-</u>	<u>-</u>	<u>17,705</u>	<u>44,091</u>
-	4,551	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>4,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	5,332	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,332</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,393	-	-	-	-	-
-	-	-	-	-	-
-	93,748	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	12,373	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	44,091
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>8,393</u>	<u>93,748</u>	<u>-</u>	<u>-</u>	<u>12,373</u>	<u>44,091</u>
<u>\$ 8,393</u>	<u>\$ 98,299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,705</u>	<u>\$ 44,091</u>

GRAYSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	Special Revenue			
	Time Payment Fee	Probate Education Fee	CSCD Bond Supervision	Elections Services Contracts
ASSETS				
Cash and investments	\$ 52,779	\$ 3,428	\$ 44,583	\$ 539,486
Receivables (net of allowance for uncollectibles)	-	-	-	-
Intergovernmental receivables	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	<u>52,779</u>	<u>3,428</u>	<u>44,583</u>	<u>539,486</u>
LIABILITIES				
Accounts payable	-	125	59	-
Accrued wages payable	-	-	805	-
Intergovernmental payable	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>125</u>	<u>864</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-court fines	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Public health	-	-	-	-
Juvenile services	-	-	-	-
Election administration	-	-	-	539,486
Emergency management	-	-	-	-
Records management	-	-	-	-
Holiday lights	-	-	-	-
Court security and technology	-	-	-	-
Tax assessor-collector operations	-	-	-	-
Historical commission	-	-	-	-
District attorney operations	-	-	-	-
Law enforcement	-	-	-	-
Inmate welfare	-	-	-	-
Court management	52,779	3,303	43,719	-
Road and bridge	-	-	-	-
Capital projects	-	-	-	-
Purpose of trust	-	-	-	-
Other	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>52,779</u>	<u>3,303</u>	<u>43,719</u>	<u>539,486</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 52,779</u>	<u>\$ 3,428</u>	<u>\$ 44,583</u>	<u>\$ 539,486</u>

Special Revenue			Capital Projects			
Metropolitan Planning Organization	Supplemental Guardianship	Total Nonmajor Special Revenue Funds	Lateral Road	Detention Center Renovation	Post- Adjudication Construction	Total Nonmajor Capital Projects Funds
\$ 86,287	\$ 79,186	\$ 4,323,909	\$ 378,115	\$ -	\$ 57,439	\$ 435,554
-	-	469,989	-	-	-	-
117,576	-	321,099	-	-	-	-
-	-	8,674	-	-	-	-
<u>203,863</u>	<u>79,186</u>	<u>5,123,671</u>	<u>378,115</u>	<u>-</u>	<u>57,439</u>	<u>435,554</u>
65,985	-	223,182	-	-	-	-
2,984	-	91,988	-	-	-	-
-	-	-	-	1,830,911	-	1,830,911
-	-	22,515	-	-	-	-
<u>68,969</u>	<u>-</u>	<u>337,685</u>	<u>-</u>	<u>1,830,911</u>	<u>-</u>	<u>1,830,911</u>
-	-	69,015	-	-	-	-
-	-	69,015	-	-	-	-
-	-	8,674	-	-	-	-
-	-	1,124,482	-	-	-	-
-	-	721,787	-	-	-	-
-	-	571,301	-	-	-	-
-	-	93,748	-	-	-	-
-	-	915,799	-	-	-	-
-	-	144,100	-	-	-	-
-	-	119,867	-	-	-	-
-	-	114,443	-	-	-	-
-	-	12,102	-	-	-	-
-	-	118,844	-	-	-	-
-	-	111,389	-	-	-	-
-	-	273,773	-	-	-	-
-	79,186	276,129	-	-	-	-
-	-	-	378,115	-	-	378,115
-	-	-	-	-	57,439	57,439
-	-	-	-	-	-	-
134,894	-	134,894	-	-	-	-
-	-	(24,361)	-	(1,830,911)	-	(1,830,911)
<u>134,894</u>	<u>79,186</u>	<u>4,716,971</u>	<u>378,115</u>	<u>(1,830,911)</u>	<u>57,439</u>	<u>(1,395,357)</u>
\$ <u>203,863</u>	\$ <u>79,186</u>	\$ <u>5,123,671</u>	\$ <u>378,115</u>	\$ <u>-</u>	\$ <u>57,439</u>	\$ <u>435,554</u>

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GRAYSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	Permanent Fund	Total Nonmajor Governmental Funds
	Texoma Succeeding Generations	
ASSETS		
Cash and investments	\$ 70,779	\$ 4,830,242
Receivables (net of allowance for uncollectibles)	-	469,989
Intergovernmental receivables	-	321,099
Prepaid expenses	-	8,674
Total assets	70,779	5,630,004
LIABILITIES		
Accounts payable	-	223,182
Accrued wages payable	-	91,988
Intergovernmental payable	-	1,830,911
Due to other funds	-	22,515
Total liabilities	-	2,168,596
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue-court fines	-	69,015
Total deferred inflows of resources	-	69,015
FUND BALANCE		
Nonspendable:		
Prepaid items	-	8,674
Restricted for:		
Public health	-	1,124,482
Juvenile services	-	721,787
Election administration	-	571,301
Emergency management	-	93,748
Records management	-	915,799
Holiday lights	-	144,100
Court security and technology	-	119,867
Tax assessor-collector operations	-	114,443
Historical commission	-	12,102
District attorney operations	-	118,844
Law enforcement	-	111,389
Inmate welfare	-	273,773
Court management	-	276,129
Road and bridge	-	378,115
Capital projects	-	57,439
Purpose of trust	70,779	70,779
Other	-	134,894
Unassigned	-	(1,855,272)
Total fund balances	70,779	3,392,393
Total liabilities, deferred inflows of resources and fund balances	\$ 70,779	\$ 5,630,004

GRAYSON COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue				
	Public Health	Juvenile Boot Camp	Holiday Lights	Tax A/C S-I-T Penalty	Courthouse Security
REVENUES					
Licenses and permits	\$ 759,324	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue and grants	1,016,586	170,176	-	-	-
Charges for services	153,273	3,138,066	-	-	64,631
Fines and fees	-	-	-	5,860	-
Forfeits	-	-	-	-	-
Investment earnings	10,940	4,475	1,350	988	6
Contributions and donations from private sources	55,424	-	92,157	-	-
Other	-	-	-	-	130
Total revenues	<u>1,995,547</u>	<u>3,312,717</u>	<u>93,507</u>	<u>6,848</u>	<u>64,767</u>
EXPENDITURES					
Current:					
General government	-	-	57,339	3,607	141,689
Judicial	-	-	-	-	-
Elections	-	-	-	-	-
Public safety	-	3,356,007	-	-	-
Health and welfare	1,866,309	-	-	-	-
Capital outlay	-	139,918	-	-	-
Total expenditures	<u>1,866,309</u>	<u>3,495,925</u>	<u>57,339</u>	<u>3,607</u>	<u>141,689</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>129,238</u>	<u>(183,208)</u>	<u>36,168</u>	<u>3,241</u>	<u>(76,922)</u>
OTHER FINANCING SOURCES (USES)					
Sale of real and personal property	-	-	-	-	-
Transfers in	-	-	-	-	60,000
Transfers out	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
NET CHANGE IN FUND BALANCE	<u>(370,762)</u>	<u>(183,208)</u>	<u>36,168</u>	<u>3,241</u>	<u>(16,922)</u>
FUND BALANCE, BEGINNING	<u>1,495,244</u>	<u>905,276</u>	<u>107,932</u>	<u>111,202</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,124,482</u>	<u>\$ 722,068</u>	<u>\$ 144,100</u>	<u>\$ 114,443</u>	<u>\$(16,922)</u>

Special Revenue

Justice Court Building Security	Justice Court Technology	HAVA Funding	County Clerk Records Management	County Clerk Records Archive	County Clerk Vital Statistics	District Clerk Records Management
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	9,375	-	-	-	-
5,472	21,903	-	149,113	136,985	8,340	28,556
-	-	-	-	-	-	-
-	-	-	-	-	-	-
421	543	233	1,293	1,566	204	802
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>5,893</u>	<u>22,446</u>	<u>9,608</u>	<u>150,406</u>	<u>138,551</u>	<u>8,544</u>	<u>29,358</u>
-	-	-	319,985	299,917	7,155	324
1,430	53,922	-	-	-	-	-
-	-	156	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,430</u>	<u>53,922</u>	<u>156</u>	<u>319,985</u>	<u>299,917</u>	<u>7,155</u>	<u>324</u>
<u>4,463</u>	<u>(31,476)</u>	<u>9,452</u>	<u>(169,579)</u>	<u>(161,366)</u>	<u>1,389</u>	<u>29,034</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>4,463</u>	<u>(31,476)</u>	<u>9,452</u>	<u>(169,579)</u>	<u>(161,366)</u>	<u>1,389</u>	<u>29,034</u>
<u>46,133</u>	<u>88,374</u>	<u>22,363</u>	<u>271,818</u>	<u>297,788</u>	<u>20,768</u>	<u>76,428</u>
<u>\$ 50,596</u>	<u>\$ 56,898</u>	<u>\$ 31,815</u>	<u>\$ 102,239</u>	<u>\$ 136,422</u>	<u>\$ 22,157</u>	<u>\$ 105,462</u>

GRAYSON COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue			
	County Records Management	Historical Commission	Court Reporter Service	Drug Court Fees
REVENUES				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue and grants	-	-	-	-
Charges for services	89,724	-	-	24,866
Fines	-	-	23,415	-
Forfeits	-	-	-	-
Investment earnings	5,052	105	-	885
Contributions and donations from private sources	-	-	-	10
Other	-	-	-	-
Total revenues	94,776	105	23,415	25,761
EXPENDITURES				
Current:				
General government	89,370	-	-	-
Judicial	-	-	23,415	33,242
Elections	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	89,370	-	23,415	33,242
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,406	105	-	(7,481)
OTHER FINANCING SOURCES (USES)				
Sale of real and personal property	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	5,406	105	-	(7,481)
FUND BALANCE, BEGINNING	544,113	11,997	-	104,573
FUND BALANCE, ENDING	\$ 549,519	\$ 12,102	\$ -	\$ 97,092

Special Revenue

Star Family Drug Court	District Attorney Hot Check	District Attorney Forfeiture	Law Library	District Attorney State Supplement	CJD Domestic Violence Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	28,125	33,405
-	-	-	80,060	-	-
-	13,278	-	-	-	-
-	-	133,357	-	-	-
-	-	361	10	-	-
-	-	-	30	-	-
50	-	-	56	-	-
<u>50</u>	<u>13,278</u>	<u>133,718</u>	<u>80,156</u>	<u>28,125</u>	<u>33,405</u>
-	-	-	-	-	-
-	19,680	46,579	71,991	22,682	70,492
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>19,680</u>	<u>46,579</u>	<u>71,991</u>	<u>22,682</u>	<u>70,492</u>
<u>50</u>	<u>(6,402)</u>	<u>87,139</u>	<u>8,165</u>	<u>5,443</u>	<u>(37,087)</u>
-	-	1,902	-	-	-
-	-	-	-	-	37,087
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>1,902</u>	<u>-</u>	<u>-</u>	<u>37,087</u>
50	(6,402)	89,041	8,165	5,443	-
-	17,278	3,984	(1,300)	2,635	-
<u>\$ 50</u>	<u>\$ 10,876</u>	<u>\$ 93,025</u>	<u>\$ 6,865</u>	<u>\$ 8,078</u>	<u>\$ -</u>

GRAYSON COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue				
	OAG Victim Coordinator Grant	Law Enforcement Block Grant	SAVNS Grant	Sheriff Forfeiture	Jail Commissary
REVENUES					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue and grants	34,609	2,356	27,715	-	-
Charges for services	-	-	-	-	90,634
Fines	-	-	-	-	-
Forfeits	-	-	-	102,193	-
Investment earnings	-	-	-	309	2,135
Contributions and donations from private sources	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	34,609	2,356	27,715	102,502	92,769
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Judicial	41,836	-	-	-	-
Elections	-	-	-	-	-
Public safety	-	2,372	27,715	58,192	52,539
Health and welfare	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	41,836	2,372	27,715	58,192	52,539
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,227)	(16)	-	44,310	40,230
OTHER FINANCING SOURCES (USES)					
Sale of real and personal property	-	-	-	16,926	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	16,926	-
NET CHANGE IN FUND BALANCE	(7,227)	(16)	-	61,236	40,230
FUND BALANCE, BEGINNING	(196)	-	-	6,062	233,543
FUND BALANCE, ENDING	\$(7,423)	\$(16)	\$ -	\$ 67,298	\$ 273,773

Special Revenue

Juvenile Case Manager Fees	Interlocal Emergency Management	Citizen Corps Program	State Homeland Security	County and District Court Technology	Law Enforcement Education
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	394,534	-	54,426	-	12,226
-	-	-	-	7,903	-
740	-	-	-	-	-
-	-	-	-	-	-
70	-	-	-	113	-
-	-	-	-	-	-
-	-	-	-	-	-
810	394,534	-	54,426	8,016	12,226
-	-	-	-	-	-
-	-	-	-	5,650	-
-	-	-	-	-	-
-	351,381	-	-	-	18,070
-	-	-	-	-	-
-	-	-	54,426	-	-
-	351,381	-	54,426	5,650	18,070
810	43,153	-	-	2,366	(5,844)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
810	43,153	-	-	2,366	(5,844)
7,583	50,595	-	-	10,007	49,935
\$ 8,393	\$ 93,748	\$ -	\$ -	\$ 12,373	\$ 44,091

GRAYSON COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue			
	Time Payment Fee	Probate Education Fee	CSCD Bond Supervision	Elections Services Contracts
REVENUES				
Licenses and permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue and grants	4,837	-	-	12,547
Charges for services	-	-	57,209	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment earnings	-	-	413	-
Contributions and donations from private sources	-	-	-	-
Other	-	-	100	-
Total revenues	<u>4,837</u>	<u>-</u>	<u>57,722</u>	<u>12,547</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial	-	125	-	-
Elections	-	-	-	128
Public safety	-	-	63,311	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>125</u>	<u>63,311</u>	<u>128</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,837</u>	<u>(125)</u>	<u>(5,589)</u>	<u>12,419</u>
OTHER FINANCING SOURCES (USES)				
Sale of real and personal property	-	-	-	-
Transfers in	-	-	-	100,000
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
NET CHANGE IN FUND BALANCE	4,837	(125)	(5,589)	112,419
FUND BALANCE, BEGINNING	<u>47,942</u>	<u>3,428</u>	<u>49,308</u>	<u>427,067</u>
FUND BALANCE, ENDING	<u>\$ 52,779</u>	<u>\$ 3,303</u>	<u>\$ 43,719</u>	<u>\$ 539,486</u>

Special Revenue			Capital Projects			
Metropolitan Planning Organization	Supplemental Guardianship	Total Nonmajor Special Revenue Funds	Lateral Road	Detention Center Renovation	Post- Adjudication Construction	Total Nonmajor Capital Projects Funds
\$ -	\$ -	\$ 759,324	\$ -	\$ -	\$ -	\$ -
323,661	-	2,124,578	-	-	-	-
-	14,620	4,071,355	70,428	-	-	70,428
-	-	43,293	-	-	-	-
-	-	235,550	-	-	-	-
-	-	32,274	3,633	-	500	4,133
-	-	147,621	-	-	-	-
-	-	336	-	-	-	-
<u>323,661</u>	<u>14,620</u>	<u>7,414,331</u>	<u>74,061</u>	<u>-</u>	<u>500</u>	<u>74,561</u>
154,590	-	1,073,976	-	-	-	-
-	-	391,044	-	-	-	-
-	-	284	-	-	-	-
-	-	3,929,587	-	-	-	-
-	-	1,866,309	-	-	-	-
-	-	194,344	73,440	-	-	73,440
<u>154,590</u>	<u>-</u>	<u>7,455,544</u>	<u>73,440</u>	<u>-</u>	<u>-</u>	<u>73,440</u>
<u>169,071</u>	<u>14,620</u>	<u>(41,213)</u>	<u>621</u>	<u>-</u>	<u>500</u>	<u>1,121</u>
-	-	18,828	-	-	-	-
-	-	197,087	-	-	-	-
-	-	(500,000)	-	-	-	-
-	-	(284,085)	-	-	-	-
169,071	14,620	(325,298)	621	-	500	1,121
<u>(34,177)</u>	<u>64,566</u>	<u>5,042,269</u>	<u>377,494</u>	<u>(1,830,911)</u>	<u>56,939</u>	<u>(1,396,478)</u>
<u>\$ 134,894</u>	<u>\$ 79,186</u>	<u>\$ 4,716,971</u>	<u>\$ 378,115</u>	<u>\$(1,830,911)</u>	<u>\$ 57,439</u>	<u>\$(1,395,357)</u>

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GRAYSON COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Permanent Fund</u>	
	Texoma Succeeding Generations	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>
REVENUES		
Licenses and permits	\$ -	\$ 759,324
Intergovernmental revenue and grants	-	2,124,578
Charges for services	-	4,141,783
Fines	-	43,293
Forfeits	-	235,550
Investment earnings	616	37,023
Contributions and donations from private sources	-	147,621
Other	-	336
Total revenues	<u>616</u>	<u>7,489,508</u>
EXPENDITURES		
Current:		
General government	-	1,073,976
Judicial	-	391,044
Elections	-	284
Public safety	-	3,929,587
Health and welfare	-	1,866,309
Capital outlay	-	267,784
Total expenditures	<u>-</u>	<u>7,528,984</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>616</u>	<u>(39,476)</u>
OTHER FINANCING SOURCES (USES)		
Sale of real and personal property	-	18,828
Transfers in	-	197,087
Transfers out	-	(500,000)
Total other financing sources (uses)	<u>-</u>	<u>(284,085)</u>
NET CHANGE IN FUND BALANCE	616	(323,561)
FUND BALANCE, BEGINNING	<u>70,163</u>	<u>3,715,954</u>
FUND BALANCE, ENDING	<u>\$ 70,779</u>	<u>\$ 3,392,393</u>

GRAYSON COUNTY, TEXAS

STATE HIGHWAY 289 BONDS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenue	\$ 5,281,625	\$ 5,281,625	\$ 5,281,625	\$ -
Investment earnings	1,000	1,000	5,184	4,184
Total revenues	<u>5,282,625</u>	<u>5,282,625</u>	<u>5,286,809</u>	<u>4,184</u>
EXPENDITURES				
Current:				
General government	3,000	3,000	1,000	2,000
Debt service:				
Principal	3,585,000	3,585,000	3,585,000	-
Interest	<u>1,644,504</u>	<u>1,644,504</u>	<u>1,644,503</u>	<u>1</u>
Total expenditures	<u>5,232,504</u>	<u>5,232,504</u>	<u>5,230,503</u>	<u>2,001</u>
NET CHANGE IN FUND BALANCES	50,121	50,121	56,306	6,185
FUND BALANCES, BEGINNING	<u>188,891</u>	<u>188,891</u>	<u>188,891</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 239,012</u>	<u>\$ 239,012</u>	<u>\$ 245,197</u>	<u>\$ 6,185</u>

GRAYSON COUNTY, TEXAS

RIGHT-OF-WAY ACQUISITION

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

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Investment earnings	\$ 15,000	\$ 15,000	\$ 40,454	\$ 25,454
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>40,454</u>	<u>25,454</u>
EXPENDITURES				
Current:				
Highways and streets	<u>5,250,000</u>	<u>5,250,000</u>	<u>441,952</u>	<u>4,808,048</u>
Total expenditures	<u>5,250,000</u>	<u>5,250,000</u>	<u>441,952</u>	<u>4,808,048</u>
NET CHANGE IN FUND BALANCES	(5,235,000)	(5,235,000)	(401,498)	4,833,502
FUND BALANCES, BEGINNING	<u>4,868,196</u>	<u>4,868,196</u>	<u>4,868,196</u>	<u>-</u>
FUND BALANCES, ENDING	<u><u>\$ (366,804)</u></u>	<u><u>\$ (366,804)</u></u>	<u><u>\$ 4,466,698</u></u>	<u><u>\$ 4,833,502</u></u>

GRAYSON COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2017

	<u>State Court Costs and Arrest Fees</u>	<u>Appellate Justice System</u>	<u>Seized Funds</u>	<u>Adult Probation Restitution</u>	<u>District Attorney Bad Check Trust</u>
ASSETS					
Cash and investments	\$ <u>299,341</u>	\$ <u>8,602</u>	\$ <u>10,220</u>	\$ <u>7,370</u>	\$ <u>32,740</u>
Total assets	\$ <u>299,341</u>	\$ <u>8,602</u>	\$ <u>10,220</u>	\$ <u>7,370</u>	\$ <u>32,740</u>
LIABILITIES					
Due to other agencies and individuals	\$ <u>299,341</u>	\$ <u>8,602</u>	\$ <u>10,220</u>	\$ <u>7,370</u>	\$ <u>32,740</u>
Total liabilities and fund balances	\$ <u>299,341</u>	\$ <u>8,602</u>	\$ <u>10,220</u>	\$ <u>7,370</u>	\$ <u>32,740</u>

<u>Tax Assessor Collector</u>	<u>Sheriff Bonds</u>	<u>County Clerk Trust</u>	<u>District Clerk Trust</u>	<u>Jail Inmate Trust</u>	<u>Totals</u>
\$ <u>2,268,105</u>	\$ <u>337,414</u>	\$ <u>388,925</u>	\$ <u>2,821,701</u>	\$ <u>91,781</u>	\$ <u>6,266,199</u>
\$ <u>2,268,105</u>	\$ <u>337,414</u>	\$ <u>388,925</u>	\$ <u>2,821,701</u>	\$ <u>91,781</u>	\$ <u>6,266,199</u>
\$ <u>2,268,105</u>	\$ <u>337,414</u>	\$ <u>388,925</u>	\$ <u>2,821,701</u>	\$ <u>91,781</u>	\$ <u>6,266,199</u>
\$ <u>2,268,105</u>	\$ <u>337,414</u>	\$ <u>388,925</u>	\$ <u>2,821,701</u>	\$ <u>91,781</u>	\$ <u>6,266,199</u>

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FEDERAL AWARDS SECTION

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P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grayson County, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Grayson County, Texas' basic financial statements, and have issued our report thereon dated June 15, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grayson County, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Waco, Texas
June 15, 2018



P A T T I L L O , B R O W N & H I L L , L . L . P .
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Grayson County, Texas' compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Grayson County, Texas' major federal programs for the year ended September 30, 2017. Grayson County, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Grayson County, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance 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 Grayson County, Texas' 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Grayson County, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, Grayson County, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of Grayson County, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Grayson County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 Grayson County, Texas' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Waco, Texas
June 15, 2018

GRAYSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures	Pass-Through Expenditures
FEDERAL AWARDS				
<u>U. S. DEPARTMENT OF AGRICULTURE</u>				
Passed through the Texas Department of Agriculture:				
National School Lunch Program	10.555	75-J6011	\$ 170,176	\$ -
Total Passed through the Texas Department of Agriculture			<u>170,176</u>	<u>-</u>
Passed through Texas Department of State Health Services:				
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	10.557	2017-048781-001	680,537	-
Total Passed through Texas Department of State Health Services			<u>680,537</u>	<u>-</u>
Total U. S. Department of Agriculture			<u>850,713</u>	<u>-</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>				
Passed through Office of the Attorney General:				
Crime Victim Compensation	16.576	1772375	42,000	-
Crime Victim Compensation	16.740	1770866	27,715	-
Total Passed through Office of the Attorney General			<u>69,715</u>	<u>-</u>
Passed through Office of the Governor, Criminal Justice Division:				
Edward Byrne Memorial Justice Assistant Grant	16.738	1804208	2,356	-
Total Passed through Office of the Governor, Criminal Justice Division			<u>2,356</u>	<u>-</u>
Total U. S. Department of Justice			<u>72,071</u>	<u>-</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>				
Passed through Texas Department of Transportation:				
Airport Improvement Program	20.106	M1701DENS	50,000	-
Highway Planning and Construction	20.205	50-15XF0020	188,185	-
Total Passed through Texas Department of Transportation			<u>238,185</u>	<u>-</u>
Total U. S. Department of Transportation			<u>238,185</u>	<u>-</u>

GRAYSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Pass-Through Expenditures</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed through Texas Department of State Health Services:				
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2016-001427	\$ 12,911	\$ -
Public Health Emergency Preparedness	93.069	2016-004019-00	8,769	-
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreement:	93.074	2016-003655-1	14,122	-
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	2016-001118	152,727	-
Medicaid - Title XIX - Medical Assistance Program	93.778	2016-03-21-014330	5,621	-
Preventive Health and Health Services Block Grant	93.991	2016-001040-00	<u>96,575</u>	<u>-</u>
Total Passed through Texas Department of State Health Services			<u>290,725</u>	<u>-</u>
 Total U. S. Department of Health and Human Services			<u>290,725</u>	<u>-</u>
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>				
Passed through Federal Emergency Management Agency:				
Flood Mitigation Assistance	97.036	DR-4223-TX	57,557	-
Safe Hazard Mitigation Grant	97.039	DR-4029	<u>354,534</u>	<u>-</u>
Total Passed through Federal Emergency Management			412,091	
Passed through the Texas Department of Public Safety:				
Division of Emergency Management:				
Emergency Management Performance Grant	97.042	16TX-EMPG-0147	<u>45,739</u>	<u>-</u>
Total Passed through Texas Department of Public Safety: Division of Emergency Management			<u>45,739</u>	<u>-</u>
Passed through the Governor's Division of Criminal Justice:				
Law Enforcement Communications Equipment	97.067	2968701	<u>54,426</u>	<u>-</u>
Total Passed through Governor's Division of Criminal Justice			<u>54,426</u>	<u>-</u>
 Total U. S. Department of Homeland Security			<u>512,256</u>	<u>-</u>
 Total Federal Expenditures			<u>\$ 1,963,950</u>	<u>\$ -</u>

GRAYSON COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2017

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards programs of Grayson County, Texas. The County's reporting entity is defined in Note 1 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.

2. 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 1 of the financial statements.

3. INDIRECT COSTS

The County has elected not to use the 10% de minimis indirect cost rate allowed in the Uniform Guidance.

4. OTHER

The County incurred eligible expenditures in its fiscal year 2017 and FEMA approved the County's PW's in its fiscal year 2017 in the amount of \$57,557. Eligible expenditures are recorded on the SEFA in the fiscal year that the PW's are approved.

GRAYSON COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted?

None

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of Uniform Guidance.

None

Identification of major programs:

CFDA Number(s)
#10.557

Name of Federal Program or Cluster:
Special Supplemental Nutrition
Program for Women, Infants
and Children (WIC)

Dollar threshold used to distinguish between type A and type B federal programs

\$750,000

Auditee qualified as low-risk auditee for federal single audit?

Yes

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

Findings and Questioned Costs for Federal Awards

None

GRAYSON COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

None