

GRAYSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2011**

GRAYSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

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GRAYSON COUNTY, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2011

COMMISSIONERS' COURT

Drew Bynum
Johnny Waldrip
David Whitlock
Jackie Crisp
Bart Lawrence

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

JUDICIAL

Brian Gary
James P. Fallon
Rayburn Nall
James Henderson
Carol Siebman

Judge 397th District Court
Judge, 15th District Court
Judge, 59th District Court
Judge, County Court-at-Law
Judge, County Court-at-Law

LAW ENFORCEMENT

Keith Gary
Joseph D. Brown
Alan Brown
Bill Bristow*

County Sheriff
County Attorney
Adult Probation Officer
Juvenile Probation Officer

FINANCIAL ADMINISTRATION

J. Richey Rivers*
Trent Bass
John Ramsey

County Auditor
County Treasurer
Tax Assessor/Collector

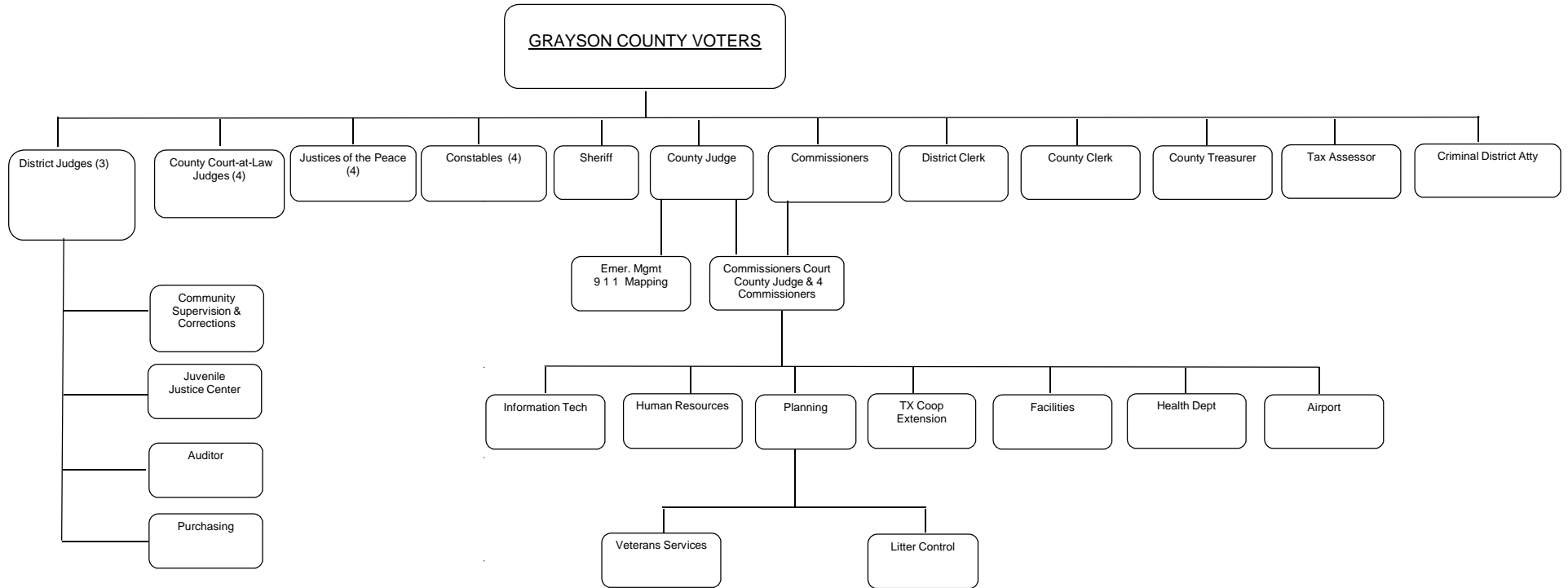
RECORDING OFFICIALS

Kelly Ashmore
Wilma Bush

District Clerk
County Clerk

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

GRAYSON COUNTY ORGANIZATION CHART



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Commissioners' Court
Grayson County, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grayson County, Texas (the "County") as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 53 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

May 22, 2012

**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, 2011.

FINANCIAL HIGHLIGHTS

- The assets of Grayson County exceeded its liabilities at the close of the most recent fiscal year by \$59.6 million (net assets).
- The County's total net assets decreased by \$4.2 million.
- As of the close of the current fiscal year, Grayson County's governmental funds reported combined ending fund balances of \$29.5 million, a decrease of \$7.8 million in comparison with the prior year. Of the total fund balance, \$9.3 million is available for spending at the government's discretion unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9.2 million, or 30% 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 5. 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 Assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fines and earned, but unused, vacation leave).

Both of the government-wide financial statements distinguish functions of 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 13 – 15 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 51 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, Highway 289 Completion Fund, State Highway 289 Bonds Fund, Right-of-Way Acquisition Fund, and Permanent Improvement Fund, all of which are considered to be major funds. Data from the other 45 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 16 – 21 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 22 – 25 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 27 – 52 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 53 – 56 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the County's financial position. In the case of the County, assets exceeded liabilities by \$59.6 million as of September 30, 2011, a decrease of \$4.2 million as compared with the previous fiscal year.

By far, the largest portion of Grayson County’s net assets (\$44.2 million or 74% percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. Grayson County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Grayson County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GRAYSON COUNTY’S NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 81,294,014	\$ 88,073,616	\$ 981,166	\$ 463,280	\$ 82,275,180	\$ 88,536,896
Capital assets	<u>33,989,332</u>	<u>33,289,227</u>	<u>17,712,489</u>	<u>15,681,109</u>	<u>51,701,821</u>	<u>48,970,336</u>
Total assets	<u>115,283,346</u>	<u>121,362,843</u>	<u>18,693,655</u>	<u>16,144,389</u>	<u>133,977,001</u>	<u>137,507,232</u>
Current liabilities	7,212,117	6,140,589	117,535	134,868	7,329,652	6,275,457
Long-term liabilities	<u>66,873,279</u>	<u>67,360,342</u>	<u>161,847</u>	<u>104,169</u>	<u>67,035,126</u>	<u>67,464,511</u>
Total liabilities	<u>74,085,396</u>	<u>73,500,931</u>	<u>279,382</u>	<u>239,037</u>	<u>74,364,778</u>	<u>73,739,968</u>
Net assets:						
Invested in capital assets, net of related debt	26,522,684	32,532,328	17,712,489	15,681,109	44,235,173	48,213,437
Restricted	16,070,267	22,500,209	-	-	16,070,267	22,500,209
Unrestricted	(1,395,001)	(7,170,625)	701,784	224,243	(693,217)	(6,946,382)
Total net assets	<u>\$ 41,197,950</u>	<u>\$ 47,861,912</u>	<u>\$ 18,414,273</u>	<u>\$ 15,905,352</u>	<u>\$ 59,612,223</u>	<u>\$ 63,767,264</u>

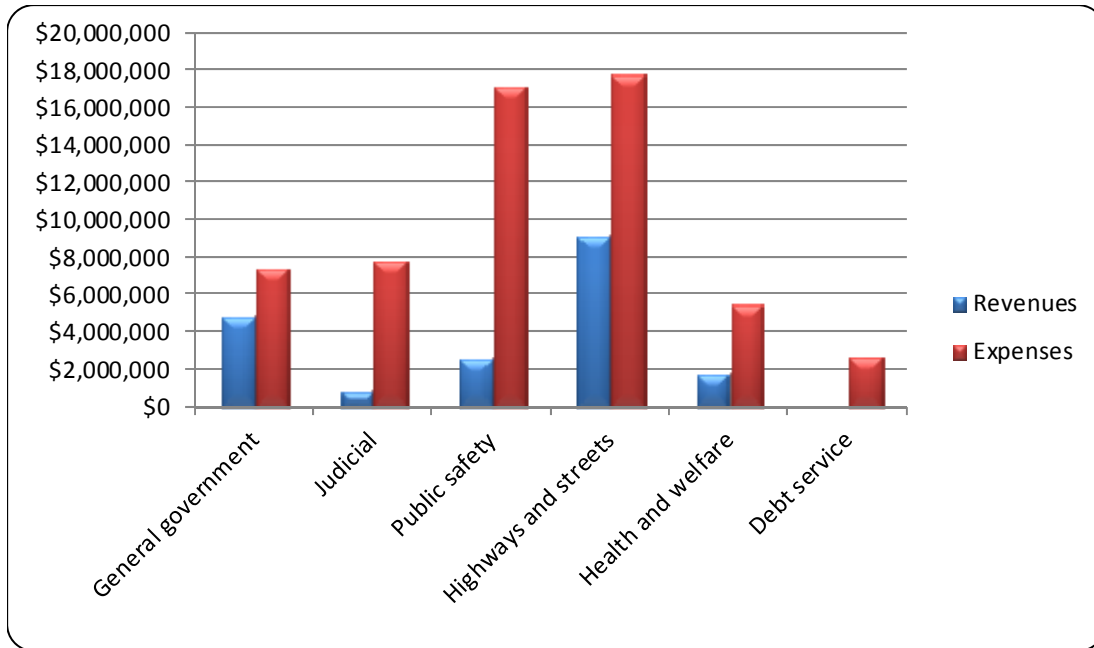
The County's expenses exceeded revenues by \$4.2 million during the current fiscal year. Changes in net assets are summarized as follows:

GRAYSON COUNTY, TEXAS' CHANGES IN NET ASSETS

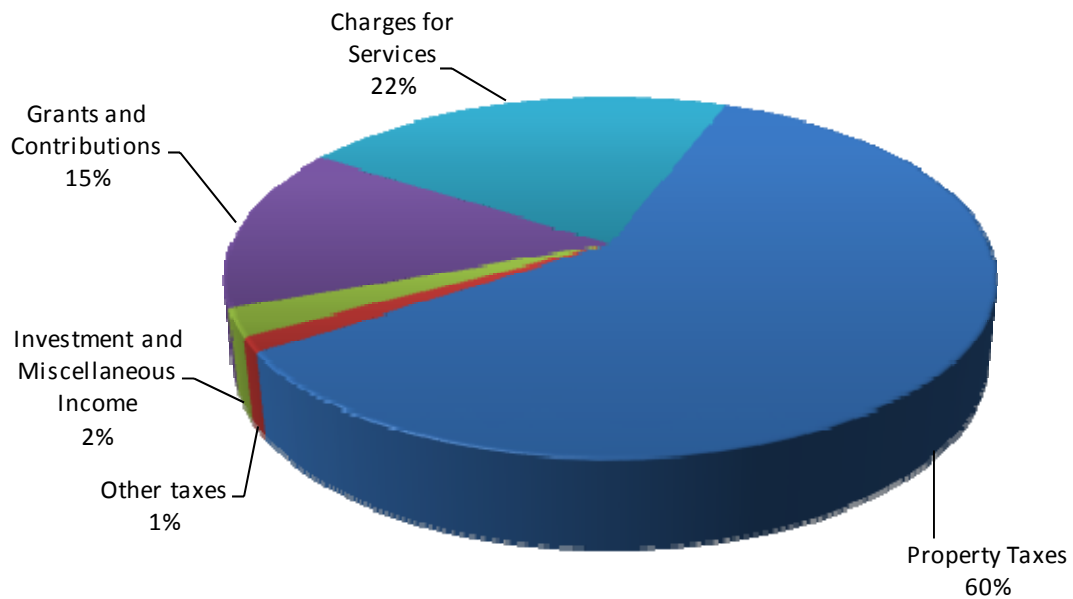
	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 11,472,493	\$ 10,985,123	\$ 758,586	\$ 737,166	\$ 12,231,079	\$ 11,722,289
Operating grants and contributions	7,763,292	2,721,898	2,170,409	49,062	9,933,701	2,770,960
Capital grants and contributions	-	-	-	5,527,088	-	5,527,088
General revenues:						
Property taxes	31,341,844	30,315,642	-	-	31,341,844	30,315,642
Other taxes	738,991	458,842	-	-	738,991	458,842
Miscellaneous	1,185,100	1,026,202	5,806	11,839	1,190,906	1,038,041
Investment earnings	69,541	268,864	848	66	70,389	268,930
Gain (loss) on sale of capital assets	168,220	58,192	-	-	168,220	58,192
Insurance proceeds	-	-	865,181	22,460	865,181	22,460
Total revenues	<u>52,739,481</u>	<u>45,834,763</u>	<u>3,800,830</u>	<u>6,347,681</u>	<u>56,540,311</u>	<u>52,182,444</u>
Expenses:						
General government	7,453,246	8,275,299	-	-	7,453,246	8,275,299
Judicial	7,873,778	7,695,707	-	-	7,873,778	7,695,707
Elections	-	5,300	-	-	-	5,300
Public safety	17,166,813	16,443,045	-	-	17,166,813	16,443,045
Health and welfare	17,916,686	9,184,309	-	-	17,916,686	9,184,309
Highways and streets	5,477,782	5,710,123	-	-	5,477,782	5,710,123
Culture and recreation	120,161	167,239	-	-	120,161	167,239
Conservation and development	189,369	235,599	-	-	189,369	235,599
Interest on long-term debt	2,722,580	2,826,611	-	-	2,722,580	2,826,611
Intergovernmental	133,028	119,316	-	-	133,028	119,316
Airport	-	-	1,641,909	1,809,466	1,641,909	1,809,466
Total expenses	<u>59,053,443</u>	<u>50,662,548</u>	<u>1,641,909</u>	<u>1,809,466</u>	<u>60,695,352</u>	<u>52,472,014</u>
Increases in net assets before transfers	(6,313,962)	(4,827,785)	2,158,921	4,538,215	(4,155,041)	(289,570)
Transfers	(350,000)	(1,175,000)	350,000	1,175,000	-	-
Change in net assets	(6,663,962)	(6,002,785)	2,508,921	5,713,215	(4,155,041)	(289,570)
Net assets, beginning	<u>47,861,912</u>	<u>53,864,697</u>	<u>15,905,352</u>	<u>10,192,137</u>	<u>63,767,264</u>	<u>64,056,834</u>
Net assets, ending	<u>\$ 41,197,950</u>	<u>\$ 47,861,912</u>	<u>\$ 18,414,273</u>	<u>\$ 15,905,352</u>	<u>\$ 59,612,223</u>	<u>\$ 63,767,264</u>

Property tax revenues accounted for approximately 59% percent of revenues for governmental activities. The next largest segment of revenues came from charges for services, which accounted for 22% percent of total governmental revenues, with grants and contributions accounting for approximately 15% percent of total governmental revenues.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

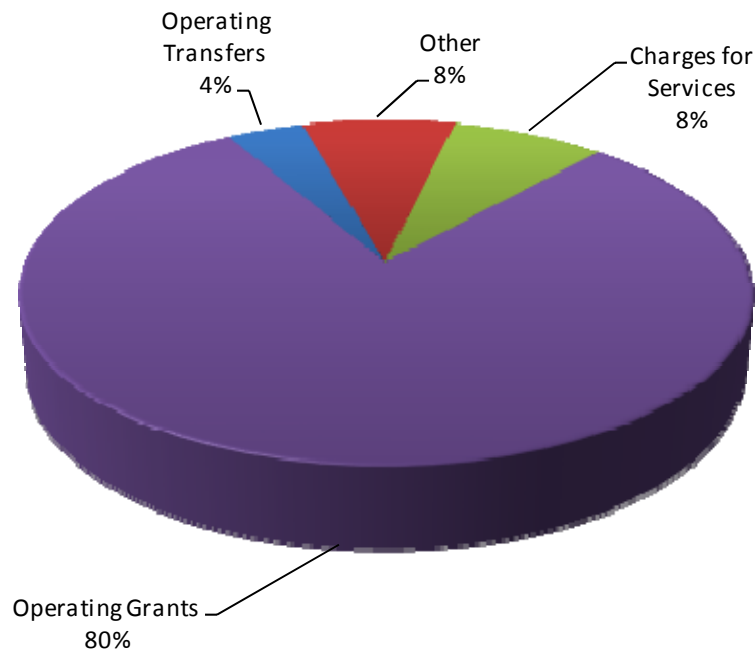


Government Activities

The County's total governmental net assets decreased by (\$6.7) in comparison with the prior fiscal year's decrease of \$6.0 million. The total cost of all governmental activities this year was \$59.1 million, an increase of 17% over the prior fiscal year. The amount that our taxpayers paid for these activities through property taxes was \$31.3 million or 53% of total governmental expenditures. The next largest segment of revenues came from charges for services, which accounted for \$11.5 million or 19% of total governmental expenditures.

Business-type Activities

The business-type activity of the County is the operations of a regional airport. Approximately 8% of airport revenue is generated by tenant payments for rental of industrial and aircraft facilities. Operating grants comprise another 80%, and transfers from the General Fund to support the airport fire operations account for 4% of revenues.



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 \$29.5 million, a decrease of approximately \$7.8 million in comparison with the prior year. This large decrease was the result of proceeds from a bond issue which have begun to be spent to complete a highway construction project. Approximately 31% percent of this total amount (\$9.3 million) constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately \$12.1 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 has restricted to pay nonspendable items (\$180 thousand), road and bridge expenditures (\$3.7 million), special revenue expenditures (\$2.8 million) or fund a special purpose trust (\$947 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 \$9.3 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, 2011, unassigned fund balance represents 30% of the total General Fund expenditures.

The fund balance of the County's General Fund decreased by \$1.6 million during the current fiscal year. The key factors are the transfer of \$4 million to the Permanent Improvement Fund to be used for the construction of a jail addition, which will be completed in fiscal year 2012. Compensating for this transfer out, the Commissioners Court re-allocated the distribution of property taxes in the current fiscal year, resulting in additional \$1.3 million in additional property taxes being deposited into the General Fund.

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, 2011, is \$3.7 million, which is fully restricted for road construction purposes. The road and bridge precinct fund balances decreased by approximately \$400,000 during the fiscal year 2011. The decrease is primarily due to the early termination of a lease agreement for equipment, resulting in debt service payments of approximately \$200,000 more than in 2010. Additionally, capital outlays for the purchase of road construction equipment were approximately \$400,000 more than in fiscal year 2010.

In 2007, Grayson County issued \$63,725,000 of revenue bonds to finance the construction of an extension of State Highway 289. The majority of the bond proceeds were placed in the Highway 289 Completion Fund to pay contractors for work performed in the completion of the roadway. During 2011, the construction project was substantially completed, and the fund was diminished by \$17.6 million. The 2011 expenditures of funds represented the final project costs of \$112,000, and the final payment to the construction firm of \$8.46 million. The remainder of the funds was transferred to other project funds of the County for future capital expenditure. At the end of fiscal year 2011, the remaining fund balance is \$20,982, which is held for any remaining maintenance on the project

Proprietary Funds

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

Unrestricted net assets of the Airport at the end of the year amounted to \$702 thousand. The total increase in net assets for the fund was \$2.5 million. Federally funded construction programs, resulting in the addition and upgrade to infrastructure, accounted for \$5.5 million of the increase in net assets. Airport operations and transfers from the County's General Fund (\$350 thousand) resulted in this increase. Other factors concerning the finances of this fund have already been addressed in the discussion of Grayson County's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were insignificant, \$105 thousand increase in appropriations, with the most significant item being increases in capital outlay expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Grayson County's investment in capital assets as of September 30, 2011, amounts to \$51.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, roads, and bridges.

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

- Completion of the State Highway 289 project;
- Beginning the construction of an addition to the Grayson County Jail, anticipated to be completed in 2012; and
- Upgrades to County roads.

GRAYSON COUNTY'S CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,371,954	\$ 1,363,954	\$ 2,600,238	\$ 2,600,238	\$ 3,972,192	\$ 3,964,192
Infrastructure	18,418,940	20,086,180	11,923,878	5,771,217	30,342,818	25,857,397
Buildings	6,327,556	5,328,885	293,224	329,060	6,620,780	5,657,945
Improvements other than buildings	331,606	418,028	13,957	16,396	345,563	434,424
Machinery and equipment	4,909,669	5,272,731	146,349	176,468	5,056,018	5,449,199
Construction in progress	<u>2,629,607</u>	<u>819,449</u>	<u>2,734,843</u>	<u>6,787,730</u>	<u>5,364,450</u>	<u>7,607,179</u>
Total capital assets	<u>\$ 33,989,332</u>	<u>\$ 33,289,227</u>	<u>\$ 17,712,489</u>	<u>\$ 15,681,109</u>	<u>\$ 51,701,821</u>	<u>\$ 48,970,336</u>

Additional information regarding the County's capital assets can be found in Note III on pages 40 – 41 of this report.

Long-term Debt

At the end of the current fiscal year, Grayson County had total bonded debt of \$61.3 million. A portion of the debt service payments on this amount are funded through property taxes assessed annually. The larger portion of the debt payable will be funded 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	
	2011	2010
Pass-through Toll Revenue Bonds payable	\$ 60,875,000	\$ 63,725,000
Premium on Pass-through Toll Bonds	302,467	322,632
General Obligation Bonds payable	440,000	575,000
Capital leases payable	-	202,064
Compensated absences payable	777,167	747,467
Net OPEB obligation	<u>7,798,102</u>	<u>5,023,135</u>
	<u>\$ 70,192,736</u>	<u>\$ 70,595,298</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.

Grayson County's remaining bonded debt (general obligation bonds) consists of \$440,000 of taxable permanent improvement bonds issued in 1994 to finance the addition to the existing jail. The original bond issue was payable over a 20-year period, but was not callable until after the first 10 years of the bonds had been paid (2004). Because there has been a considerable drop in interest rates, refinancing the callable portion of the bonds was done during fiscal year 2003, resulting in a significant drop in rates, and savings to the taxpayer.

Additional information on Grayson County's long-term debt can be found in Note III on pages 44 – 46 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for Grayson County on September 30, 2011, is 8.3 percent, which is equal to a rate of 8.3 percent a year ago. This rate is comparable to the state's average unemployment rate of 8.0 percent, but lower than the national average of 9.2 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 a flattening of the tax base in 2012, but indications are that the tax base will continue to grow in 2013.
- During the current fiscal year, unassigned fund balance in the General Fund decreased to \$9.2 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**

GRAYSON COUNTY, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and investments	\$ 30,771,029	\$ 925,978	\$ 31,697,007
Receivables (net of allowance for uncollectibles)	4,218,969	19,268	4,238,237
Intergovernmental receivable	792,620	314	792,934
Prepaid items	179,775	35,606	215,381
Capitalized debt issuance costs	649,086	-	649,086
Investment in Highway 289	44,682,535	-	44,682,535
Capital assets:			
Land	1,371,954	2,600,238	3,972,192
Infrastructure	99,992,381	26,822,209	126,814,590
Buildings	19,590,030	4,882,592	24,472,622
Improvements other than buildings	873,539	24,389	897,928
Machinery and equipment	16,864,975	615,794	17,480,769
Accumulated depreciation	(107,333,154)	(19,967,576)	(127,300,730)
Construction in progress	<u>2,629,607</u>	<u>2,734,843</u>	<u>5,364,450</u>
Total assets	<u>115,283,346</u>	<u>18,693,655</u>	<u>133,977,001</u>
LIABILITIES			
Accounts payable	2,355,486	67,514	2,423,000
Intergovernmental payable	461,276	-	461,276
Accrued interest payable	664,810	-	664,810
Accrued wages payable	396,333	15,709	412,042
Unearned revenue	14,755	3,114	17,869
Noncurrent liabilities:			
Due within one year	3,319,457	31,198	3,350,655
Due in more than one year	<u>66,873,279</u>	<u>161,847</u>	<u>67,035,126</u>
Total liabilities	<u>74,085,396</u>	<u>279,382</u>	<u>74,364,778</u>
NET ASSETS			
Invested in capital assets, net of related debt	26,522,684	17,712,489	44,235,173
Restricted for:			
Debt service	104,300	-	104,300
Capital projects	12,149,701	-	12,149,701
Road and bridge	3,747,249	-	3,747,249
Purpose of trust	69,017	-	69,017
Unrestricted	<u>(1,395,001)</u>	<u>701,784</u>	<u>(693,217)</u>
Total net assets	<u>\$ 41,197,950</u>	<u>\$ 18,414,273</u>	<u>\$ 59,612,223</u>

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

GRAYSON COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 7,453,246	\$ 3,643,180	\$ 1,196,647	\$ -
Judicial	7,873,778	299,922	469,537	-
Elections	-	-	107,361	-
Public safety	17,166,813	2,141,922	470,559	-
Highways and streets	17,916,686	3,866,859	5,281,925	-
Health and welfare	5,477,782	1,520,610	237,263	-
Culture and recreation	120,161	-	-	-
Conservation and development	189,369	-	-	-
Bond interest	2,722,580	-	-	-
Intergovernmental	133,028	-	-	-
Total governmental activities	59,053,443	11,472,493	7,763,292	-
Business-type activities:				
Grayson County Airport	1,641,909	758,586	2,170,409	-
Total business-type activities	1,641,909	758,586	2,170,409	-
Total primary government	\$ 60,695,352	\$ 12,231,079	\$ 9,933,701	\$ -

General revenues:

Taxes:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Other taxes
- Penalty and interest
- Miscellaneous revenue
- Investment earnings
- Gain on sale of capital assets
- Insurance recovery
- Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$(2,613,419)	\$ -	\$(2,613,419)
(7,104,319)	-	(7,104,319)
107,361	-	107,361
(14,554,332)	-	(14,554,332)
(8,767,902)	-	(8,767,902)
(3,719,909)	-	(3,719,909)
(120,161)	-	(120,161)
(189,369)	-	(189,369)
(2,722,580)	-	(2,722,580)
<u>(133,028)</u>	<u>-</u>	<u>(133,028)</u>
<u>(39,817,658)</u>	<u>-</u>	<u>(39,817,658)</u>
-	1,287,086	1,287,086
-	1,287,086	1,287,086
<u>(39,817,658)</u>	<u>1,287,086</u>	<u>(38,530,572)</u>
31,067,388	-	31,067,388
274,456	-	274,456
244,455	-	244,455
494,536	-	494,536
1,185,100	5,806	1,190,906
69,541	848	70,389
168,220	-	168,220
-	865,181	865,181
<u>(350,000)</u>	<u>350,000</u>	<u>-</u>
<u>33,153,696</u>	<u>1,221,835</u>	<u>34,375,531</u>
(6,663,962)	2,508,921	(4,155,041)
<u>47,861,912</u>	<u>15,905,352</u>	<u>63,767,264</u>
<u>\$ 41,197,950</u>	<u>\$ 18,414,273</u>	<u>\$ 59,612,223</u>

GRAYSON COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

AS OF SEPTEMBER 30, 2011

	<u>General</u>	<u>Road and Bridge</u>	<u>Highway 289 Completion</u>
ASSETS			
Cash and investments	\$ 10,088,541	\$ 3,882,543	\$ 96,781
Taxes receivable	2,102,817	209,164	-
Receivables (net of allowances for uncollectibles)	507,673	13,407	-
Intergovernmental receivables	248,725	46,140	-
Due from other funds	164,496	-	-
Prepaid items	<u>175,002</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 13,287,254</u>	<u>\$ 4,151,254</u>	<u>\$ 96,781</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	1,189,366	154,306	75,799
Accrued wages payable	276,028	39,984	-
Intergovernmental payable	459,497	-	-
Due to other funds	-	-	-
Deferred revenue	<u>1,955,629</u>	<u>209,715</u>	<u>-</u>
Total liabilities	<u>3,880,520</u>	<u>404,005</u>	<u>75,799</u>
Fund balances:			
Nonspendable:			
Prepaid items	175,002	-	-
Restricted for:			
Public health	-	-	-
Juvenile services	2,077	-	-
Federal and state grants	-	-	-
County and district clerk services	-	-	-
Holiday lights	-	-	-
Court security and technology	-	-	-
Tax Penalty	-	-	-
Historical commission	-	-	-
District attorney	-	-	-
Law library	-	-	-
Forfeiture	-	-	-
Jail commissary	-	-	-
Time payment fee	-	-	-
Road and bridge	-	3,747,249	-
Debt service	-	-	-
Capital projects	-	-	-
Purpose of trust	-	-	-
Other	-	-	-
Unassigned:	<u>9,229,655</u>	<u>-</u>	<u>20,982</u>
Total fund balances	<u>9,406,734</u>	<u>3,747,249</u>	<u>20,982</u>
Total liabilities and fund balances	<u>\$ 13,287,254</u>	<u>\$ 4,151,254</u>	<u>\$ 96,781</u>

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

State Highway 289 Bonds	Right-of-Way Acquisition	Permanent Improvements	Other Governmental Funds	Total Governmental
\$ 24,053	\$ 5,849,982	\$ 6,571,599	\$ 4,257,530	\$ 30,771,029
23,178	-	6,561	13,318	2,355,038
-	-	-	298,742	819,822
-	-	-	497,755	792,620
-	-	-	-	164,496
-	-	-	4,773	179,775
<u>\$ 47,231</u>	<u>\$ 5,849,982</u>	<u>\$ 6,578,160</u>	<u>\$ 5,072,118</u>	<u>\$ 35,082,780</u>
-	-	589,198	346,817	2,355,486
-	-	-	80,321	396,333
-	-	-	1,779	461,276
-	-	-	164,496	164,496
<u>22,516</u>	<u>-</u>	<u>6,157</u>	<u>12,418</u>	<u>2,206,435</u>
<u>22,516</u>	<u>-</u>	<u>595,355</u>	<u>605,831</u>	<u>5,584,026</u>
-	-	-	4,773	179,775
-	-	-	1,331,771	1,331,771
-	-	-	440,660	442,737
-	-	-	176,179	176,179
-	-	-	947,462	947,462
-	-	-	38,245	38,245
-	-	-	491,791	491,791
-	-	-	123,054	123,054
-	-	-	13,774	13,774
-	-	-	57,731	57,731
-	-	-	16,246	16,246
-	-	-	198,473	198,473
-	-	-	133,896	133,896
-	-	-	37,032	37,032
-	-	-	-	3,747,249
24,715	-	-	79,585	104,300
-	5,849,982	5,982,805	279,357	12,112,144
-	-	-	69,017	69,017
-	-	-	27,241	27,241
-	-	-	-	9,250,637
<u>24,715</u>	<u>5,849,982</u>	<u>5,982,805</u>	<u>4,466,287</u>	<u>29,498,754</u>
<u>\$ 47,231</u>	<u>\$ 5,849,982</u>	<u>\$ 6,578,160</u>	<u>\$ 5,072,118</u>	<u>\$ 35,082,780</u>

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GRAYSON COUNTY, TEXAS

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

AS OF SEPTEMBER 30, 2011

Total fund balances - governmental funds balance sheet \$ 29,498,754

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$137,276,070, and the accumulated depreciation was \$103,986,843. In addition, long-term liabilities, including bonds and leases payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets. (37,306,071)

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to increase net assets. 8,288,057

The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets. (4,067,912)

The 2011 other post employment benefit expense increases noncurrent liabilities. The net effect of the current year's OPEB expense is to decrease net assets. (2,774,967)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying capital lease proceeds as an increase in debt payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets. 47,560,089

Net assets of governmental activities \$ 41,197,950

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

GRAYSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>General</u>	<u>Road and Bridge</u>	<u>Highway 289 Completion</u>
REVENUES			
Taxes:			
Property	\$ 28,384,169	\$ 2,661,484	\$ -
Other	186,539	-	-
Penalty and interest on taxes	444,639	43,632	-
Licenses and permits	137,120	-	-
Intergovernmental revenue and grants	1,241,293	-	-
Charges for services	2,286,658	514,615	-
Fines and fees	139,878	1,517,700	-
Forfeits	-	-	-
Vehicle registration fees	706,910	1,762,684	-
Investment earnings	36,895	7,485	7,155
Contributions and donations from private sources	-	-	-
Other revenue	188,304	7,852	794,700
Total revenues	<u>33,752,405</u>	<u>6,515,452</u>	<u>801,855</u>
EXPENDITURES			
Current:			
General government	7,059,290	-	-
Judicial	6,583,409	-	-
Public safety	13,002,660	-	-
Highways and streets	-	6,422,861	8,462,203
Health and welfare	3,572,084	-	-
Culture and recreation	120,161	-	-
Conservation and development	176,552	-	-
Debt service:			
Principal	-	202,131	-
Interest	-	29	-
Capital outlay	215,364	809,362	112,223
Intergovernmental	133,028	-	-
Total expenditures	<u>30,862,548</u>	<u>7,434,383</u>	<u>8,574,426</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,889,857</u>	<u>(918,931)</u>	<u>(7,772,571)</u>
OTHER FINANCING SOURCES (USES)			
Sale of real and personal property	-	468,477	-
Transfers in	-	-	-
Transfers out	<u>(4,449,333)</u>	<u>-</u>	<u>(9,839,091)</u>
Total other financing sources and uses	<u>(4,449,333)</u>	<u>468,477</u>	<u>(9,839,091)</u>
NET CHANGE IN FUND BALANCES	<u>(1,559,476)</u>	<u>(450,454)</u>	<u>(17,611,662)</u>
FUND BALANCES, BEGINNING	<u>10,966,210</u>	<u>4,197,703</u>	<u>17,632,644</u>
FUND BALANCES, ENDING	<u>\$ 9,406,734</u>	<u>\$ 3,747,249</u>	<u>\$ 20,982</u>

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

State Highway 289 Bonds	Right-of-Way Acquisition	Permanent Improvements	Other Governmental Funds	Total Governmental
\$ 5,221	\$ -	101,146	\$ 167,971	\$ 31,319,991
-	-	1,274	-	187,813
2,222	-	-	2,769	493,262
-	-	-	353,870	490,990
5,281,625	-	-	2,017,646	8,540,564
-	-	-	2,997,696	5,798,969
-	-	-	230,130	1,887,708
-	-	-	115,315	115,315
-	-	-	-	2,469,594
3,238	1,751	6,218	6,799	69,541
-	-	-	179,354	179,354
-	-	-	15,098	1,005,954
<u>5,292,306</u>	<u>1,751</u>	<u>108,638</u>	<u>6,086,648</u>	<u>52,559,055</u>
1,900	-	16,755	432,102	7,510,047
-	-	-	824,920	7,408,329
-	-	-	2,282,439	15,285,099
-	-	-	26,121	14,911,185
-	-	-	1,595,217	5,167,301
-	-	-	-	120,161
-	-	-	-	176,552
2,850,000	-	-	135,000	3,187,131
2,694,638	-	-	28,383	2,723,050
-	-	2,217,913	514,646	3,869,508
-	-	-	-	133,028
<u>5,546,538</u>	<u>-</u>	<u>2,234,668</u>	<u>5,838,828</u>	<u>60,491,391</u>
(254,232)	<u>1,751</u>	(2,126,030)	<u>247,820</u>	(7,932,336)
-	-	-	54,719	523,196
-	5,839,091	8,000,000	105,141	13,944,232
-	-	-	(5,808)	(14,294,232)
-	<u>5,839,091</u>	<u>8,000,000</u>	<u>154,052</u>	<u>173,196</u>
(254,232)	5,840,842	5,873,970	401,872	(7,759,140)
<u>278,947</u>	<u>9,140</u>	<u>108,835</u>	<u>4,064,415</u>	<u>37,257,894</u>
\$ <u>24,715</u>	\$ <u>5,849,982</u>	\$ <u>5,982,805</u>	\$ <u>4,466,287</u>	\$ <u>29,498,754</u>

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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, 2011

Net change in fund balances - total governmental funds \$(7,759,140)

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

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays and debt principal payments is to increase net assets. 8,288,057

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets. (4,067,912)

Other post employment benefit expense is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets. (2,774,967)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets. (350,000)

Change in net assets of governmental activities \$(6,663,962)

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

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GRAYSON COUNTY, TEXAS

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

SEPTEMBER 30, 2011

	<u>Grayson County Airport</u>
ASSETS	
Current assets:	
Cash and investments	\$ 925,978
Other receivables	19,268
Due from other governments	314
Prepaid expenses	<u>35,606</u>
Total current assets	<u>981,166</u>
Noncurrent assets:	
Capital assets:	
Land	2,600,238
Infrastructure	26,822,209
Buildings	4,882,592
Improvements other than buildings	24,389
Machinery and equipment	615,794
Construction in progress	2,734,843
Accumulated depreciation	<u>(19,967,576)</u>
Total noncurrent assets	<u>17,712,489</u>
Total assets	<u>18,693,655</u>
LIABILITIES	
Current liabilities:	
Accounts payable	67,514
Accrued wages payable	15,709
Security deposits payable	3,114
Compensated absences	31,198
Noncurrent liabilities:	
Net OPEB obligation	<u>161,847</u>
Total liabilities	<u>279,382</u>
NET ASSETS	
Invested in capital assets	17,712,489
Unrestricted net assets	<u>701,784</u>
Total net assets	<u>\$ 18,414,273</u>

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

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GRAYSON COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS**

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Grayson County Airport</u>
OPERATING REVENUES	
Grant funding	\$ 2,170,409
Charges for services	56,115
Rents and royalties	702,471
Other revenue	5,806
Total operating revenues	<u>2,934,801</u>
OPERATING EXPENSES	
Salaries, wages and benefits	630,801
Purchased professional and technical services	16,472
Purchased property services	147,231
Other operating expenses	554,826
Depreciation	292,579
Total operating expenses	<u>1,641,909</u>
OPERATING LOSS	<u>1,292,892</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	848
Insurance recovery	865,181
Total nonoperating revenues (expenses)	<u>866,029</u>
NET INCOME BEFORE TRANSFERS	2,158,921
NONOPERATING TRANSFER IN	<u>350,000</u>
CHANGE IN NET ASSETS	2,508,921
TOTAL NET ASSETS, BEGINNING	<u>15,905,352</u>
TOTAL NET ASSETS, ENDING	<u>\$ 18,414,273</u>

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

GRAYSON COUNTY, TEXAS

**STATEMENT OF CASHFLOWS
PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Grayson County Airport</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 2,934,487
Cash payments to employees for services	(573,524)
Cash payments for other operating expenses	<u>(744,807)</u>
Net cash provided by operating activities	<u>1,616,156</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash paid from other funds	6,493
Operating transfers in	350,000
Insurance proceeds	<u>865,181</u>
Net cash provided by noncapital financing activities	<u>1,221,674</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition on capital assets	<u>(2,323,959)</u>
Net cash used by capital and related financing activities	<u>(2,323,959)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	<u>848</u>
Net cash provided by investing activities	<u>848</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	514,719
CASH AND CASH EQUIVALENTS, BEGINNING	<u>411,259</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 925,978</u>

(continued)

GRAYSON COUNTY, TEXAS

**STATEMENT OF CASHFLOWS
PROPRIETARY FUNDS**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Grayson
County
Airport

RECONCILIATION OF OPERATING INCOME TO NET

CASH USED BY OPERATING ACTIVITIES

Operating loss	\$ 1,292,892
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	292,579
Assets and liabilities:	
Decrease (increase) in receivables	(314)
Decrease (increase) in prepaid expenses	(9,346)
Increase (decrease) in accounts payable	(16,932)
Increase (decrease) in security deposits payable	(3,101)
Increase (decrease) in noncurrent liabilities	57,678
Increase (decrease) in compensated absences	<u>2,700</u>
Net provided used by operating activities	\$ <u><u>1,616,156</u></u>

Noncash investing, capital, and financing activities:

Contributions of capital assets	\$ <u><u>-</u></u>
---------------------------------	--------------------

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

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GRAYSON COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>5,979,906</u>
Total assets	\$ <u>5,979,906</u>
LIABILITIES	
Due to other agencies and individuals	\$ <u>5,979,906</u>
Total liabilities	\$ <u>5,979,906</u>

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

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GRAYSON COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

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 IV-G.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) 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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(Continued)

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.

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

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 Improvement 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.

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(Continued)

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

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

D. Assets, Liabilities and Net Assets 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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

3. *Receivables and Payables* (Continued)

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 estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	20 - 50
Improvements	5 - 50
Equipment	5 - 20
Infrastructure	35 - 125

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

5. *Compensated Absences*

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

6. *Long-term Obligations*

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

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

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

7. *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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

7. *Fund Balance Classification* (Continued)

- **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 Richey Rivers, 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.

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned.

8. *Net Assets*

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Page 18 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>
Non-depreciable assets:			
Land	\$ 1,363,954	\$ -	\$ 1,363,954
Construction in progress	<u>819,449</u>	<u>-</u>	<u>819,449</u>
Total non-depreciable assets	<u>2,183,403</u>	<u>-</u>	<u>2,183,403</u>
Depreciable assets:			
Infrastructure	99,780,029	79,693,849	20,086,180
Buildings	17,998,203	12,669,318	5,328,885
Improvements	873,539	455,511	418,028
Machinery and equipment	<u>16,440,896</u>	<u>11,168,165</u>	<u>5,272,731</u>
Total depreciable assets	<u>135,092,667</u>	<u>103,986,843</u>	<u>31,105,824</u>
Total assets at historical cost	<u>\$ 137,276,070</u>	<u>\$ 103,986,843</u>	<u>\$ 33,289,227</u>
			<u>Payable at the Beginning of the Year</u>
<u>Long-term Liabilities at the Beginning of the Year</u>			
Bonds payable			\$ 64,622,632
Capital leases payable			202,064
Net OPEB obligation			5,023,135
Compensated absences			<u>747,467</u>
Change in net assets			<u>70,595,298</u>
Net adjustment to net assets			<u>\$(37,306,071)</u>

(continued)

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

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

Page 21 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the changes in net assets. The details of this adjustment are as follows:

<u>Current Year Capital Outlay</u>	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
Land	\$ 8,000	\$ 8,000	\$ 8,000
Building	1,000,000	1,000,000	1,000,000
Infrastructure	532,358	532,358	532,358
Machinery and equipment	1,180,650	1,180,650	1,180,650
Construction in progress	<u>2,379,985</u>	<u>2,379,985</u>	<u>2,379,985</u>
Total capital outlay	<u>\$ 5,092,993</u>	<u>5,100,993</u>	<u>5,100,993</u>
<u>Debt Principal Payments</u>			
Bond principal	\$ 2,985,000	2,985,000	2,985,000
Capital lease principal	<u>202,064</u>	<u>202,064</u>	<u>202,064</u>
Total principal payments	<u>\$ 3,187,064</u>	<u>3,187,064</u>	<u>3,187,064</u>
Total adjustment to net assets		<u>\$ 8,288,057</u>	<u>\$ 8,288,057</u>

(continued)

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Another element of the reconciliation on page 21 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

Adjustments to Revenue and Deferred Revenue	Amount	Adjustments to Changes in Net Assets	Adjustments to Net Assets
Taxes collected from prior year levies	\$ 658,451	\$(658,451)	\$ -
Uncollected taxes (assumed collectible) from current year levy	680,304	680,304	680,304
Uncollected taxes (assumed collectible) from prior year levy	1,511,376	-	1,511,376
Subtotal		<u>21,853</u>	<u>2,191,680</u>
<u>Adjustments to Expenses and Liabilities</u>			
Record beginning balance for accrued interest payable	696,264	-	(696,264)
Record decrease in accrued interest payable	31,454	31,454	31,454
Record increase in compensated absences payable	29,700	(29,700)	(29,700)
Record beginning balance for Highway 289 investment	44,682,535	-	44,682,535
Record beginning balance of debt issuance cost	700,235	-	700,235
Record amortization of debt issuance costs	51,149	(51,149)	(51,149)
Record amortization of bond premium	20,165	20,165	20,165
Subtotal		<u>(29,230)</u>	<u>44,657,276</u>
<u>Adjustments to Revenue and Receivables</u>			
Record beginning balance for fee office receivables, net	\$ 856,975	\$ -	\$ 856,975
Decrease fee office receivable, net	67,563	(67,563)	(67,563)
Record beginning balance for penalties and interest receivable, net	196,781	-	196,781
Increase in penalties and interest receivable, net	57,916	57,916	57,916
Subtotal		<u>(9,647)</u>	<u>1,044,109</u>
<u>Reclassifications</u>			
Reclassify capital assets	22,000	22,000	22,000
Reclassify proceeds from sale of capital assets	354,976	(354,976)	(354,976)
Subtotal		<u>(332,976)</u>	<u>(332,976)</u>
Total adjustments to net assets		<u><u>\$(350,000)</u></u>	<u><u>\$ 47,560,089</u></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, 2011, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was:

U. S. Treasury Securities	\$ 9,498,578
Bank of Texas	11,686,754
Landmark	2,000,370
Texas Local Government Investment Pool	3,259,827
LOGIC	<u>11,294,765</u>
Total	\$ <u>37,740,294</u>

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

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

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and Investments (Continued)

Legal and Contractual Provisions Governing Deposits and Investments (Continued)

TexPool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. TexPool uses amortized costs to report net assets and share prices since that amount approximates fair value.

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

Policies Governing Deposits and Investments

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

Custodial Credit Risk – Cash Deposits: This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County's investment policy requires that all County funds be collateralized or insured consistent with federal and state law and the current bank depository contract through either FDIC insurance coverage or with obligations of the United States or its agencies and instrumentalities. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2011, 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, 2011, TexPool's investment credit quality rating was AAAM and LOGIC's investment credit quality rating was Aaa/MRI+ as rated by Standard & Poor's.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Restricted Assets

Bank deposits and investments of \$102,738 in the Debt Service Funds are restricted by law for the retirement of outstanding bonded debt and capital lease liability and interest. Deposits and investments of \$5,887,539 in the Special Right-of-Way Fund and \$59,224 in the Highway 289 Completion Fund (Capital Projects Funds) are restricted to the purchase of right-of-ways and highway construction. Bank deposits and investments of \$69,017 in the Texoma Succeeding Generations Trust (Permanent Fund) are restricted for the purchase or construction of a building to be used for the cultural benefit of the citizens of the County.

C. Property Taxes

Property subject to taxation consists of real property and certain personal property situated in the County. Certain properties of religious, educational and charitable organizations, including the federal government and the State of Texas, are exempt from taxation. Additionally, there are other exemptions, in arriving at the total assessed valuation of property subject to County taxation. The valuations are subject to 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 2010 tax rate allocated to each fund:

	Rate Per \$100	Current (2010) Tax Revenue Collected
	<u> </u>	<u> </u>
Permanent Improvement Bonds -		
2007 Series (debt service)	\$ -	\$ 5,221
2003 Series (debt service)	0.002629	167,971
Road and bridge fund (special revenue)	0.041664	2,661,484
Permanent improvement fund (capital projects)	0.001602	101,146
General fund	<u>0.445005</u>	<u>28,384,169</u>
	<u>\$ 0.490900</u>	<u>\$ 31,319,991</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%.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Property Taxes (Continued)

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.

D. Capital Assets

Capital assets activity for the year ended September 30, 2011, are as follows:

Primary Government

	Beginning Balance	Additions	Retirements/ Reclassifications	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,363,954	\$ 8,000	\$ -	\$ -	\$ 1,371,954
Construction in progress	819,449	2,379,985	(569,827)	-	2,629,607
Total assets not being depreciated	<u>2,183,403</u>	<u>2,387,985</u>	<u>(569,827)</u>	<u>-</u>	<u>4,001,561</u>
Capital assets, being depreciated:					
Infrastructure	99,780,029	532,358	(320,006)	-	99,992,381
Buildings	17,998,203	1,569,827	-	22,000	19,590,030
Improvements other than buildings	873,539	-	-	-	873,539
Machinery and equipment	16,440,896	1,180,650	(732,862)	(23,709)	16,864,975
Total capital assets being depreciated	<u>135,092,667</u>	<u>3,282,835</u>	<u>(1,052,868)</u>	<u>(1,709)</u>	<u>137,320,925</u>
Less accumulated depreciation:					
Infrastructure	79,693,849	2,199,598	(320,006)	-	81,573,441
Buildings	12,669,318	593,156	-	-	13,262,474
Improvements other than buildings	455,511	86,422	-	-	541,933
Machinery and equipment	11,168,165	1,188,736	(377,886)	(23,709)	11,955,306
Total accumulated depreciation	<u>103,986,843</u>	<u>4,067,912</u>	<u>(697,892)</u>	<u>(23,709)</u>	<u>107,333,154</u>
Total capital assets being depreciated, net	<u>31,105,824</u>	<u>(785,077)</u>	<u>(354,976)</u>	<u>22,000</u>	<u>29,987,771</u>
Governmental activities capital assets, net	<u>\$ 33,289,227</u>	<u>\$ 1,602,908</u>	<u>\$(924,803)</u>	<u>\$ 22,000</u>	<u>\$ 33,989,332</u>

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Beginning Balance	Additions	Retirements/ Reclassifications	Adjustments	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 2,600,238	\$ -	\$ -	\$ -	\$ 2,600,238
Construction in progress	6,787,730	2,323,959	(6,376,846)	-	2,734,843
Total assets not being depreciated	<u>9,387,968</u>	<u>2,323,959</u>	<u>(6,376,846)</u>	<u>-</u>	<u>5,335,081</u>
Capital assets, being depreciated:					
Infrastructure	20,445,363	6,376,846	-	-	26,822,209
Buildings	5,485,732	-	(603,140)	-	4,882,592
Improvements other than buildings	24,389	-	-	-	24,389
Machinery and equipment	592,085	-	-	23,709	615,794
Total capital assets being depreciated	<u>26,547,569</u>	<u>6,376,846</u>	<u>(603,140)</u>	<u>23,709</u>	<u>32,344,984</u>
Less accumulated depreciation:					
Infrastructure	14,674,146	224,185	-	-	14,898,331
Buildings	5,156,672	35,836	(603,140)	-	4,589,368
Improvements other than buildings	7,993	2,439	-	-	10,432
Machinery and equipment	415,617	30,119	-	23,709	469,445
Total accumulated depreciation	<u>20,254,428</u>	<u>292,579</u>	<u>(603,140)</u>	<u>23,709</u>	<u>19,967,576</u>
Total capital assets being depreciated, net	<u>6,293,141</u>	<u>6,084,267</u>	<u>-</u>	<u>-</u>	<u>12,377,408</u>
Business-type activities capital assets, net	<u>\$ 15,681,109</u>	<u>\$ 8,408,226</u>	<u>\$(6,376,846)</u>	<u>\$ -</u>	<u>\$ 17,712,489</u>

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

Governmental activities:	
General government	\$ 856,956
Judicial	29,657
Public safety	538,231
Health and welfare	28,498
Highways and streets	<u>2,614,570</u>
Total depreciation expense - governmental activities	<u>\$ 4,067,912</u>

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables and Transfers

Interfund balances during the year ended September 30, 2011, consisted of the following amounts:

<u>Due from</u>	<u>Amount</u>	<u>Due to</u>
Nonmajor	\$ 164,496	General

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, 2011, consisted of the following amounts:

<u>Transfer from</u>	<u>Amount</u>	<u>Transfer to</u>	<u>Explanation</u>
General fund	\$ 350,000	Airport fund	Supplement fund resources
General fund	4,000,000	Permanent Improvements	Supplement fund resources
General fund	99,333	Nonmajor funds	Supplement fund resources
Highway 289	5,839,091	Right of Way Acquisition	Supplement fund resources
Highway 289	4,000,000	Permanent Improvements	Supplement fund resources
Nonmajor funds	<u>5,808</u>	Nonmajor funds	Supplement fund resources
	<u>\$ 14,294,232</u>		

F. Leasing Operations

Airport operations consist principally of leasing land and buildings. All such leases are operating leases, as defined by GAAP. Excluding renewal options, 8 of 44 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, 2011:

Buildings	\$ 4,882,592
Less: accumulated depreciation	<u>(4,589,368)</u>
Net	<u>\$ 293,224</u>

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

F. Leasing Operations (Continued)

The following is a summary of minimum future rentals to be received on non-cancellable operating leases in effect as of September 30, 2011. The summary does not include amounts attributable to potential future increases in rental payments due to increases in the consumer price index, renewal options or unit revenue (fuel flowage).

<u>Year Ending September 30,</u>	<u>Lease Obligation</u>
2012	\$ 519,829
2013	547,260
2014	518,678
2015	476,678
2016	374,971
2017-2021	1,654,534
2022-2026	1,504,522
2027-2031	953,151
2032-2036	539,991
2037-2041	150,986
2042-2046	<u>49,092</u>
Total	<u>\$ 7,289,692</u>

G. 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.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-term Debt

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenue. The original amount of general obligation bonds issued in prior years was \$2,920,000.

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities - refunding	1.5% - 4.9%	\$ 440,000

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 140,000	\$ 21,603	\$ 161,603
2013	<u>300,000</u>	<u>22,451</u>	<u>322,451</u>
Total	<u>\$ 440,000</u>	<u>\$ 44,054</u>	<u>\$ 484,054</u>

Pass-through Toll Revenue and Limited Tax Bonds

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

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

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-term Debt (Continued)

Pass-through Toll Revenue and Limited Tax Bonds (Continued)

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 2,965,000	\$ 2,578,338	\$ 5,543,338
2013	3,090,000	2,457,238	5,547,238
2014	3,215,000	2,331,138	5,546,138
2015	3,345,000	2,199,938	5,544,938
2016	3,480,000	2,063,438	5,543,438
2017-2021	19,850,000	7,875,515	27,725,515
2022-2026	<u>24,930,000</u>	<u>2,799,225</u>	<u>27,729,225</u>
Total	<u>\$ 60,875,000</u>	<u>\$ 22,304,830</u>	<u>\$ 83,179,830</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2011, is as follows:

<u>Description</u>	<u>Balance 09/30/10</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 09/30/11</u>
Governmental activities:				
General obligation bonds	\$ 575,000	\$ -	\$ 135,000	\$ 440,000
Pass-through toll revenue and limited tax bonds	63,725,000	-	2,850,000	60,875,000
Premium on pass-through toll revenue and limited tax bonds	322,632	-	20,165	302,467
Capital leases	202,064	-	202,064	-
Compensated absences	747,467	838,309	808,609	777,167
Net OPEB obligation	<u>5,023,135</u>	<u>2,774,967</u>	<u>-</u>	<u>7,798,102</u>
Governmental activities long-term liabilities	<u>\$ 70,595,298</u>	<u>\$ 3,613,276</u>	<u>\$ 4,015,838</u>	<u>\$ 70,192,736</u>
Business-type activities:				
Compensated absences	\$ 28,498	\$ 38,074	\$ 35,374	\$ 31,198
Net OPEB obligation	<u>104,169</u>	<u>57,678</u>	<u>-</u>	<u>161,847</u>
Business-type activities long-term liabilities	<u>\$ 132,667</u>	<u>\$ 95,752</u>	<u>\$ 35,374</u>	<u>\$ 193,045</u>

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

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Disaggregation of Receivables and Payables

Receivables on the fund financial statements at September 30, 2011, are as follows:

	<u>Property Taxes</u>	<u>Intergovernmental Receivable</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental activities:				
General fund	\$ 2,102,817	\$ 248,725	\$ 507,673	\$ 2,859,215
Road and bridge fund	209,164	46,140	13,407	268,711
State highway 289 bonds	23,178	-	-	23,178
Permanent improvements	6,561	-	-	6,561
Nonmajor governmental funds	<u>13,318</u>	<u>497,755</u>	<u>298,742</u>	<u>809,815</u>
Total governmental activities	<u>\$ 2,355,038</u>	<u>\$ 792,620</u>	<u>\$ 819,822</u>	<u>\$ 3,967,480</u>

Receivables on the government-wide statement of net assets at September 30, 2011, are as follows:

<u>Category</u>	<u>Receivable</u>	<u>(Allowance)</u>	<u>Net</u>
Governmental activities:			
Property taxes	\$ 2,355,038	\$ -	\$ 2,355,038
Penalty and interest on taxes	254,697	-	254,697
Intergovernmental receivable	792,620	-	792,620
Fee office	3,382,336	(2,592,924)	789,412
Other	<u>819,822</u>	<u>-</u>	<u>819,822</u>
Total	<u>\$ 7,604,513</u>	<u>\$(2,592,924)</u>	<u>\$ 5,011,589</u>

Payables on the fund financial statements at September 30, 2011, are as follows:

	<u>Accounts Payable</u>	<u>Intergovernmental Payable</u>	<u>Accrued Wages</u>	<u>Total</u>
Governmental activities:				
General fund	\$ 1,230,900	\$ 461,251	\$ 309,128	\$ 2,001,279
Road and bridge fund	154,306	-	39,984	194,290
Highway 289 completion fund	75,799	-	-	75,799
Permanent improvements	589,198	-	-	589,198
Nonmajor governmental funds	305,283	25	47,224	352,532
Airport	<u>67,514</u>	<u>-</u>	<u>15,709</u>	<u>83,223</u>
Total governmental activities	<u>\$ 2,423,000</u>	<u>\$ 461,276</u>	<u>\$ 412,045</u>	<u>\$ 3,296,321</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.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

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, 2011. 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.

B. Retirement Plan

Plan Description

Grayson County, Texas provides retirement, disability, and death benefits for all of its fulltime employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 618 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

(continued)

IV. OTHER INFORMATION (Continued)

B. Retirement Plan (Continued)

Plan Description (Continued)

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.

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 12.33% for the months of the accounting year in 2011, and 12.41% for the months of the accounting year in 2010.

The deposit rate payable by the employee members for calendar year 2011 is the rate of 7%, as adopted by the governing body of the employer.

Annual Pension Cost

For the employer's accounting year ended September 30, 2011, the annual pension cost for the TCDRS plan for its employees was \$2,355,234 and the actual contributions were \$2,355,234. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2008 and December 31, 2009, the basis for determining the contribution rates for calendar years 2011 and 2010. The December 31, 2010, actuarial valuation is the most recent valuation.

(continued)

IV. OTHER INFORMATION (Continued)

B. Retirement Plan (Continued)

Annual Pension Cost (Continued)

Actuarial Valuation Information

Actual Valuation Date	12/031/08	12/031/09	12/031/10
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period in years	20	20	20
Asset valuation method	SAF: 10-yr smoothed value, ESF: fund value	SAF: 10-yr smoothed value, ESF: fund value	SAF: 10-yr smoothed value, ESF: fund value
Actuarial Assumptions:			
Investment return*	8.0%	8.0%	8.0%
Projected salary increases	5.3%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

* Includes inflation at the stated rate

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

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/09	\$ 2,455,438	✔ 100%	\$ -
09/30/10	2,540,138	✔ 100%	-
09/30/11	2,355,234	✔ 100%	-

C. Risk Management

The County provides medical and life insurance for its employees through Texas Association of counties. The County pays \$755 per month per participating employee for this coverage. The total cost to the County for providing medical and life insurance benefits for its employees for the year ended September 30, 2011, was \$3,535,344.

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 their own expense. The retiree pays 100% of the premiums for the insurance. Members are eligible at any age with 30 years of service or at age 60 with 8 years of service. Spouses and dependents of retirees are also eligible. Currently, the County has 431 active employees and 72 retirees eligible to participate in the plan.

(continued)

IV. OTHER INFORMATION (Continued)

D. Post-Retirement Benefits (Continued)

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)	\$ 3,249,992
Interest on Net OPEB Obligation	230,729
Adjustment to the ARC	<u>(212,197)</u>
Annual OPEB Cost	3,268,524
Employer Contributions with Interest	<u>(435,879)</u>
Increase (Decrease) in Net OPEB Obligation	2,832,645
Net OPEB Obligation, beginning of year	<u>5,127,304</u>
 Net OPEB Obligation, end of year	 <u>\$ 7,959,949</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>
09/30/09	\$ 2,711,312	\$ 166,426	6%	\$ 2,544,886
09/30/10	2,825,832	243,414	9%	2,582,418
09/30/11	3,268,524	435,879	13%	2,832,645

(continued)

IV. OTHER INFORMATION (Continued)

D. Post-Retirement Benefits (Continued)

Funding Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll
12/31/2008	\$ -	\$ 24,162,294	\$ 24,162,294	- %	\$ -
12/31/2010	-	29,498,486	29,498,486	- %	-

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	12/31/2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percent of payroll
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Payroll Growth Rate	3%
Projected Salary Increases	3.75% to 7.75%
General Inflation Rate	3%
Healthcare cost trend rate	10%
The number of active members is assumed to remain constant in the future	

(continued)

IV. OTHER INFORMATION (Continued)

E. Change in Accounting Principles

For fiscal year 2011, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the County reclassifying fund balances of its governmental funds.

F. Restatement of Prior Year's Fund Balance

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported:

	General	Road and Bridge	Highway 289 Completion	State Highway 289 Bonds	Right-of-Way Acquisitions	Permanent Improvements	Other Governmental	Total
Fund balance at September 30, 2011	\$ 11,532,648	\$ 4,197,703	\$ 17,632,644	\$ 278,947	\$ 9,140	\$ 108,835	\$ 3,497,977	\$ 37,257,894
Change in Accounting Principle, GASB 54	(566,438)	-	-	-	-	-	566,438	-
Fund balance at September 30, 2011 - restated	\$ <u>10,966,210</u>	\$ <u>4,197,703</u>	\$ <u>17,632,644</u>	\$ <u>278,947</u>	\$ <u>9,140</u>	\$ <u>108,835</u>	\$ <u>4,064,415</u>	\$ <u>37,257,894</u>

**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, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 28,054,925	\$ 28,054,925	\$ 28,384,169	\$ 329,244
Other	190,000	190,000	186,539	(3,461)
Penalty and interest on taxes	390,000	390,000	444,639	54,639
Licenses and permits	128,500	128,500	137,120	8,620
Intergovernmental revenue and grants	1,267,600	1,267,600	1,241,293	(26,307)
Charges for services	2,216,900	2,216,900	2,286,658	69,758
Fines	32,500	32,500	139,878	107,378
Vehicle registration fees	600,000	600,000	706,910	106,910
Investment earnings	105,050	105,050	36,895	(68,155)
Other revenue	200,000	200,000	188,304	(11,696)
Total revenues	33,185,475	33,185,475	33,752,405	566,930
EXPENDITURES				
Current:				
General government	7,243,035	7,243,035	7,059,290	183,745
Judicial	6,925,513	6,925,513	6,583,409	342,104
Public safety	13,186,964	13,186,964	13,002,660	184,304
Health and welfare	3,549,615	3,549,615	3,572,084	(22,469)
Culture and recreation	139,842	139,842	120,161	19,681
Conservation and development	238,284	238,284	176,552	61,732
Capital outlay	122,000	227,150	215,364	11,786
Intergovernmental	133,556	133,556	133,028	528
Total expenditures	31,538,809	31,643,959	30,862,548	781,411
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	1,646,666	1,541,516	2,889,857	1,348,341
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,745,357)	(4,745,357)	(4,449,333)	296,024
Total other financing sources (uses)	(4,745,357)	(4,745,357)	(4,449,333)	296,024
NET CHANGE IN FUND BALANCES	(3,098,691)	(3,203,841)	(1,559,476)	1,644,365
FUND BALANCES, BEGINNING	10,966,210	10,966,210	10,966,210	-
FUND BALANCES, ENDING	\$ 7,867,519	\$ 7,762,369	\$ 9,406,734	\$ 1,644,365

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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes:				
Property	\$ 2,615,200	\$ 2,615,200	\$ 2,661,484	\$ 46,284
Penalty and interest on taxes	30,000	30,000	43,632	13,632
Charges for services	256,000	256,000	514,615	258,615
Fines	1,425,000	1,425,000	1,517,700	92,700
Vehicle registration fees	1,640,000	1,640,000	1,762,684	122,684
Investment earnings	24,000	24,000	7,485	(16,515)
Other revenue	4,000	4,000	7,852	3,852
Total revenues	<u>5,994,200</u>	<u>5,994,200</u>	<u>6,515,452</u>	<u>521,252</u>
EXPENDITURES				
Current:				
Highways and streets	6,757,880	6,757,880	6,422,861	335,019
Debt service:				
Principal	202,064	202,064	202,131	(67)
Interest	4,007	4,007	29	3,978
Capital outlay	457,000	874,800	809,362	65,438
Total expenditures	<u>7,420,951</u>	<u>7,838,751</u>	<u>7,434,383</u>	<u>404,368</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(1,426,751)</u>	<u>(1,844,551)</u>	<u>(918,931)</u>	<u>925,620</u>
OTHER FINANCING SOURCES (USES)				
Sale of real and personal property	<u>197,000</u>	<u>197,000</u>	<u>468,477</u>	<u>271,477</u>
Total other financing sources (uses)	<u>197,000</u>	<u>197,000</u>	<u>468,477</u>	<u>271,477</u>
NET CHANGE IN FUND BALANCES	<u>(1,229,751)</u>	<u>(1,647,551)</u>	<u>(450,454)</u>	<u>1,197,097</u>
FUND BALANCES, BEGINNING	<u>4,197,703</u>	<u>4,197,703</u>	<u>4,197,703</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 2,967,952</u>	<u>\$ 2,550,152</u>	<u>\$ 3,747,249</u>	<u>\$ 1,197,097</u>

GRAYSON COUNTY, TEXAS

HIGHWAY 289 COMPLETION

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Investment earnings	\$ 44,712	\$ 44,712	\$ 7,155	\$(37,557)
Other revenue	-	-	794,700	794,700
Total revenues	44,712	44,712	801,855	757,143
EXPENDITURES				
Current:				
Highways and streets	8,462,203	8,462,203	8,462,203	-
Capital outlay	89,654	89,654	112,223	(22,569)
Total expenditures	8,551,857	8,551,857	8,574,426	(22,569)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(8,507,145)	(8,507,145)	(7,772,571)	734,574
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(9,839,091)	(9,839,091)
Total other financing sources (uses)	-	-	(9,839,091)	(9,839,091)
NET CHANGE IN FUND BALANCES	(8,507,145)	(8,507,145)	(17,611,662)	(9,104,517)
FUND BALANCES, BEGINNING	17,632,644	17,632,644	17,632,644	-
FUND BALANCES, ENDING	\$ 9,125,499	\$ 9,125,499	\$ 20,982	\$(9,104,517)

GRAYSON COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2011

A. BUDGETARY INFORMATION

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

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- During April or June, 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

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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.

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 and District Clerks 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 Recovery Court Fund – This fund tracks funds from the Department of Justice to develop and implement treatment, testing to integrate substance abuse treatment, testing sanctions and incentives in a judicially supervised court setting.

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

District Attorney Hot Check Fund – 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.

Law Enforcement Upgrade Fund – American Recovery and Reinvestment Act funds used for the purchase of in-car video system to replace outdated equipment in Sheriff’s office vehicles.

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

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.

Federal Forfeiture Fund – This fund accounts for funds provided through a Federal Equitable Sharing Agreement to be used for law enforcement purposes.

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.

Hazard Mitigation Grant – These federal funds from FEMA, which the County of Grayson received as a subgrantee from the Texas Division of Emergency Management [“TDEM”], were awarded to support a planning project necessary to prepare and obtain approval from FEMA and TDEM of a Multi-Jurisdictional Hazard Mitigation Plan incorporating mitigation actions for the unincorporated area of Grayson County and all of its 16 cities. The final FEMA approved plan will make Grayson County eligible for future mitigation project funds from FEMA for the first time.

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.

Star Recovery Federal Grant Fund – This fund is used to account for the expenditures related to a federal program designed for the purpose of providing group and outpatient substance abuse treatment services, and providing training for drug court program administrators.

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.

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.

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DEBT SERVICE FUND

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

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

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.

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.

GRAYSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	Special Revenue				
	Public Health	Juvenile Boot Camp	Holiday Lights	Tax A/C S-I-T Penalty	Courthouse Security
ASSETS					
Cash and investments	\$ 1,269,514	\$ 308,613	\$ 39,493	\$ 123,054	\$ 381,390
Taxes receivable	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	15,124	231,733	-	-	-
Intergovernmental receivables	123,521	-	-	-	-
Prepaid expenses	-	4,773	-	-	-
	<u>1,408,159</u>	<u>545,119</u>	<u>39,493</u>	<u>123,054</u>	<u>381,390</u>
Total assets	<u>\$ 1,408,159</u>	<u>\$ 545,119</u>	<u>\$ 39,493</u>	<u>\$ 123,054</u>	<u>\$ 381,390</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 41,534	\$ 72,092	\$ 1,248	\$ -	\$ 10,306
Accrued wages payable	33,100	40,047	-	-	-
Intergovernmental payable	1,754	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
	<u>76,388</u>	<u>112,139</u>	<u>1,248</u>	<u>-</u>	<u>10,306</u>
Total liabilities	<u>76,388</u>	<u>112,139</u>	<u>1,248</u>	<u>-</u>	<u>10,306</u>
Fund balances:					
Nonspendable:					
Prepaid items	-	4,773	-	-	-
Restricted for:					
Public health	1,331,771	-	-	-	-
Juvenile services	-	428,207	-	-	-
Federal and state grants	-	-	-	-	-
County and district clerk services	-	-	-	-	-
Holiday lights	-	-	38,245	-	-
Court security and technology	-	-	-	-	371,084
Tax penalty	-	-	-	123,054	-
Historical commission	-	-	-	-	-
District attorney	-	-	-	-	-
Law library	-	-	-	-	-
Forfeiture	-	-	-	-	-
Jail commissary	-	-	-	-	-
Time payment fee	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Purpose of trust	-	-	-	-	-
Other	-	-	-	-	-
Unassigned	-	-	-	-	-
	<u>1,331,771</u>	<u>432,980</u>	<u>38,245</u>	<u>123,054</u>	<u>371,084</u>
Total fund balances	<u>1,331,771</u>	<u>432,980</u>	<u>38,245</u>	<u>123,054</u>	<u>371,084</u>
Total liabilities and fund balances	<u>\$ 1,408,159</u>	<u>\$ 545,119</u>	<u>\$ 39,493</u>	<u>\$ 123,054</u>	<u>\$ 381,390</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
\$ 25,205	\$ 91,391	\$ -	\$ 192,276	\$ 287,471	\$ 6,973	\$ 44,182
-	-	-	-	-	-	-
-	-	103,896	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 25,205</u>	<u>\$ 91,391</u>	<u>\$ 103,896</u>	<u>\$ 192,276</u>	<u>\$ 287,471</u>	<u>\$ 6,973</u>	<u>\$ 44,182</u>
\$ -	\$ 285	\$ 42,248	\$ 4,976	\$ -	\$ -	\$ 18
-	-	-	964	-	756	-
-	-	52,169	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>285</u>	<u>94,417</u>	<u>5,940</u>	<u>-</u>	<u>756</u>	<u>18</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	9,479	-	-	-	-
-	-	-	186,336	287,471	6,217	44,164
-	-	-	-	-	-	-
25,205	91,106	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>25,205</u>	<u>91,106</u>	<u>9,479</u>	<u>186,336</u>	<u>287,471</u>	<u>6,217</u>	<u>44,164</u>
<u>\$ 25,205</u>	<u>\$ 91,391</u>	<u>\$ 103,896</u>	<u>\$ 192,276</u>	<u>\$ 287,471</u>	<u>\$ 6,973</u>	<u>\$ 44,182</u>

(continued)

GRAYSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2011

	Special Revenue			
	County Records Management	Historical Commission	Court Reporter Service	Drug Court Fees
ASSETS				
Cash and investments	\$ 351,257	\$ 13,774	\$ -	\$ 72,398
Taxes receivable	-	-	-	-
Receivables (net of allowance for uncollectibles)	-	-	-	-
Intergovernmental receivables	-	-	-	-
Prepaid expenses	-	-	-	-
	-	-	-	-
Total assets	\$ 351,257	\$ 13,774	\$ -	\$ 72,398
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 107	\$ -	\$ -	\$ 274
Accrued wages payable	-	-	-	-
Intergovernmental payable	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
	-	-	-	-
Total liabilities	107	-	-	274
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Public health	-	-	-	-
Juvenile services	-	-	-	-
Federal and state grants	-	-	-	-
County and district clerk services	351,150	-	-	72,124
Holiday lights	-	-	-	-
Court security and technology	-	-	-	-
Tax penalty	-	-	-	-
Historical commission	-	13,774	-	-
District attorney	-	-	-	-
Law library	-	-	-	-
Forfeiture	-	-	-	-
Jail commissary	-	-	-	-
Time payment fee	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Purpose of trust	-	-	-	-
Other	-	-	-	-
Unassigned	-	-	-	-
	-	-	-	-
Total fund balances	351,150	13,774	-	72,124
Total liabilities and fund balances	\$ 351,257	\$ 13,774	\$ -	\$ 72,398

Special Revenue

Star Recovery Drug Court	Star Family Drug Court	District Attorney Hot Check	District Attorney Forfeiture	Law Library	District Attorney State Supplement	CJD Domestic Violence Grant
\$ -	\$ -	\$ -	\$ 39,178	\$ 17,643	\$ 15,543	\$ -
-	-	-	-	-	-	-
-	-	4,285	4,403	209	-	-
6,656	14,583	-	-	-	-	3,318
-	-	-	-	-	-	-
<u>\$ 6,656</u>	<u>\$ 14,583</u>	<u>\$ 4,285</u>	<u>\$ 43,581</u>	<u>\$ 17,852</u>	<u>\$ 15,543</u>	<u>\$ 3,318</u>
\$ 731	\$ 14,583	\$ -	\$ 676	\$ 1,581	\$ -	\$ -
1,929	-	754	194	-	523	-
-	-	-	-	25	-	-
3,996	-	3,531	-	-	-	3,318
-	-	-	-	-	-	-
<u>6,656</u>	<u>14,583</u>	<u>4,285</u>	<u>870</u>	<u>1,606</u>	<u>523</u>	<u>3,318</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
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GRAYSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2011

	Special Revenue			
	OAG Victim Coordinator Grant	Law Enforcement Block Grant	Law Enforcement Upgrade	VINE Grant
ASSETS				
Cash and investments	\$ -	\$ 8,521	\$ -	\$ -
Taxes receivable	-	-	-	-
Receivables (net of allowance for uncollectibles)	-	-	-	-
Intergovernmental receivables	8,058	569	-	-
Prepaid expenses	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 8,058</u>	<u>\$ 9,090</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 9,090	\$ -	\$ -
Accrued wages payable	-	-	-	-
Intergovernmental payable	-	-	-	-
Due to other funds	8,058	-	-	-
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>8,058</u>	<u>9,090</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Public health	-	-	-	-
Juvenile services	-	-	-	-
Federal and state grants	-	-	-	-
County and district clerk services	-	-	-	-
Holiday lights	-	-	-	-
Court security and technology	-	-	-	-
Tax penalty	-	-	-	-
Historical commission	-	-	-	-
District attorney	-	-	-	-
Law library	-	-	-	-
Forfeiture	-	-	-	-
Jail commissary	-	-	-	-
Time payment fee	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Purpose of trust	-	-	-	-
Other	-	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 8,058</u>	<u>\$ 9,090</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue

Sheriff Forfeiture	Jail Commissary	Federal Forfeiture	Juvenile Case Manager Fees	Interlocal Emergency Management	Hazard Mitigation Grant	Citizen Corps Program
\$ 182,067	\$ 109,906	\$ -	\$ 14,507	\$ 112,300	\$ -	\$ -
-	-	-	-	-	-	-
17,995	24,993	-	-	-	-	-
-	-	-	-	-	38,080	6,143
-	-	-	-	-	-	-
<u>\$ 200,062</u>	<u>\$ 134,899</u>	<u>\$ -</u>	<u>\$ 14,507</u>	<u>\$ 112,300</u>	<u>\$ 38,080</u>	<u>\$ 6,143</u>
\$ 1,589	\$ 1,003	\$ -	\$ -	\$ -	\$ -	\$ 1,662
-	-	-	2,054	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	38,080	4,481
-	-	-	-	-	-	-
<u>1,589</u>	<u>1,003</u>	<u>-</u>	<u>2,054</u>	<u>-</u>	<u>38,080</u>	<u>6,143</u>
-	-	-	-	-	-	-
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-	-	-	12,453	-	-	-
-	-	-	-	112,300	-	-
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GRAYSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2011

	Special Revenue			
	State Homeland Security	County and District Court Technology	Law Enforcement Education	Time Payment Fee
ASSETS				
Cash and investments	\$ -	\$ 4,396	\$ 49,727	\$ 37,032
Taxes receivable	-	-	-	-
Receivables (net of allowance for uncollectibles)	-	-	-	-
Intergovernmental receivables	187,199	-	-	-
Prepaid expenses	-	-	-	-
	-	-	-	-
Total assets	\$ 187,199	\$ 4,396	\$ 49,727	\$ 37,032
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 139,557	\$ -	\$ 746	\$ -
Accrued wages payable	-	-	-	-
Intergovernmental payable	-	-	-	-
Due to other funds	47,642	-	-	-
Deferred revenue	-	-	-	-
	-	-	-	-
Total liabilities	187,199	-	746	-
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Public health	-	-	-	-
Juvenile services	-	-	-	-
Federal and state grants	-	-	48,981	-
County and district clerk services	-	-	-	-
Holiday lights	-	-	-	-
Court security and technology	-	4,396	-	-
Tax penalty	-	-	-	-
Historical commission	-	-	-	-
District attorney	-	-	-	-
Law library	-	-	-	-
Forfeiture	-	-	-	-
Jail commissary	-	-	-	-
Time payment fee	-	-	-	37,032
Debt service	-	-	-	-
Capital projects	-	-	-	-
Purpose of trust	-	-	-	-
Other	-	-	-	-
Unassigned	-	-	-	-
	-	-	-	-
Total fund balances	-	4,396	48,981	37,032
Total liabilities and fund balances	\$ 187,199	\$ 4,396	\$ 49,727	\$ 37,032

Special Revenue				Debt Service		
Probate Education Fee	Star Recovery Federal	CSCD Bond Supervision	Supplemental Guardianship	Total Nonmajor Special Revenue Funds	2003 Refunding Bonds	Total Nonmajor Debt Service Funds
\$ 9,150	\$ -	\$ 18,091	\$ 5,419	\$ 3,830,471	\$ 78,685	\$ 78,685
-	-	-	-	-	13,318	13,318
-	-	-	-	298,742	-	-
-	5,732	-	-	497,755	-	-
-	-	-	-	4,773	-	-
<u>\$ 9,150</u>	<u>\$ 5,732</u>	<u>\$ 18,091</u>	<u>\$ 5,419</u>	<u>\$ 4,631,741</u>	<u>\$ 92,003</u>	<u>\$ 92,003</u>
\$ -	\$ 2,511	\$ -	\$ -	\$ 346,817	\$ -	\$ -
-	-	-	-	80,321	-	-
-	-	-	-	1,779	-	-
-	3,221	-	-	164,496	-	-
-	-	-	-	-	12,418	12,418
-	<u>5,732</u>	-	-	<u>593,413</u>	<u>12,418</u>	<u>12,418</u>
-	-	-	-	4,773	-	-
-	-	-	-	1,331,771	-	-
-	-	-	-	440,660	-	-
-	-	-	5,419	176,179	-	-
-	-	-	-	947,462	-	-
-	-	-	-	38,245	-	-
-	-	-	-	491,791	-	-
-	-	-	-	123,054	-	-
-	-	-	-	13,774	-	-
-	-	-	-	57,731	-	-
-	-	-	-	16,246	-	-
-	-	-	-	198,473	-	-
-	-	-	-	133,896	-	-
-	-	-	-	37,032	-	-
-	-	-	-	-	79,585	79,585
-	-	-	-	-	-	-
-	-	-	-	-	-	-
9,150	-	18,091	-	27,241	-	-
-	-	-	-	-	-	-
<u>9,150</u>	<u>-</u>	<u>18,091</u>	<u>5,419</u>	<u>4,038,328</u>	<u>79,585</u>	<u>79,585</u>
<u>\$ 9,150</u>	<u>\$ 5,732</u>	<u>\$ 18,091</u>	<u>\$ 5,419</u>	<u>\$ 4,631,741</u>	<u>\$ 92,003</u>	<u>\$ 92,003</u>

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GRAYSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2011

	Lateral Road	Texoma Succeeding Generations	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 279,357	\$ 69,017	\$ 4,257,530
Taxes receivable	-	-	13,318
Receivables (net of allowance for uncollectibles)	-	-	298,742
Intergovernmental receivables	-	-	497,755
Prepaid expenses	-	-	4,773
Total assets	\$ 279,357	\$ 69,017	\$ 5,072,118
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 346,817
Accrued wages payable	-	-	80,321
Intergovernmental payable	-	-	1,779
Due to other funds	-	-	164,496
Deferred revenue	-	-	12,418
Total liabilities	-	-	605,831
Fund balances:			
Nonspendable:			
Prepaid items	-	-	4,773
Restricted for:			
Public health	-	-	1,331,771
Juvenile services	-	-	440,660
Federal and state grants	-	-	176,179
County and district clerk services	-	-	947,462
Holiday lights	-	-	38,245
Court security and technology	-	-	491,791
Tax penalty	-	-	123,054
Historical commission	-	-	13,774
District attorney	-	-	57,731
Law library	-	-	16,246
Forfeiture	-	-	198,473
Jail commissary	-	-	133,896
Time payment fee	-	-	37,032
Debt service	-	-	79,585
Capital projects	279,357	-	279,357
Purpose of trust	-	69,017	69,017
Other	-	-	27,241
Unassigned	-	-	-
Total fund balances	279,357	69,017	4,466,287
Total liabilities and fund balances	\$ 279,357	\$ 69,017	\$ 5,072,118

GRAYSON COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue				
	Public Health	Juvenile Boot Camp	Holiday Lights	Tax A/C S-I-T Penalty	Courthouse Security
REVENUES					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Penalty and interest on taxes	-	-	-	-	-
Intergovernmental revenue and grants	984,426	101,722	-	-	-
Charges for services	313,144	2,057,992	-	-	66,224
Fines and fees	-	-	-	3,192	-
Forfeits	-	-	-	-	-
Investment earnings	1,497	756	86	191	575
Contributions and donations from private sources	99,321	-	58,528	-	-
Other	-	-	-	-	70
Total revenues	<u>1,752,258</u>	<u>2,160,470</u>	<u>58,614</u>	<u>3,383</u>	<u>66,869</u>
EXPENDITURES					
Current:					
General government	-	-	38,892	-	133,454
Judicial	-	-	-	-	-
Public safety	-	2,125,962	-	-	-
Highways and streets	-	-	-	-	-
Health and welfare	1,595,217	-	-	-	-
Capital outlay	-	132,530	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>1,595,217</u>	<u>2,258,492</u>	<u>38,892</u>	<u>-</u>	<u>133,454</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>157,041</u>	<u>(98,022)</u>	<u>19,722</u>	<u>3,383</u>	<u>(66,585)</u>
OTHER FINANCING SOURCES (USES)					
Sale of real and personal property	-	-	-	-	-
Transfers in	74,289	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>74,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	231,330	(98,022)	19,722	3,383	(66,585)
FUND BALANCE, BEGINNING	<u>1,100,441</u>	<u>531,002</u>	<u>18,523</u>	<u>119,671</u>	<u>437,669</u>
FUND BALANCE, ENDING	<u>\$ 1,331,771</u>	<u>\$ 432,980</u>	<u>\$ 38,245</u>	<u>\$ 123,054</u>	<u>\$ 371,084</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	107,361	-	-	-	-
6,431	26,157	-	134,398	-	8,397	16,765
-	-	-	-	121,825	-	-
-	-	-	-	-	-	-
60	157	11	501	423	13	62
-	-	-	-	-	-	-
-	-	-	-	-	-	15,000
<u>6,491</u>	<u>26,314</u>	<u>107,372</u>	<u>134,899</u>	<u>122,248</u>	<u>8,410</u>	<u>31,827</u>
-	-	-	227,000	9,708	8,895	216
15,990	22,861	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	103,896	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>15,990</u>	<u>22,861</u>	<u>103,896</u>	<u>227,000</u>	<u>9,708</u>	<u>8,895</u>	<u>216</u>
(9,499)	3,453	3,476	(92,101)	112,540	(485)	31,611
-	-	-	-	-	-	-
-	-	-	-	-	-	-
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(9,499)	3,453	3,476	(92,101)	112,540	(485)	31,611
<u>34,704</u>	<u>87,653</u>	<u>6,003</u>	<u>278,437</u>	<u>174,931</u>	<u>6,702</u>	<u>12,553</u>
<u>\$ 25,205</u>	<u>\$ 91,106</u>	<u>\$ 9,479</u>	<u>\$ 186,336</u>	<u>\$ 287,471</u>	<u>\$ 6,217</u>	<u>\$ 44,164</u>

(continued)

GRAYSON COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue			
	County Records Management	Historical Commission	Court Reporter Service	Drug Court Fees
REVENUES				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Penalty and interest on taxes	-	-	-	-
Intergovernmental revenue and grants	-	-	-	-
Charges for services	87,245	-	-	25,055
Fines	-	-	27,900	-
Forfeits	-	-	-	-
Investment earnings	521	20	-	115
Contributions and donations from private sources	-	-	-	4,021
Other	-	-	-	-
Total revenues	87,766	20	27,900	29,191
EXPENDITURES				
Current:				
General government	4,490	117	-	-
Judicial	-	-	27,900	12,245
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	4,490	117	27,900	12,245
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	83,276	(97)	-	16,946
OTHER FINANCING SOURCES (USES)				
Sale of real and personal property	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	83,276	(97)	-	16,946
FUND BALANCE, BEGINNING	267,874	13,871	-	55,178
FUND BALANCE, ENDING	\$ 351,150	\$ 13,774	\$ -	\$ 72,124

Special Revenue

Star Recovery Drug Court	Star Family Drug Court	District Attorney Hot Check	District Attorney Forfeiture	Law Library	District Attorney State Supplement	CJD Domestic Violence Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
142,971	82,755	-	-	-	33,589	57,716
-	-	-	-	86,868	-	-
-	-	44,721	-	-	-	-
-	-	-	94,278	-	-	-
-	-	-	103	23	-	-
-	-	-	-	112	-	17,372
-	-	8	-	20	-	-
<u>142,971</u>	<u>82,755</u>	<u>44,729</u>	<u>94,381</u>	<u>87,023</u>	<u>33,589</u>	<u>75,088</u>
-	-	-	-	-	-	-
136,252	79,870	74,960	47,244	82,275	32,083	80,294
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>136,252</u>	<u>79,870</u>	<u>74,960</u>	<u>47,244</u>	<u>82,275</u>	<u>32,083</u>	<u>80,294</u>
<u>6,719</u>	<u>2,885</u>	<u>(30,231)</u>	<u>47,137</u>	<u>4,748</u>	<u>1,506</u>	<u>(5,206)</u>
-	-	-	10,480	-	-	-
-	-	5,808	-	-	-	11,292
-	-	-	(5,808)	-	-	-
-	-	<u>5,808</u>	<u>4,672</u>	-	-	<u>11,292</u>
6,719	2,885	(24,423)	51,809	4,748	1,506	6,086
<u>(6,719)</u>	<u>(2,885)</u>	<u>24,423</u>	<u>(9,098)</u>	<u>11,498</u>	<u>13,514</u>	<u>(6,086)</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>42,711</u>	\$ <u>16,246</u>	\$ <u>15,020</u>	\$ <u>-</u>

(continued)

GRAYSON COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue			
	OAG Victim Coordinator Grant	Law Enforcement Block Grant	Law Enforcement Upgrade	VINE Grant
REVENUES				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Penalty and interest on taxes	-	-	-	-
Intergovernmental revenue and grants	41,531	17,720	-	30,710
Charges for services	-	-	-	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment earnings	-	-	-	-
Contributions and donations from private sources	-	-	-	-
Other	-	-	-	-
Total revenues	41,531	17,720	-	30,710
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial	51,292	-	-	-
Public safety	-	28,551	-	30,710
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	51,292	28,551	-	30,710
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,761)	(10,831)	-	-
OTHER FINANCING SOURCES (USES)				
Sale of real and personal property	-	-	-	-
Transfers in	13,752	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	13,752	-	-	-
NET CHANGE IN FUND BALANCE	3,991	(10,831)	-	-
FUND BALANCE, BEGINNING	(3,991)	10,831	-	-
FUND BALANCE, ENDING	\$ -	\$ -	\$ -	\$ -

Special Revenue

<u>Sheriff Forfeiture</u>	<u>Jail Commissary</u>	<u>Federal Forfeiture</u>	<u>Juvenile Case Manager Fees</u>	<u>Interlocal Emergency Management</u>	<u>Hazard Mitigation Grant</u>	<u>Citizen Corps Program</u>	<u>State Homeland Security</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	40,000	38,080	9,330	230,595
-	62,893	-	-	-	-	-	-
-	-	-	32,492	-	-	-	-
21,037	-	-	-	-	-	-	-
307	275	-	66	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>21,344</u>	<u>63,168</u>	<u>-</u>	<u>32,558</u>	<u>40,000</u>	<u>38,080</u>	<u>9,330</u>	<u>230,595</u>
-	-	-	-	-	-	9,330	-
-	-	-	60,602	-	-	-	-
34,083	54,520	-	-	216	2,076	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	278,220
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>34,083</u>	<u>54,520</u>	<u>-</u>	<u>60,602</u>	<u>216</u>	<u>2,076</u>	<u>9,330</u>	<u>278,220</u>
(12,739)	8,648	-	(28,044)	39,784	36,004	-	(47,625)
44,239	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>44,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
31,500	8,648	-	(28,044)	39,784	36,004	-	(47,625)
<u>166,973</u>	<u>125,248</u>	<u>-</u>	<u>40,497</u>	<u>72,516</u>	<u>(36,004)</u>	<u>-</u>	<u>47,625</u>
<u>\$ 198,473</u>	<u>\$ 133,896</u>	<u>\$ -</u>	<u>\$ 12,453</u>	<u>\$ 112,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

GRAYSON COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue			
	County and District Court Technology	Law Enforcement Education	Time Payment Fee	Probate Education Fee
REVENUES				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Penalty and interest on taxes	-	-	-	-
Intergovernmental revenue and grants	-	11,732	5,701	-
Charges for services	4,311	-	-	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment earnings	7	-	-	-
Contributions and donations from private sources	-	-	-	-
Other	-	-	-	-
Total revenues	4,318	11,732	5,701	-
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial	186	-	10,927	1,770
Public safety	-	6,321	-	-
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	186	6,321	10,927	1,770
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,132	5,411	(5,226)	(1,770)
OTHER FINANCING SOURCES (USES)				
Sale of real and personal property	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	4,132	5,411	(5,226)	(1,770)
FUND BALANCE, BEGINNING	264	43,570	42,258	10,920
FUND BALANCE, ENDING	\$ 4,396	\$ 48,981	\$ 37,032	\$ 9,150

Special Revenue				Debt Service	
Star Recovery Federal	CSCD Bond Supervision	Supplemental Guardianship	Total Nonmajor Special Revenue Funds	2003 Refunding Bonds	Total Nonmajor Debt Service Funds
\$ -	\$ -	\$ -	\$ -	\$ 167,971	\$ 167,971
-	-	-	-	2,769	2,769
81,707	-	-	2,017,646	-	-
-	18,075	11,881	2,925,836	-	-
-	-	-	230,130	-	-
-	-	-	115,315	-	-
-	16	-	5,785	331	331
-	-	-	179,354	-	-
-	-	-	15,098	-	-
<u>81,707</u>	<u>18,091</u>	<u>11,881</u>	<u>5,843,034</u>	<u>171,071</u>	<u>171,071</u>
-	-	-	432,102	-	-
81,707	-	6,462	824,920	-	-
-	-	-	2,282,439	-	-
-	-	-	-	-	-
-	-	-	1,595,217	-	-
-	-	-	514,646	-	-
-	-	-	-	135,000	135,000
-	-	-	-	28,383	28,383
<u>81,707</u>	<u>-</u>	<u>6,462</u>	<u>5,649,324</u>	<u>163,383</u>	<u>163,383</u>
-	18,091	5,419	193,710	7,688	7,688
-	-	-	54,719	-	-
-	-	-	105,141	-	-
-	-	-	(5,808)	-	-
-	-	-	154,052	-	-
-	18,091	5,419	347,762	7,688	7,688
-	-	-	3,690,566	71,897	71,897
<u>\$ -</u>	<u>\$ 18,091</u>	<u>\$ 5,419</u>	<u>\$ 4,038,328</u>	<u>\$ 79,585</u>	<u>\$ 79,585</u>

(continued)

GRAYSON COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Lateral Road</u>	<u>Texoma Succeeding Generations</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Taxes:			
Property	\$ -	\$ -	\$ 167,971
Penalty and interest on taxes	-	-	2,769
Intergovernmental revenue and grants	-	-	2,017,646
Charges for services	71,860	-	2,997,696
Fines	-	-	230,130
Forfeits	-	-	115,315
Investment earnings	577	106	6,799
Contributions and donations from private sources	-	-	179,354
Other	-	-	15,098
Total revenues	<u>72,437</u>	<u>106</u>	<u>6,086,648</u>
EXPENDITURES			
Current:			
General government	-	-	432,102
Judicial	-	-	824,920
Public safety	-	-	2,282,439
Highways and streets	26,121	-	26,121
Health and welfare	-	-	1,595,217
Capital outlay	-	-	514,646
Debt service:			
Principal	-	-	135,000
Interest	-	-	28,383
Total expenditures	<u>26,121</u>	<u>-</u>	<u>5,838,828</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>46,316</u>	<u>106</u>	<u>247,820</u>
OTHER FINANCING SOURCES (USES)			
Sale of real and personal property	-	-	54,719
Transfers in	-	-	105,141
Transfers out	-	-	(5,808)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>154,052</u>
NET CHANGE IN FUND BALANCE	46,316	106	401,872
FUND BALANCE, BEGINNING	<u>233,041</u>	<u>68,911</u>	<u>4,064,415</u>
FUND BALANCE, ENDING	<u>\$ 279,357</u>	<u>\$ 69,017</u>	<u>\$ 4,466,287</u>

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 STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2011

	State Court Costs and Arrest Fees	Appellate Justice System	Seized Funds	Adult Probation Restitution	District Attorney Bad Check Trust
ASSETS					
Cash and investments	\$ <u>295,988</u>	\$ <u>9,405</u>	\$ <u>37,033</u>	\$ <u>50,901</u>	\$ <u>40,671</u>
Total assets	\$ <u>295,988</u>	\$ <u>9,405</u>	\$ <u>37,033</u>	\$ <u>50,901</u>	\$ <u>40,671</u>
LIABILITIES					
Due to other agencies and individuals	\$ <u>295,988</u>	\$ <u>9,405</u>	\$ <u>37,033</u>	\$ <u>50,901</u>	\$ <u>40,671</u>
Total liabilities and fund balances	\$ <u>295,988</u>	\$ <u>9,405</u>	\$ <u>37,033</u>	\$ <u>50,901</u>	\$ <u>40,671</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>1,643,354</u>	\$ <u>306,748</u>	\$ <u>1,148,753</u>	\$ <u>2,403,958</u>	\$ <u>43,095</u>	\$ <u>5,979,906</u>
\$ <u>1,643,354</u>	\$ <u>306,748</u>	\$ <u>1,148,753</u>	\$ <u>2,403,958</u>	\$ <u>43,095</u>	\$ <u>5,979,906</u>
\$ <u>1,643,354</u>	\$ <u>306,748</u>	\$ <u>1,148,753</u>	\$ <u>2,403,958</u>	\$ <u>43,095</u>	\$ <u>5,979,906</u>
\$ <u>1,643,354</u>	\$ <u>306,748</u>	\$ <u>1,148,753</u>	\$ <u>2,403,958</u>	\$ <u>43,095</u>	\$ <u>5,979,906</u>

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FEDERAL AWARDS SECTION

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**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 Commissioners' Court
Grayson County, Texas

We have audited 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, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

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

May 22, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Commissioners' Court
Grayson County, Texas

Compliance

We have audited Grayson County, Texas', (the "County"), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2011. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County's management. Our responsibility is to express an opinion on County's compliance based on our audit.

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

In our opinion, the County complied in all material respects with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

May 22, 2012

GRAYSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

<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>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
National School Lunch Program	10.555	75-J6011	\$ <u>101,722</u>
Total Passed through the Texas Department of Agriculture			<u>101,722</u>
Passed through Texas Department of Health:			
Special Supplemental Food Program for Women, Infants and Children (WIC)	10.557	2011-033251-001	<u>659,429</u>
Total Passed through Texas Department of Health			<u>659,429</u>
Total U. S. Department of Agriculture			<u>761,151</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>			
Passed through Office of the Attorney General:			
Victim Coordinator and Liaison Grant	16.576	1014265	41,531
Drug Court Discretionary Grant Program	16.585	2010-DC-BX-0013	<u>81,707</u>
Total Passed through Office of the Attorney General			<u>123,238</u>
Passed through Office of the Governor, Criminal Justice Division:			
Victim Notification Grant (Vine)	16.576	10-12210	30,710
Violence Against Women Act	16.588	WF-11-V30-13349-14	57,716
Edward Byrne Memorial Juastice Assistant Grant	16.738	2007-DJ-BX-1206	17,150
County STAR Recovery Court Program	16.738	DJ-09-A10-18042-06	142,971
County Family Drug Court Program	16.738	DC-10-A10-18678-05	<u>82,755</u>
Total Passed through Office of the Governor, Criminal Justice Division			<u>331,302</u>
Direct Programs:			
State Criminal Alien Assistance Program	16.606	2010-AP-BX-0125	<u>41,004</u>
Total Direct Programs			<u>41,004</u>
Total U. S. Department of Justice			<u>495,544</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through Texas Department of Transportation:			
Airport Maintenance Program	20.106	M101DENS	48,350
Airport Maintenance Program	20.106	10MPGRAYS	178,944
Airport Maintenance Program - ARRA	20.106	0901GRAY	1,283,600
Airport Maintenance Program	20.106	0901DENS	645,145
Airport Maintenance Program	20.106	0801DENS	<u>14,370</u>
Total Passed through Texas Department of Transportation			<u>2,170,409</u>
Total U. S. Department of Transportation			<u>2,170,409</u>

(continued)

GRAYSON COUNTY, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U. S. DEPARTMENT OF ENERGY</u>			
Passed through State Energy Conservation Office			
Energy Efficiency and Conservation Block Grant - ARRA	81.128	EE0000893	\$ 101,249
Total Passed through State Energy Conservation Office			<u>101,249</u>
Total U. S. Department of Energy			<u>101,249</u>
<u>U. S. DEPARTMENT OF ELECTION</u>			
Passed through Texas Secretary of State			
Help America Vote Act	90.401	N/A	\$ 103,896
Total Passed through Texas Secretary of State			<u>103,896</u>
Total U. S. Department of Election			<u>103,896</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through Texas Department of Health:			
Injury Prevention and Control Research and State and Community Based Programs	93.116	2001-035727-001	21,974
Centers for Disease Control and Prevention - Investigation and Technical Assistance OOPHP/Bioterrorism	93.283	2010-035374-001	139,958
Medicaid - Title XIX - Medical Assistance Program	93.778	2011-032002-001	18,556
Preventive Health Services Block Grant	93.991	2011-035518-001	124,094
Total Passed through Texas Department of Health			<u>304,582</u>
Passed through Texas Juvenile Probation Commission:			
Title IV-E - Foster Care	93.658	23380711	9,020
Total Passed through Texas Juvenile Probation Commission			<u>9,020</u>
Total U. S. Department of Health and Human Services			<u>313,602</u>
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through the Texas Department of Public Safety,			
Division of Emergency Management:			
Hazard Mitigation	97.039	N/A	38,080
Emergency Management Performance Grant	97.042	08-GA-48181-08	230,595
Emergency Management Performance Grant	97.042	09TX-EMPG-0147	9,330
Emergency Management Performance Grant	97.042	07TX-EMPG-0147	2,668
Emergency Management Performance Grant	97.042	11TX-EMPG-0147	45,939
Total Passed through Texas Department of Public Safety, Division of Emergency Management			<u>326,612</u>
Total U. S. Department of Homeland Security			<u>326,612</u>
Total Federal Expenditures			<u>\$ 4,272,463</u>

GRAYSON COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

1. GENERAL

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

GRAYSON COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unqualified
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	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	None
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Identification of major programs:

CFDA Number(s) #20.106	Name of Federal Program or Cluster: Airport Maintenance Program - ARRA
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Dollar threshold used to distinguish between type A and type B programs	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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**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, 2011

None

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