

GRAYSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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

GRAYSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

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GRAYSON COUNTY, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2012

COMMISSIONERS' COURT

Drew Bynum	County Judge
Johnny Waldrip	Commissioner, Precinct #1
David Whitlock	Commissioner, Precinct #2
Jackie Crisp	Commissioner, Precinct #3
Bart Lawrence	Commissioner, Precinct #4

JUDICIAL

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

LAW ENFORCEMENT

Keith Gary	County Sheriff
Joseph D. Brown	County Attorney
Alan Brown	Adult Probation Officer
Bill Bristow*	Juvenile Probation Officer

FINANCIAL ADMINISTRATION

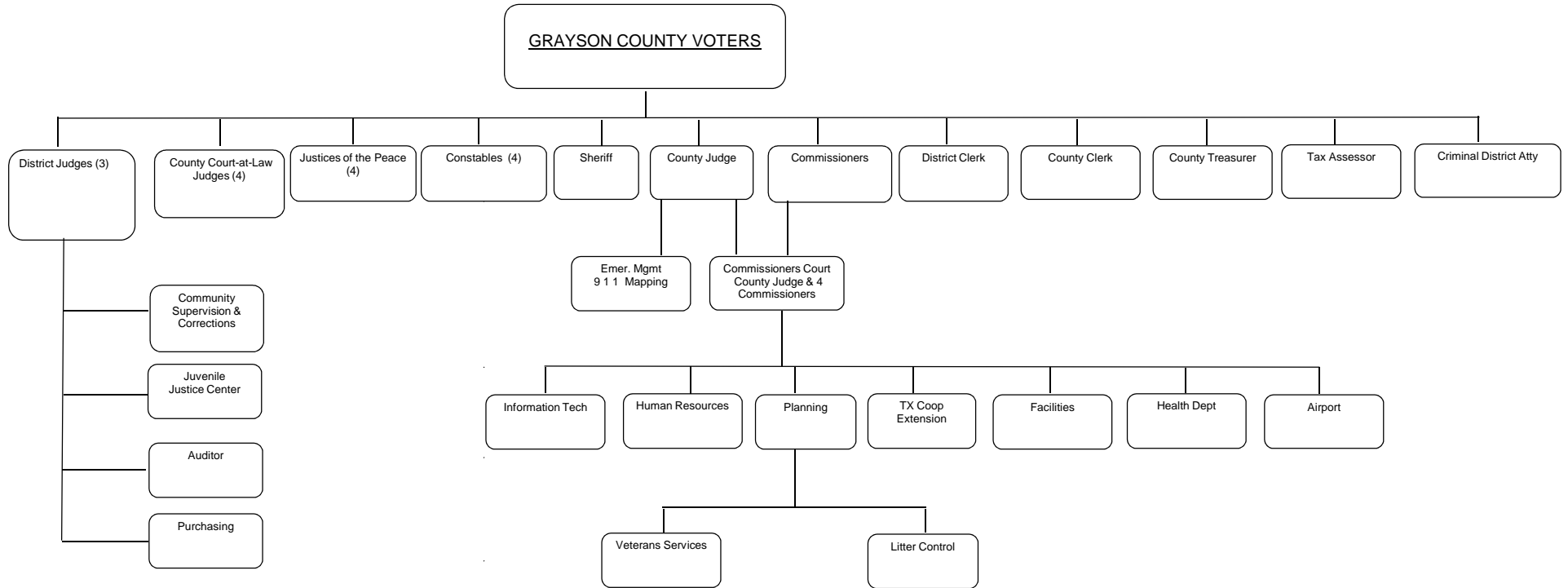
J. Richey Rivers*	County Auditor
Trent Bass	County Treasurer
John Ramsey	Tax Assessor/Collector

RECORDING OFFICIALS

Kelly Ashmore	District Clerk
Wilma Bush	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, 2012, 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, 2012, 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 June 10, 2013, 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 52 through 54 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 and individual 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 and individual 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.

June 10, 2013

**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, 2012.

FINANCIAL HIGHLIGHTS

- The assets of Grayson County exceeded its liabilities at the close of the most recent fiscal year by \$61.1 million (net assets).
- The County's total net assets increased by \$1.5 million.
- As of the close of the current fiscal year, Grayson County's governmental funds reported combined ending fund balances of \$27.7 million, a decrease of \$1.8 million in comparison with the prior year. Of the total fund balance, \$11.1 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 \$11.1 million, or 36% 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, State Highway 289 Bonds Fund, and the Right-of-Way Acquisition Fund, all of which are considered to be major funds. Data from the other 47 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 – 51 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 52 – 55 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 \$61.1 million as of September 30, 2012, an increase of \$1.5 million as compared with the previous fiscal year.

By far, the largest portion of Grayson County’s net assets (\$52.7 million or 86% 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	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 79,190,994	\$ 81,284,014	\$ 846,896	\$ 981,166	\$ 80,037,890	\$ 82,265,180
Capital assets	<u>35,440,720</u>	<u>33,989,332</u>	<u>17,258,978</u>	<u>17,712,489</u>	<u>52,699,698</u>	<u>51,701,821</u>
Total assets	<u>114,631,714</u>	<u>115,273,346</u>	<u>18,105,874</u>	<u>18,693,655</u>	<u>132,737,588</u>	<u>133,967,001</u>
Current liabilities	7,890,843	7,212,117	77,203	117,535	7,968,046	7,329,652
Long-term liabilities	<u>63,634,711</u>	<u>66,873,279</u>	<u>62,054</u>	<u>161,847</u>	<u>63,696,765</u>	<u>67,035,126</u>
Total liabilities	<u>71,525,554</u>	<u>74,085,396</u>	<u>139,257</u>	<u>279,382</u>	<u>71,664,811</u>	<u>74,364,778</u>
Net assets:						
Invested in capital assets,						
net of related debt	35,440,720	26,522,684	17,258,978	17,712,489	52,699,698	44,235,173
Restricted	16,356,864	16,070,267	-	-	16,356,864	16,070,267
Unrestricted	<u>(8,691,424)</u>	<u>(1,395,001)</u>	<u>707,639</u>	<u>701,784</u>	<u>(7,983,785)</u>	<u>(693,217)</u>
Total net assets	<u>\$ 43,106,160</u>	<u>\$ 41,197,950</u>	<u>\$ 17,966,617</u>	<u>\$ 18,414,273</u>	<u>\$ 61,072,777</u>	<u>\$ 59,612,223</u>

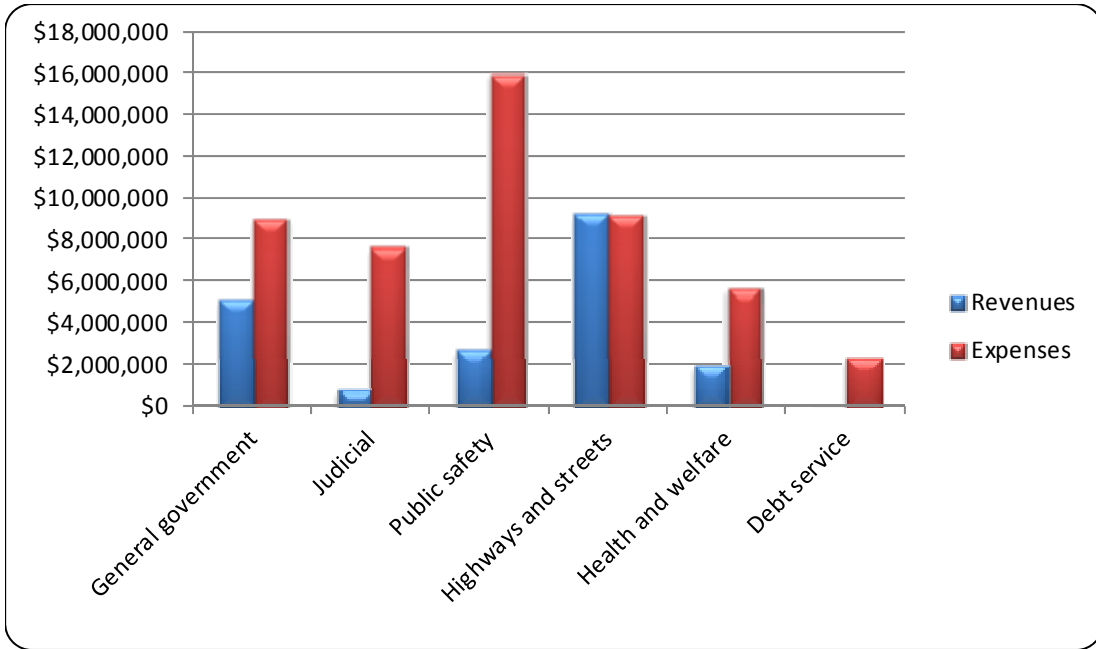
The County's revenues exceeded expenses by \$1.5 million during the current fiscal year. Changes in net assets are summarized as follows:

GRAYSON COUNTY, TEXAS' CHANGES IN NET ASSETS

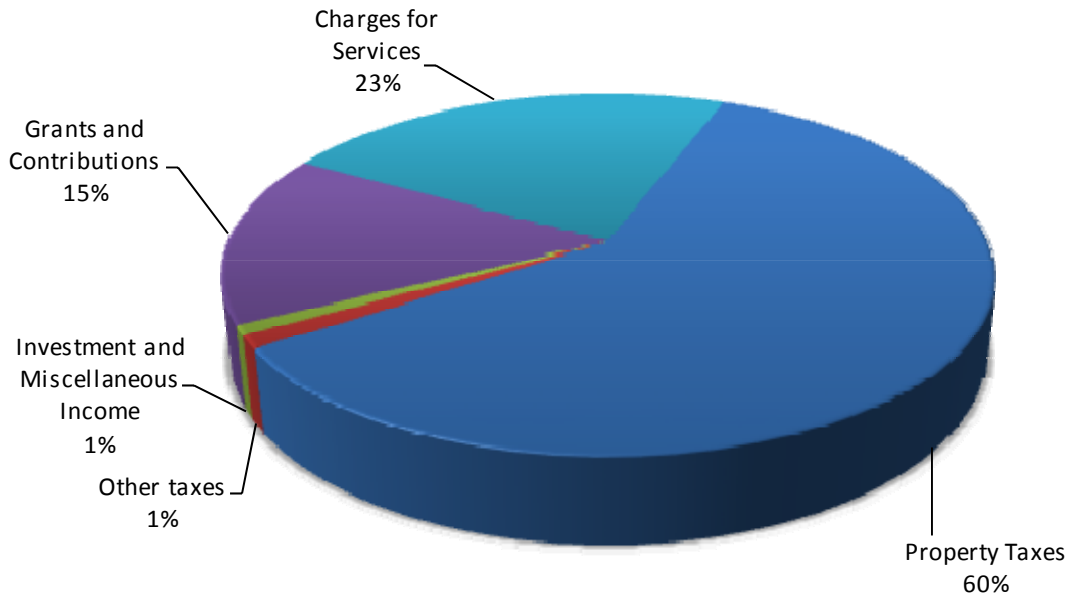
	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 11,923,593	\$ 11,472,493	\$ 784,652	\$ 758,586	\$ 12,708,245	\$ 12,231,079
Operating grants and contributions	7,999,666	7,763,292	53,721	2,170,409	8,053,387	9,933,701
General revenues:						
Property taxes	31,285,165	31,341,844	-	-	31,285,165	31,341,844
Other taxes	629,270	738,991	-	-	629,270	738,991
Miscellaneous	367,017	1,185,100	6,867	5,806	373,884	1,190,906
Investment earnings	94,747	69,541	2,078	848	96,825	70,389
Gain (loss) on sale of capital assets	59,847	168,220	-	-	59,847	168,220
Insurance proceeds	-	-	22,528	865,181	22,528	865,181
Total revenues	<u>52,359,305</u>	<u>52,739,481</u>	<u>869,846</u>	<u>3,800,830</u>	<u>53,229,151</u>	<u>56,540,311</u>
Expenses:						
General government	9,005,494	7,453,246	-	-	9,005,494	7,453,246
Judicial	7,637,479	7,873,778	-	-	7,637,479	7,873,778
Public safety	16,044,108	17,166,813	-	-	16,044,108	17,166,813
Health and welfare	9,213,030	17,916,686	-	-	9,213,030	17,916,686
Highways and streets	5,675,971	5,477,782	-	-	5,675,971	5,477,782
Culture and recreation	114,614	120,161	-	-	114,614	120,161
Conservation and development	185,877	189,369	-	-	185,877	189,369
Interest on long-term debt	2,354,844	2,722,580	-	-	2,354,844	2,722,580
Intergovernmental	134,678	133,028	-	-	134,678	133,028
Airport	-	-	1,402,502	1,641,909	1,402,502	1,641,909
Total expenses	<u>50,366,095</u>	<u>59,053,443</u>	<u>1,402,502</u>	<u>1,641,909</u>	<u>51,768,597</u>	<u>60,695,352</u>
Increases in net assets						
before transfers	1,993,210	(6,313,962)	(532,656)	2,158,921	1,460,554	(4,155,041)
Transfers	(85,000)	(350,000)	85,000	350,000	-	-
Change in net assets	1,908,210	(6,663,962)	(447,656)	2,508,921	1,460,554	(4,155,041)
Net assets, beginning	<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>
Net assets, ending	<u>\$ 43,106,160</u>	<u>\$ 41,197,950</u>	<u>\$ 17,966,617</u>	<u>\$ 18,414,273</u>	<u>\$ 61,072,777</u>	<u>\$ 59,612,223</u>

Property tax revenues accounted for approximately 60% percent of revenues for governmental activities. The next largest segment of revenues came from charges for services, which accounted for 23% 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

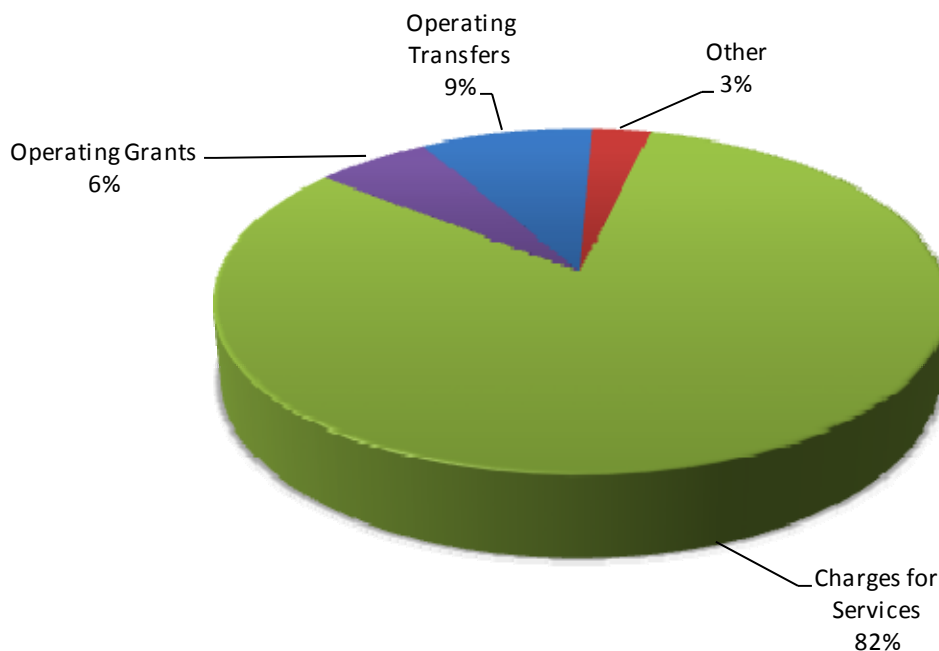


Government Activities

The County's total governmental net assets increased by \$1.9 in comparison with the prior fiscal year's decrease of \$6.7 million. The total cost of all governmental activities this year was \$50.4 million, a decrease of 15% over the prior fiscal year. The amount that our taxpayers paid for these activities through property taxes was \$31.3 million or 62% of total governmental expenditures. The next largest segment of revenues came from charges for services, which accounted for \$11.9 million or 24% of total governmental expenditures.

Business-type Activities

The business-type activity of the County is the operations of a regional airport. Approximately 82% of airport revenue is generated by tenant payments for rental of industrial and aircraft facilities. Operating grants comprise another 6%, and transfers from the General Fund account for 9% 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 \$27.7 million, a decrease of approximately \$1.8 million in comparison with the prior year. The most significant factors affecting fund balances are: 1) a \$3.9 million reduction in fund balance due to the near completion of the new jail addition construction during 2012, and 2) better than expected results in the General Fund, relating to increased revenue collection and reduced expenditure levels. Approximately 40% percent of this total amount (\$11.1 million) constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately \$8.0 million is restricted for construction and other purposes. The remainder of fund balance is restricted to indicate that it is not available for new spending because it is restricted to pay nonspendable items (\$119 thousand), road and bridge expenditures (\$4.1 million), special revenue expenditures (\$2.8 million) or fund a special purpose trust (\$766 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 \$11.1 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, 2012, unassigned fund balance represents 36% of the total General Fund expenditures.

The fund balance of the County's General Fund increased by \$1.8 million during the current fiscal year. The increase resulted primarily from cost control in departmental budgets and increased revenue collection.

Grayson County maintains four road and bridge budgetary funds that are combined for financial statement reporting purposes. Each of the four funds is segregated for each of the four road and bridge precincts. The combined fund balance at September 30, 2012, is \$3.8 million, which is fully restricted for road construction purposes. The road and bridge precinct fund balances increased by approximately \$76,000 during the fiscal year 2012.

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 \$708 thousand. The total decrease in net assets for the fund was \$(0.4) million. For the fiscal year 2012, the fire department, which has been previously recorded in the airport fund, was transferred to the General Fund, along with the value of the fire department assets. This resulted in a decrease in capital assets of approximately \$450,000. Also, liabilities for the accumulated cost of post-employment benefits applicable to fire department staff has been removed from the airport books and transferred to governmental activities. Airport operations and transfers from the County's General Fund totaled \$85 thousand. 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, \$162 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, 2012, amounts to \$52.7 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:

- Construction of an addition to the Grayson County Jail, which will be completed in 2013; and
- Upgrades to County roads.

GRAYSON COUNTY'S CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,371,954	\$ 1,371,954	\$ 2,600,238	\$ 2,600,238	\$ 3,972,192	\$ 3,972,192
Infrastructure	16,829,828	18,418,940	11,915,441	11,923,878	28,745,269	30,342,818
Buildings	6,308,960	6,327,556	171,438	293,224	6,480,398	6,620,780
Improvements other than buildings	245,836	331,606	11,518	13,957	257,354	345,563
Machinery and equipment	4,681,465	4,909,669	137,930	146,349	4,819,395	5,056,018
Construction in progress	<u>6,002,677</u>	<u>2,629,607</u>	<u>2,422,413</u>	<u>2,734,843</u>	<u>8,425,090</u>	<u>5,364,450</u>
Total capital assets	\$ <u>35,440,720</u>	\$ <u>33,989,332</u>	\$ <u>17,258,978</u>	\$ <u>17,712,489</u>	\$ <u>52,699,698</u>	\$ <u>51,701,821</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 \$57.4 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	
	2012	2011
Pass-through Toll Revenue Bonds payable	\$ 57,375,000	\$ 60,875,000
Premium on Pass-through Toll Bonds	3,150,522	302,467
General Obligation Bonds payable	-	440,000
Loss on refunding	(2,510,290)	-
Compensated absences payable	895,563	777,167
Net OPEB obligation	<u>9,059,884</u>	<u>7,798,102</u>
	\$ <u>67,970,679</u>	\$ <u>70,192,736</u>

In 2007, Grayson County issued \$63,725,000 of Pass-through Toll Revenue and Limited Tax Bonds. Proceeds from this bond issue will be used to finance expansion of and improvements to State Highway 289 within the County, as well as pay for part of the costs of issuance of the bonds. In 2012, a portion of the debt was refunded to take advantage of favorable interest rates. At September 30, 2012, the total remaining debt was \$57,375,000.

Grayson County's bonded debt (general obligation bonds) of \$440,000 of taxable permanent improvement bonds issued in 1994 to finance the addition to the existing jail was fully paid in 2012.

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, 2012, is 6.6 percent, which is less than the rate of 7.2 percent a year ago. This rate is comparable to the state's average unemployment rate of 6.4 percent, but lower than the national average of 7.6 percent.
- Inflationary trends in the region compare favorably to national indices.
- The continued growth northward from the Dallas area will continue to put demands on all aspects of County government.
- Grayson County is anticipating an expanding of the tax base in 2013, with indications that the tax base will continue to grow in 2014.
- During the current fiscal year, unassigned fund balance in the General Fund increased to \$11.1 million.

REQUESTS FOR INFORMATION

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

**BASIC
FINANCIAL STATEMENTS**

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GRAYSON COUNTY, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and investments	\$ 28,701,661	\$ 797,655	\$ 29,499,316
Receivables (net of allowance for uncollectibles)	4,415,375	11,307	4,426,682
Intergovernmental receivable	635,728	-	635,728
Prepaid items	119,014	37,934	156,948
Capitalized debt issuance costs	636,681	-	636,681
Investment in Highway 289	44,682,535	-	44,682,535
Capital assets:			
Land	1,371,954	2,600,238	3,972,192
Infrastructure	100,204,734	27,232,897	127,437,631
Buildings	20,333,800	4,508,592	24,842,392
Improvements other than buildings	873,539	24,389	897,928
Machinery and equipment	17,675,380	319,531	17,994,911
Accumulated depreciation	(111,021,365)	(19,849,082)	(130,870,447)
Construction in progress	6,002,678	2,422,413	8,425,091
Total assets	114,631,714	18,105,874	132,737,588
LIABILITIES			
Accounts payable	1,989,939	47,821	2,037,760
Intergovernmental payable	457,554	-	457,554
Accrued interest payable	604,244	-	604,244
Accrued wages payable	503,138	16,041	519,179
Unearned revenue	-	3,121	3,121
Noncurrent liabilities:			
Due within one year	4,335,968	10,220	4,346,188
Due in more than one year	63,634,711	62,054	63,696,765
Total liabilities	71,525,554	139,257	71,664,811
NET ASSETS			
Invested in capital assets, net of related debt	35,440,720	17,258,978	52,699,698
Restricted for:			
Debt service	73,271	-	73,271
Capital projects	7,962,781	-	7,962,781
Road and bridge	4,140,308	-	4,140,308
Public health	1,511,727	-	1,511,727
Juvenile services	538,247	-	538,247
Election administration	13,270	-	13,270
Emergency management	141,721	-	141,721
Records management	766,155	-	766,155
Court security and technology	413,577	-	413,577
Tax accessor-collector operations	125,703	-	125,703
Law enforcement	202,792	-	202,792
Inmate welfare	139,314	-	139,314
Court management	207,612	-	207,612
Purpose of trust	69,197	-	69,197
Other	51,189	-	51,189
Unrestricted	(8,691,424)	707,639	(7,983,785)
Total net assets	\$ 43,106,160	\$ 17,966,617	\$ 61,072,777

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

GRAYSON COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Charges for Services	Program Revenue Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 9,005,494	\$ 3,613,714	\$ 1,513,672	\$ -
Judicial	7,637,479	427,801	380,881	-
Elections	-	-	71,566	-
Public safety	16,044,108	2,251,152	477,000	-
Highways and streets	9,213,030	3,969,397	5,281,625	-
Health and welfare	5,675,971	1,661,529	274,922	-
Culture and recreation	114,614	-	-	-
Conservation and development	185,877	-	-	-
Bond interest	2,354,844	-	-	-
Intergovernmental	134,678	-	-	-
Total governmental activities	50,366,095	11,923,593	7,999,666	-
Business-type activities:				
Grayson County Airport	1,402,502	784,652	53,721	-
Total business-type activities	1,402,502	784,652	53,721	-
Total primary government	\$ 51,768,597	\$ 12,708,245	\$ 8,053,387	\$ -

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
\$(3,878,108)	\$ -	\$(3,878,108)
(6,828,797)	-	(6,828,797)
71,566	-	71,566
(13,315,956)	-	(13,315,956)
37,992	-	37,992
(3,739,520)	-	(3,739,520)
(114,614)	-	(114,614)
(185,877)	-	(185,877)
(2,354,844)	-	(2,354,844)
(134,678)	-	(134,678)
<u>(30,442,836)</u>	<u>-</u>	<u>(30,442,836)</u>
-	(564,129)	(564,129)
<u>-</u>	<u>(564,129)</u>	<u>(564,129)</u>
<u>(30,442,836)</u>	<u>(564,129)</u>	<u>(31,006,965)</u>
30,749,733	-	30,749,733
535,432	-	535,432
160,533	-	160,533
468,737	-	468,737
367,017	6,867	373,884
94,747	2,078	96,825
59,847	-	59,847
-	22,528	22,528
(85,000)	85,000	-
<u>32,351,046</u>	<u>116,473</u>	<u>32,467,519</u>
1,908,210	(447,656)	1,460,554
<u>41,197,950</u>	<u>18,414,273</u>	<u>59,612,223</u>
<u>\$ 43,106,160</u>	<u>\$ 17,966,617</u>	<u>\$ 61,072,777</u>

GRAYSON COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2012

	General	Road and Bridge	State Highway 289 Bonds
ASSETS			
Cash and investments	\$ 11,942,638	\$ 4,075,661	\$ 66,137
Taxes receivable	2,039,064	203,364	32,217
Receivables (net of allowances for uncollectibles)	572,637	18,751	4,934
Intergovernmental receivables	156,557	84,086	-
Due from other funds	249,398	-	-
Prepaid items	113,829	-	-
Total assets	\$ 15,074,123	\$ 4,381,862	\$ 103,288
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	1,147,851	315,648	-
Accrued wages payable	355,678	55,360	-
Intergovernmental payable	457,503	-	-
Due to other funds	-	-	-
Deferred revenue	1,884,608	187,672	30,017
Total liabilities	3,845,640	558,680	30,017
Fund balances:			
Nonspendable:			
Prepaid items	113,829	-	-
Restricted for:			
Public health	-	-	-
Juvenile services	2,077	-	-
Election administration	-	-	-
Emergency management	-	-	-
Records management	-	-	-
Holiday lights	-	-	-
Court security and technology	-	-	-
Tax accessor-collector operations	-	-	-
Historical commission	-	-	-
District attorney operations	-	-	-
Law library	-	-	-
Law enforcement	-	-	-
Inmate welfare	-	-	-
Court management	-	-	-
Road and bridge	-	3,823,182	-
Debt service	-	-	73,271
Capital projects	-	-	-
Purpose of trust	-	-	-
Other	-	-	-
Unassigned:	11,112,577	-	-
Total fund balances	11,228,483	3,823,182	73,271
Total liabilities and fund balances	\$ 15,074,123	\$ 4,381,862	\$ 103,288

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

<u>Right-of-Way Acquisition</u>	<u>Other Governmental Funds</u>	<u>Total Governmental</u>
\$ 5,865,467	\$ 6,751,758	\$ 28,701,661
-	3,700	2,278,345
-	381,501	977,823
-	395,085	635,728
-	-	249,398
-	5,185	119,014
<u>\$ 5,865,467</u>	<u>\$ 7,537,229</u>	<u>\$ 32,961,969</u>
-	526,440	1,989,939
-	92,100	503,138
-	51	457,554
-	249,398	249,398
-	3,233	2,105,530
<u>-</u>	<u>871,222</u>	<u>5,305,559</u>
-	5,185	119,014
-	1,511,727	1,511,727
-	536,170	538,247
-	13,270	13,270
-	141,721	141,721
-	766,155	766,155
-	74,789	74,789
-	413,577	413,577
-	125,703	125,703
-	13,810	13,810
-	8,412	8,412
-	17,115	17,115
-	202,792	202,792
-	139,314	139,314
-	207,612	207,612
-	317,126	4,140,308
-	-	73,271
5,865,467	2,097,314	7,962,781
-	69,197	69,197
-	25,662	25,662
-	(20,644)	11,091,933
<u>5,865,467</u>	<u>6,666,007</u>	<u>27,656,410</u>
<u>\$ 5,865,467</u>	<u>\$ 7,537,229</u>	<u>\$ 32,961,969</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, 2012

Total fund balances - governmental funds balance sheet	\$ 27,656,410
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 \$141,322,486, and the accumulated depreciation was \$107,333,154. 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.	(36,203,404)
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.	8,820,550
The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(4,022,933)
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.	(1,261,782)
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.	<u>48,117,319</u>
Net assets of governmental activities	<u>\$ 43,106,160</u>

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, 2012

	<u>General</u>	<u>Road and Bridge</u>	<u>State Highway 289 Bonds</u>
REVENUES			
Taxes:			
Property	\$ 27,932,123	\$ 2,903,760	\$ 11,508
Other	160,533	-	-
Penalty and interest on taxes	419,196	42,312	2,324
Licenses and permits	174,776	-	-
Intergovernmental revenue and grants	1,319,768	197,356	5,281,625
Charges for services	2,336,002	417,297	-
Fines and fees	37,573	1,527,312	-
Forfeits	-	-	-
Vehicle registration fees	832,114	1,756,128	-
Investment earnings	45,050	11,673	1,106
Contributions and donations from private sources	-	-	-
Other revenue	186,177	10,426	-
Total revenues	<u>33,443,312</u>	<u>6,866,264</u>	<u>5,296,563</u>
EXPENDITURES			
Current:			
General government	7,064,707	-	(3,034)
Judicial	6,698,797	-	-
Public safety	12,641,228	-	-
Highways and streets	-	6,478,945	-
Health and welfare	3,811,007	-	-
Culture and recreation	114,614	-	-
Conservation and development	180,115	-	-
Debt service:			
Principal	-	-	2,965,000
Interest	-	-	2,365,419
Capital outlay	577,132	371,233	-
Intergovernmental	134,678	-	-
Total expenditures	<u>31,222,278</u>	<u>6,850,178</u>	<u>5,327,385</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,221,034</u>	<u>16,086</u>	<u>(30,822)</u>
OTHER FINANCING SOURCES (USES)			
Capital-related debt issued (regular bonds)	-	-	20,260,000
Premium on discount on issuance of bonds	-	-	2,969,566
Sale of real and personal property	-	59,847	-
Transfers in	-	-	292,297
Payment to escrow agent	-	-	(23,442,485)
Transfers out	(399,285)	-	-
Total other financing sources and uses	<u>(399,285)</u>	<u>59,847</u>	<u>79,378</u>
NET CHANGE IN FUND BALANCES	1,821,749	75,933	48,556
FUND BALANCES, BEGINNING	<u>9,406,734</u>	<u>3,747,249</u>	<u>24,715</u>
FUND BALANCES, ENDING	<u>\$ 11,228,483</u>	<u>\$ 3,823,182</u>	<u>\$ 73,271</u>

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

Right-of-Way Acquisition	Other Governmental Funds	Total Governmental
\$ -	\$ 523,924	\$ 31,371,315
-	1,388	161,921
-	3,517	467,349
-	374,543	549,319
-	2,101,551	8,900,300
-	3,153,616	5,906,915
-	215,059	1,779,944
-	48,649	48,649
-	-	2,588,242
15,485	21,434	94,748
-	196,776	196,776
-	8,429	205,032
<u>15,485</u>	<u>6,648,886</u>	<u>52,270,510</u>
-	860,605	7,922,278
-	718,909	7,417,706
-	2,174,025	14,815,253
-	21,774	6,500,719
-	1,712,907	5,523,914
-	-	114,614
-	-	180,115
-	440,000	3,405,000
-	21,902	2,387,321
-	4,524,819	5,473,184
-	-	134,678
<u>-</u>	<u>10,474,941</u>	<u>53,874,782</u>
<u>15,485</u>	<u>(3,826,055)</u>	<u>(1,604,272)</u>
-	-	20,260,000
-	-	2,969,566
-	-	59,847
-	64,285	356,582
-	-	(23,442,485)
-	(42,297)	(441,582)
<u>-</u>	<u>21,988</u>	<u>(238,072)</u>
15,485	(3,804,067)	(1,842,344)
<u>5,849,982</u>	<u>10,470,074</u>	<u>29,498,754</u>
\$ <u>5,865,467</u>	\$ <u>6,666,007</u>	\$ <u>27,656,410</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, 2012

Net change in fund balances - total governmental funds \$(1,842,344)

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. 8,820,550

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. (4,022,933)

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. (1,261,782)

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. 214,719

Change in net assets of governmental activities \$ 1,908,210

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, 2012

Grayson
County
Airport

ASSETS

Current assets:

Cash and investments	\$ 797,655
Other receivables	11,307
Prepaid expenses	37,934
Total current assets	<u>846,896</u>

Noncurrent assets:

Capital assets:

Land	2,600,238
Infrastructure	27,232,897
Buildings	4,508,592
Improvements other than buildings	24,389
Machinery and equipment	319,531
Construction in progress	2,422,413
Accumulated depreciation	(19,849,082)
Total noncurrent assets	<u>17,258,978</u>

Total assets 18,105,874

LIABILITIES

Current liabilities:

Accounts payable	47,821
Accrued wages payable	16,041
Security deposits payable	3,121
Compensated absences	10,220

Noncurrent liabilities:

Net OPEB obligation	<u>62,054</u>
---------------------	---------------

Total liabilities 139,257

NET ASSETS

Invested in capital assets	17,258,978
Unrestricted net assets	<u>707,639</u>

Total net assets \$ 17,966,617

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, 2012

	<u>Grayson County Airport</u>
OPERATING REVENUES	
Grant funding	\$ 53,721
Charges for services	43,899
Rents and royalties	740,753
Other revenue	<u>6,867</u>
Total operating revenues	<u>845,240</u>
OPERATING EXPENSES	
Salaries, wages and benefits	182,996
Purchased professional and technical services	124,655
Purchased property services	121,511
Other operating expenses	500,626
Depreciation	<u>472,714</u>
Total operating expenses	<u>1,402,502</u>
OPERATING LOSS	<u>(557,262)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	2,078
Insurance recovery	<u>22,528</u>
Total nonoperating revenues (expenses)	<u>24,606</u>
NET INCOME BEFORE TRANSFERS	<u>(532,656)</u>
NONOPERATING TRANSFER IN	<u>85,000</u>
CHANGE IN NET ASSETS	<u>(447,656)</u>
TOTAL NET ASSETS, BEGINNING	<u>18,414,273</u>
TOTAL NET ASSETS, ENDING	<u>\$ 17,966,617</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, 2012

	<u>Grayson County Airport</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 845,554
Cash payments to employees for services	(303,428)
Cash payments for other operating expenses	(768,813)
Net cash used by operating activities	<u>(226,687)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash paid from other funds	7,961
Operating transfers in	85,000
Insurance proceeds	<u>22,528</u>
Net cash provided by noncapital financing activities	<u>115,489</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition on capital assets	<u>(19,203)</u>
Net cash used by capital and related financing activities	<u>(19,203)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends on investments	<u>2,078</u>
Net cash provided by investing activities	<u>2,078</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(128,323)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>925,978</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 797,655</u>

(continued)

GRAYSON COUNTY, TEXAS

**STATEMENT OF CASHFLOWS
PROPRIETARY FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Grayson
County
Airport

RECONCILIATION OF OPERATING INCOME TO NET

CASH USED BY OPERATING ACTIVITIES

Operating loss	\$(557,262)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	472,714
Assets and liabilities:	
Decrease (increase) in receivables	314
Decrease (increase) in prepaid expenses	(2,328)
Increase (decrease) in accounts payable	(19,693)
Increase (decrease) in accrued wages payable	332
Increase (decrease) in security deposits payable	7
Increase (decrease) in noncurrent liabilities	(99,793)
Increase (decrease) in compensated absences	<u>(20,978)</u>
Net used by operating activities	<u><u>\$(226,687)</u></u>

Noncash investing, capital, and financing activities:

Contributions of capital assets	<u><u>\$ -</u></u>
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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, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>6,948,380</u>
Total assets	\$ <u><u>6,948,380</u></u>
LIABILITIES	
Due to other agencies and individuals	\$ <u>6,948,380</u>
Total liabilities	\$ <u><u>6,948,380</u></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, 2012

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.

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.

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.

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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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."

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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. *Receivables and Payables* (Continued)

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

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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.
- **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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. *Fund Balance Classification* (Continued)

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

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	\$ 1,371,954	\$ -	\$ 1,371,954
Construction in progress	<u>2,629,607</u>	<u>-</u>	<u>2,629,607</u>
Total non-depreciable assets	<u>4,001,561</u>	<u>-</u>	<u>4,001,561</u>
Depreciable assets:			
Infrastructure	99,992,381	81,573,441	18,418,940
Buildings	19,590,030	13,262,474	6,327,556
Improvements	873,539	541,933	331,606
Machinery and equipment	<u>16,864,975</u>	<u>11,955,306</u>	<u>4,909,669</u>
Total depreciable assets	<u>137,320,925</u>	<u>107,333,154</u>	<u>29,987,771</u>
Total assets at historical cost	<u>\$ 141,322,486</u>	<u>\$ 107,333,154</u>	<u>\$ 33,989,332</u>
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>
Bonds payable			\$ 61,617,467
Net OPEB obligation			7,798,102
Compensated absences			<u>777,167</u>
Change in net assets			<u>70,192,736</u>
Net adjustment to net assets			<u>\$(36,203,404)</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>
Building	\$ 657,840	\$ 657,840	\$ 657,840
Machinery and equipment	921,471	921,471	921,471
Construction in progress	<u>3,623,886</u>	<u>3,623,886</u>	<u>3,623,886</u>
Total capital outlay	<u>\$ 5,203,197</u>	<u>5,203,197</u>	<u>5,203,197</u>
<u>Debt Principal Payments</u>			
Bond principal	\$ <u>3,405,000</u>	<u>3,405,000</u>	<u>3,405,000</u>
Total principal payments	<u>\$ 3,405,000</u>	<u>3,405,000</u>	<u>3,405,000</u>
Total adjustment to net assets		<u>\$ 8,608,197</u>	<u>\$ 8,608,197</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	\$ 583,868	\$(661,789)	\$ -
Uncollected taxes (assumed collectible) from current year levy	747,939	747,939	747,939
Uncollected taxes (assumed collectible) from prior year levy	1,530,392	-	1,357,591
Subtotal		<u>86,150</u>	<u>2,105,530</u>
<u>Adjustments to Expenses and Liabilities</u>			
Record beginning balance for accrued interest payable	664,810	-	(664,810)
Record decrease in accrued interest payable	60,566	60,566	60,566
Record increase in compensated absences payable	118,396	(118,396)	(118,396)
Record beginning balance for Highway 289 investment	44,682,535	-	44,682,535
Record beginning balance of debt issuance cost	649,086	-	649,086
Record amortization of debt issuance costs	51,149	(51,149)	(51,149)
Record payment to escrow agent	(23,442,485)	(23,442,485)	(23,442,485)
Record capitalized debt issuance cost	(270,969)	(270,969)	(270,969)
Record premium on debt issue	2,969,566	2,969,566	2,969,566
Record issuance of refunding debt issuance	20,260,000	20,260,000	20,260,000
Record amortization of bond premium	20,165	20,165	20,165
Subtotal		<u>(572,702)</u>	<u>44,094,109</u>
<u>Adjustments to Revenue and Receivables</u>			
Record beginning balance for fee office receivables, net	\$ 789,412	\$ -	\$ 789,412
Increase fee office receivable, net	(115,098)	115,098	115,098
Record beginning balance for penalties and interest receivable, net	254,697	-	254,697
Subtotal		<u>115,098</u>	<u>1,159,207</u>
<u>Reclassifications</u>			
Reclassify capital assets	58,771	58,771	58,771
Subtotal		<u>58,771</u>	<u>58,771</u>
Total adjustments to net assets		<u><u>\$(232,041)</u></u>	<u><u>\$ 47,613,304</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, 2012, 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	\$ 3,496,000
Bank of Texas	7,570,300
Landmark	7,919,385
Landmark - CDARS	10,006,752
Texas Local Government Investment Pool	3,257,031
LOGIC	<u>4,243,190</u>
Total	\$ <u>36,492,658</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, 2012, 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, 2012, 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. 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 2011 tax rate allocated to each fund:

	Rate Per \$100	Current (2011) Tax Revenue Collected
Permanent Improvement Bonds -		
2007 Series (debt service)	\$ -	\$ 6,976
2003 Series (debt service)	0.006760	418,303
Road and bridge fund (special revenue)	0.045336	2,851,124
Permanent improvement fund (capital projects)	0.001619	101,790
General fund	<u>0.437185</u>	<u>27,399,810</u>
	<u>\$ 0.490900</u>	<u>\$ 30,778,003</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)

B. 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.

C. Capital Assets

Capital assets activity for the year ended September 30, 2012, are as follows:

Primary Government

	Beginning Balance	Additions	Retirements/ Reclassifications	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,371,954	\$ -	\$ -	\$ -	\$ 1,371,954
Construction in progress	2,629,607	3,623,886	(250,815)	-	6,002,677
Total assets not being depreciated	<u>4,001,561</u>	<u>3,623,886</u>	<u>(250,815)</u>	<u>-</u>	<u>7,374,631</u>
Capital assets, being depreciated:					
Infrastructure	99,992,381	212,353	-	-	100,204,734
Buildings	19,590,030	657,840	-	85,930	20,333,800
Improvements other than buildings	873,539	-	-	-	873,539
Machinery and equipment	16,864,975	921,471	(397,029)	285,963	17,675,381
Total capital assets being depreciated	<u>137,320,925</u>	<u>1,791,664</u>	<u>(397,029)</u>	<u>371,893</u>	<u>139,087,454</u>
Less accumulated depreciation:					
Infrastructure	81,573,441	2,121,471	(320,006)	-	83,374,906
Buildings	13,262,474	676,436	-	85,930	14,024,840
Improvements other than buildings	541,933	85,770	-	-	627,703
Machinery and equipment	11,955,306	1,139,256	(386,609)	285,963	12,993,916
Total accumulated depreciation	<u>107,333,154</u>	<u>4,022,933</u>	<u>(706,615)</u>	<u>371,893</u>	<u>111,021,365</u>
Total capital assets being depreciated, net	<u>29,987,771</u>	<u>(2,231,268)</u>	<u>309,586</u>	<u>-</u>	<u>28,066,089</u>
Governmental activities capital assets, net	<u>\$ 33,989,332</u>	<u>\$ 1,392,617</u>	<u>\$ 58,771</u>	<u>\$ -</u>	<u>\$ 35,440,720</u>

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. 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	<u>2,734,843</u>	<u>-</u>	<u>(312,430)</u>	<u>-</u>	<u>2,422,413</u>
Total assets not being depreciated	<u>5,335,081</u>	<u>-</u>	<u>(312,430)</u>	<u>-</u>	<u>5,022,651</u>
Capital assets, being depreciated:					
Infrastructure	26,822,209	410,688	-	-	27,232,897
Buildings	4,882,592	-	(288,050)	(85,950)	4,508,592
Improvements other than building	24,389	-	-	-	24,389
Machinery and equipment	<u>615,794</u>	<u>11,990</u>	<u>-</u>	<u>(308,253)</u>	<u>319,531</u>
Total capital assets being depreciated	<u>32,344,984</u>	<u>422,678</u>	<u>(288,050)</u>	<u>(394,203)</u>	<u>32,085,409</u>
Less accumulated depreciation:					
Infrastructure	14,898,331	419,125	-	-	15,317,456
Buildings	4,589,368	35,836	(288,050)	-	4,337,154
Improvements other than building	10,432	2,439	-	-	12,871
Machinery and equipment	<u>469,445</u>	<u>15,314</u>	<u>-</u>	<u>(303,158)</u>	<u>181,601</u>
Total accumulated depreciation	<u>19,967,576</u>	<u>472,714</u>	<u>(288,050)</u>	<u>(303,158)</u>	<u>19,849,082</u>
Total capital assets being depreciated, net	<u>12,377,408</u>	<u>(50,036)</u>	<u>-</u>	<u>(91,045)</u>	<u>12,236,327</u>
Business-type activities capital assets, net	<u>\$ 17,712,489</u>	<u>\$(50,036)</u>	<u>\$(312,430)</u>	<u>\$(91,045)</u>	<u>\$ 17,258,978</u>

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

Governmental activities:	
General government	\$ 855,616
Judicial	23,880
Public safety	578,670
Health and welfare	28,184
Highways and streets	<u>2,536,583</u>
Total depreciation expense - governmental activities	<u>\$ 4,022,933</u>

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables, Payables and Transfers

Interfund balances during the year ended September 30, 2012, consisted of the following amounts:

<u>Due from</u>	<u>Amount</u>	<u>Due to</u>
Nonmajor	\$ 249,398	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, 2012, consisted of the following amounts:

<u>Transfer from</u>	<u>Amount</u>	<u>Transfer to</u>	<u>Explanation</u>
General fund	\$ 85,000	Airport fund	Supplement fund resources
General fund	292,297	Highway 289	Supplement fund resources
General fund	21,988	Nonmajor funds	Supplement fund resources
Nonmajor funds	<u>42,297</u>	Nonmajor funds	Supplement fund resources
	<u>\$ 441,582</u>		

E. Leasing Operations

Airport operations consist principally of leasing land and buildings. All such leases are operating leases, as defined by GAAP. Excluding renewal options, 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, 2012:

Buildings	\$ 4,508,592
Less: accumulated depreciation	<u>(4,250,194)</u>
Net	<u>\$ 258,398</u>

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. 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, 2012. 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>
2013	\$ 526,260
2014	476,678
2015	476,678
2016	374,971
2017	337,557
2018-2022	1,635,797
2023-2027	1,449,889
2028-2032	846,182
2033-2037	411,820
2038-2042	144,508
2043-2046	<u>25,373</u>
Total	<u>\$ 6,705,713</u>

F. Investments in Joint Venture

The Cooke, Fannin, and Grayson County Juvenile Detention Center (Detention Center) was established under an interlocal agreement between the three participating counties (Participants) dated July 13, 1983. The Center provides probation, detention and diagnostic services for juveniles under the jurisdiction of the Participants and is available to other entities on a fee basis. The Detention Center is managed by a board of directors, which is composed of seven members, three appointed by the Commissioners of Grayson County, and two members each appointed by the Commissioners of Cooke and Fannin Counties, respectively. The Detention Center was constructed with grant funds and amounts contributed by the three Participants. Grayson County has been recognized as the administrative entity for financial activities and personnel support and benefits by contract dated October 31, 1983. All costs associated with the Detention Center after applicable charges and grants are shared by the Participants and are allocated as follows: Cooke, 20%; Fannin, 20%; and Grayson, 60%. The County has an ongoing financial responsibility because the Detention Center's continued existence depends upon the continual funding by its members. The Detention Center does not have stock and the members do not have an explicit, measurable right to the net resources of the Detention Center; therefore, no equity interest exists.

Complete financial statements of the individual joint venture can be obtained from its administrative office as follows: Cooke, Fannin and Grayson County, Juvenile Detention Center, 86 Dyess Street, Denison, Texas 75020.

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Debt

Pass-through Toll Revenue and Limited Tax Bonds

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

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

Annual debt service requirements to maturity for the Pass-through Revenue and Limited Tax Bonds, Series 2007 and 2012 are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2013	\$ 3,090,000	\$ 2,332,394	\$ 5,422,394
2014	3,215,000	2,183,512	5,398,512
2015	3,345,000	2,052,312	5,397,312
2016	3,480,000	1,915,812	5,395,812
2017	3,625,000	1,773,712	5,398,712
2018-2022	20,260,000	6,765,089	27,025,089
2023-2026	<u>20,360,000</u>	<u>1,821,051</u>	<u>22,181,051</u>
Total	<u>\$ 57,375,000</u>	<u>\$ 18,843,882</u>	<u>\$ 76,218,882</u>

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-term Debt (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2012, is as follows:

Description	Balance 09/30/11	Additions	Retirements	Balance 09/30/12
Governmental activities:				
General obligation bonds	\$ 440,000	\$ -	\$ 440,000	\$ -
Limited Tax Refunding, Series 2012	-	20,260,000	-	20,260,000
Pass-through toll revenue and limited tax bonds, Series 2007	60,875,000	-	23,760,000	37,115,000
Premium on pass-through toll revenue and limited tax bonds	302,467	2,969,566	121,511	3,150,522
Capital leases	-	(2,761,319)	251,029	(2,510,290)
Compensated absences	777,167	892,725	774,329	895,563
Net OPEB obligation	<u>7,798,102</u>	<u>1,261,782</u>	<u>-</u>	<u>9,059,884</u>
Governmental activities long-term liabilities	<u>\$ 70,192,736</u>	<u>\$ 22,622,754</u>	<u>\$ 25,346,869</u>	<u>\$ 67,970,679</u>
Business-type activities:				
Compensated absences	\$ 31,198	\$ 8,752	\$ 29,730	\$ 10,220
Net OPEB obligation	<u>161,847</u>	<u>-</u>	<u>99,793</u>	<u>62,054</u>
Business-type activities long-term liabilities	<u>\$ 193,045</u>	<u>\$ 8,752</u>	<u>\$ 129,523</u>	<u>\$ 72,274</u>

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

H. Disaggregation of Receivables and Payables

Receivables on the fund financial statements at September 30, 2012, are as follows:

	Property Taxes	Intergovernmental Receivable	Other	Total Receivables
Governmental activities:				
General fund	\$ 2,039,064	\$ 156,557	\$ 572,637	\$ 2,768,258
Road and bridge fund	203,364	84,086	18,751	306,201
State highway 289 bonds	32,217	-	4,934	37,151
Permanent improvements	3,700	-	-	3,700
Nonmajor governmental funds	<u>-</u>	<u>395,085</u>	<u>381,501</u>	<u>776,586</u>
Total governmental activities	<u>\$ 2,278,345</u>	<u>\$ 635,728</u>	<u>\$ 977,823</u>	<u>\$ 3,891,896</u>

(continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Disaggregation of Receivables and Payables (Continued)

Receivables on the government-wide statement of net assets at September 30, 2012, are as follows:

Category	Receivable	(Allowance)	Net
Governmental activities:			
Property taxes	\$ 2,278,345	\$ -	\$ 2,278,345
Intergovernmental receivable	635,728	-	635,728
Fee office	3,364,264	(2,459,754)	904,510
Other	1,232,520	-	1,232,520
Total	\$ 7,510,857	\$(2,459,754)	\$ 5,051,103

Payables on the fund financial statements at September 30, 2012, are as follows:

	Accounts Payable	Intergovernmental Payable	Accrued Wages	Total Receivables
Governmental activities:				
General fund	\$ 1,147,851	\$ 457,503	\$ 355,678	\$ 1,961,032
Road and bridge fund	315,648	-	55,360	371,008
Nonmajor governmental funds	526,440	51	92,100	618,591
Airport	47,821	-	16,041	63,862
Total governmental activities	\$ 2,037,760	\$ 457,554	\$ 519,179	\$ 3,014,493

I. Federal Arbitrage

General obligation bonds are subject to the provisions of the Internal Revenue Code of 19896 related to arbitrage and interest income tax regulations under those provisions.

J. 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, 2012. 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 624 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

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

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

(continued)

IV. OTHER INFORMATION (Continued)

B. Retirement Plan (Continued)

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 12.68% for the months of the accounting year in 2012, and 12.33% for the months of the accounting year in 2011.

The deposit rate payable by the employee members for calendar year 2012 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, 2012, the annual pension cost for the TCDRS plan for its employees was \$2,592,507 and the actual contributions were \$2,592,507. 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, 2009 and December 31, 2010, the basis for determining the contribution rates for calendar years 2012 and 2011. The December 31, 2011, actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actual Valuation Date	12/031/09	12/031/10	12/031/11
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	5.4%	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

(continued)

IV. OTHER INFORMATION (Continued)

B. Retirement Plan (Continued)

Annual Pension Cost (Continued)

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

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/10	\$ 2,540,138	100%	\$ -
09/30/11	2,355,234	100%	-
09/30/12	2,592,507	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, 2012, was \$3,721,363.

D. Post-Retirement Benefits

The County provides certain health care benefits through a single-employer defined benefit OPEB plan. Regular, fulltime employees are eligible to participate in the County's health care plan as a retiree at a rate that is subsidized by the County. The retiree pays from 30% to 70% of the premium, depending on the plan in which they participate. 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 429 active employees and 91 retirees eligible to participate in the plan.

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

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

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

(continued)

IV. OTHER INFORMATION (Continued)

D. Post-Retirement Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution (ARC)	\$ 2,624,647
Interest on Net OPEB Obligation	358,198
Adjustment to the ARC	<u>(331,866)</u>
Annual OPEB Cost	2,650,979
Employer Contributions with Interest	<u>(1,488,990)</u>
Increase (Decrease) in Net OPEB Obligation	1,161,989
Net OPEB Obligation, beginning of year	<u>7,959,949</u>
Net OPEB Obligation, end of year	<u>\$ 9,121,938</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).

Fiscal Year Ended	Annual Required Contribution	Employer Contribution	Percentage Contributed	Net OPEB Obligation
09/30/10	\$ 2,825,832	\$ 243,414	9%	\$ 5,127,304
09/30/11	3,268,524	435,879	13%	7,959,949
09/30/12	2,650,979	1,488,990	56%	9,121,938

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	- %	-
12/31/2011	-	23,117,736	23,117,736	- %	-

(continued)

IV. OTHER INFORMATION (Continued)

D. Post-Retirement Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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	12/31/2011
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	8.50%
The number of active members is assumed to remain constant in the future	

D. Subsequent Events

On February 21, 2013, the County issued Pass-Through Toll Revenue and Limited Tax Refunding Bonds, Series 2013 in the amount of \$23,590,000. The bonds were issued to partially refund a prior debt issuance of the County, the Texas Pass-Through Toll Revenue and Limited Tax Bonds, Series 2007. The obligation proceeds will also be used to pay the costs incurred in connection with the issuance of the obligation. Payments will be made semi-annually on each January 1 and July 1 beginning July 1, 2013. These bonds carry an interest rate that varies from 1.625% to 4.500%.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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GRAYSON COUNTY, TEXAS

GENERAL FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 27,593,312	\$ 27,900,000	\$ 27,932,123	\$ 32,123
Other	180,000	160,000	160,533	533
Penalty and interest on taxes	425,000	425,000	419,196	(5,804)
Licenses and permits	167,500	167,500	174,776	7,276
Intergovernmental revenue and grants	1,110,300	862,881	1,319,768	456,887
Charges for services	2,252,600	2,334,450	2,336,002	1,552
Fines	57,500	45,000	37,573	(7,427)
Vehicle registration fees	700,000	800,000	832,114	32,114
Investment earnings	68,050	48,250	45,050	(3,200)
Other revenue	169,800	174,930	186,177	11,247
Total revenues	<u>32,724,062</u>	<u>32,918,011</u>	<u>33,443,312</u>	<u>525,301</u>
EXPENDITURES				
Current:				
General government	7,424,905	7,283,179	7,064,707	218,472
Judicial	6,818,124	6,895,947	6,698,797	197,150
Public safety	13,207,373	12,938,227	12,641,228	296,999
Health and welfare	4,010,356	4,020,096	3,811,007	209,089
Culture and recreation	137,364	133,414	114,614	18,800
Conservation and development	187,611	181,542	180,115	1,427
Capital outlay	452,000	614,280	577,132	37,148
Intergovernmental	135,225	135,225	134,678	547
Total expenditures	<u>32,372,958</u>	<u>32,201,910</u>	<u>31,222,278</u>	<u>979,632</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	351,104	716,101	2,221,034	1,504,933
OTHER FINANCING SOURCES (USES)				
Transfers out	(473,085)	(558,085)	(399,285)	158,800
Total other financing sources (uses)	<u>(473,085)</u>	<u>(558,085)</u>	<u>(399,285)</u>	<u>158,800</u>
NET CHANGE IN FUND BALANCES	(121,981)	158,016	1,821,749	1,663,733
FUND BALANCES, BEGINNING	<u>9,406,734</u>	<u>9,406,734</u>	<u>9,406,734</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 9,284,753</u>	<u>\$ 9,564,750</u>	<u>\$ 11,228,483</u>	<u>\$ 1,663,733</u>

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, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	\$ 2,840,000	\$ 2,880,000	\$ 2,903,760	\$ 23,760
Penalty and interest on taxes	36,000	36,000	42,312	6,312
Intergovernmental revenue and grants	176,000	196,000	197,356	1,356
Charges for services	60,000	163,600	417,297	253,697
Fines	1,480,000	1,500,000	1,527,312	27,312
Vehicle registration fees	1,640,000	1,640,000	1,756,128	116,128
Investment earnings	12,000	9,500	11,673	2,173
Other revenue	5,000	9,200	10,426	1,226
Total revenues	<u>6,249,000</u>	<u>6,434,300</u>	<u>6,866,264</u>	<u>431,964</u>
EXPENDITURES				
Current:				
Highways and streets	6,846,076	7,066,124	6,478,945	587,179
Capital outlay	240,000	445,000	371,233	73,767
Total expenditures	<u>7,086,076</u>	<u>7,511,124</u>	<u>6,850,178</u>	<u>660,946</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(837,076)</u>	<u>(1,076,824)</u>	<u>16,086</u>	<u>1,092,910</u>
OTHER FINANCING SOURCES (USES)				
Sale of real and personal property	-	-	59,847	59,847
Total other financing sources (uses)	-	-	59,847	59,847
NET CHANGE IN FUND BALANCES	<u>(837,076)</u>	<u>(1,076,824)</u>	<u>75,933</u>	<u>1,152,757</u>
FUND BALANCES, BEGINNING	<u>3,747,249</u>	<u>3,747,249</u>	<u>3,747,249</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 2,910,173</u>	<u>\$ 2,670,425</u>	<u>\$ 3,823,182</u>	<u>\$ 1,152,757</u>

GRAYSON COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2012

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.

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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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Star 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.

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.

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.

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

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

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

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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.

Highways 289 Completion Fund – This 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.

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

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, 2012

	Special Revenue				
	Public Health	Juvenile Boot Camp	Holiday Lights	Tax A/C S-I-T Penalty	Courthouse Security
ASSETS					
Cash and investments	\$ 1,370,913	\$ 342,056	\$ 76,053	\$ 125,703	\$ 296,056
Taxes receivable	-	-	-	-	-
Receivables (net of allowance for uncollectibles)	13,384	270,904	-	-	-
Intergovernmental receivables	219,904	21,741	-	-	-
Prepaid expenses	-	5,185	-	-	-
Total assets	<u>\$ 1,604,201</u>	<u>\$ 639,886</u>	<u>\$ 76,053</u>	<u>\$ 125,703</u>	<u>\$ 296,056</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 60,569	\$ 44,617	\$ 1,264	\$ -	\$ 10,079
Accrued wages payable	31,905	53,914	-	-	-
Intergovernmental payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	<u>92,474</u>	<u>98,531</u>	<u>1,264</u>	<u>-</u>	<u>10,079</u>
Fund balances:					
Nonspendable:					
Prepaid items	-	5,185	-	-	-
Restricted for:					
Public health	1,511,727	-	-	-	-
Juvenile services	-	536,170	-	-	-
Election administration	-	-	-	-	-
Emergency management	-	-	-	-	-
Records management	-	-	-	-	-
Holiday lights	-	-	74,789	-	-
Court security and technology	-	-	-	-	285,977
Tax assessor-collector operations	-	-	-	125,703	-
Historical commission	-	-	-	-	-
District attorney operations	-	-	-	-	-
Law library	-	-	-	-	-
Law enforcement	-	-	-	-	-
Inmate welfare	-	-	-	-	-
Court management	-	-	-	-	-
Road and bridge	-	-	-	-	-
Capital projects	-	-	-	-	-
Purpose of trust	-	-	-	-	-
Other	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>1,511,727</u>	<u>541,355</u>	<u>74,789</u>	<u>125,703</u>	<u>285,977</u>
Total liabilities and fund balances	<u>\$ 1,604,201</u>	<u>\$ 639,886</u>	<u>\$ 76,053</u>	<u>\$ 125,703</u>	<u>\$ 296,056</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
\$ 31,021	\$ 90,631	\$ 13,270	\$ 137,469	\$ 116,352	\$ 10,497	\$ 63,732
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>31,021</u>	<u>90,631</u>	<u>13,270</u>	<u>137,469</u>	<u>116,352</u>	<u>10,497</u>	<u>63,732</u>
\$ -	\$ 286	\$ -	\$ 8,352	\$ -	\$ -	\$ 19
-	-	-	600	-	320	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>286</u>	<u>-</u>	<u>8,952</u>	<u>-</u>	<u>320</u>	<u>19</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	13,270	-	-	-	-
-	-	-	128,517	116,352	10,177	63,713
-	-	-	-	-	-	-
31,021	90,345	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>31,021</u>	<u>90,345</u>	<u>13,270</u>	<u>128,517</u>	<u>116,352</u>	<u>10,177</u>	<u>63,713</u>
<u>\$ 31,021</u>	<u>\$ 90,631</u>	<u>\$ 13,270</u>	<u>\$ 137,469</u>	<u>\$ 116,352</u>	<u>\$ 10,497</u>	<u>\$ 63,732</u>

(continued)

GRAYSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2012

	Special Revenue			
	County Records Management	Historical Commission	Court Reporter Service	Drug Court Fees
ASSETS				
Cash and investments	\$ 447,651	\$ 13,810	\$ -	\$ 97,352
Taxes receivable	-	-	-	-
Receivables (net of allowance for uncollectibles)	-	-	-	-
Intergovernmental receivables	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	<u>\$ 447,651</u>	<u>\$ 13,810</u>	<u>\$ -</u>	<u>\$ 97,352</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 255	\$ -	\$ -	\$ 271
Accrued wages payable	-	-	-	-
Intergovernmental payable	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>255</u>	<u>-</u>	<u>-</u>	<u>271</u>
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Public health	-	-	-	-
Juvenile services	-	-	-	-
Election administration	-	-	-	-
Emergency management	-	-	-	-
Records management	447,396	-	-	-
Holiday lights	-	-	-	-
Court security and technology	-	-	-	-
Tax assessor-collector operations	-	-	-	-
Historical commission	-	13,810	-	-
District attorney operations	-	-	-	-
Law library	-	-	-	-
Law enforcement	-	-	-	-
Inmate welfare	-	-	-	-
Court management	-	-	-	97,081
Road and bridge	-	-	-	-
Capital projects	-	-	-	-
Purpose of trust	-	-	-	-
Other	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>447,396</u>	<u>13,810</u>	<u>-</u>	<u>97,081</u>
Total liabilities and fund balances	<u>\$ 447,651</u>	<u>\$ 13,810</u>	<u>\$ -</u>	<u>\$ 97,352</u>

GRAYSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2012

	Special Revenue			
	OAG Victim Coordinator Grant	Law Enforcement Block Grant	VINE Grant	Sheriff Forfeiture
ASSETS				
Cash and investments	\$ 9,144	\$ -	\$ -	\$ 164,706
Taxes receivable	-	-	-	-
Receivables (net of allowance for uncollectibles)	-	-	-	-
Intergovernmental receivables	4,241	569	-	-
Prepaid expenses	-	-	-	-
Total assets	<u>\$ 13,385</u>	<u>\$ 569</u>	<u>\$ -</u>	<u>\$ 164,706</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 8,945
Accrued wages payable	-	-	-	-
Intergovernmental payable	-	-	-	-
Due to other funds	13,385	569	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>13,385</u>	<u>569</u>	<u>-</u>	<u>8,945</u>
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Public health	-	-	-	-
Juvenile services	-	-	-	-
Election administration	-	-	-	-
Emergency management	-	-	-	-
Records management	-	-	-	-
Holiday lights	-	-	-	-
Court security and technology	-	-	-	-
Tax assessor-collector operations	-	-	-	-
Historical commission	-	-	-	-
District attorney operations	-	-	-	-
Law library	-	-	-	-
Law enforcement	-	-	-	155,761
Inmate welfare	-	-	-	-
Court management	-	-	-	-
Road and bridge	-	-	-	-
Capital projects	-	-	-	-
Purpose of trust	-	-	-	-
Other	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,761</u>
Total liabilities and fund balances	<u>\$ 13,385</u>	<u>\$ 569</u>	<u>\$ -</u>	<u>\$ 164,706</u>

Special Revenue

Jail Commissary	Juvenile Case Manager Fees	Interlocal Emergency Management	Hazard Mitigation Grant	Citizen Corps Program	State Homeland Security	County and District Court Technology
\$ 132,970	\$ -	\$ 155,454	\$ -	\$ -	\$ -	\$ 6,234
-	-	-	-	-	-	-
9,239	-	-	-	-	-	-
-	-	-	38,080	2,107	52,000	-
-	-	-	-	-	-	-
<u>\$ 142,209</u>	<u>\$ -</u>	<u>\$ 155,454</u>	<u>\$ 38,080</u>	<u>\$ 2,107</u>	<u>\$ 52,000</u>	<u>\$ 6,234</u>
\$ 2,895	\$ -	\$ 13,733	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	103	-	42,593	10,009	52,000	-
-	-	-	-	-	-	-
<u>2,895</u>	<u>103</u>	<u>13,733</u>	<u>42,593</u>	<u>10,009</u>	<u>52,000</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	141,721	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	6,234
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
139,314	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(103)	-	(4,513)	(7,902)	-	-
<u>139,314</u>	<u>(103)</u>	<u>141,721</u>	<u>(4,513)</u>	<u>(7,902)</u>	<u>-</u>	<u>6,234</u>
<u>\$ 142,209</u>	<u>\$ -</u>	<u>\$ 155,454</u>	<u>\$ 38,080</u>	<u>\$ 2,107</u>	<u>\$ 52,000</u>	<u>\$ 6,234</u>

(continued)

GRAYSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2012

	Special Revenue			
	Law Enforcement Education	Time Payment Fee	Probate Education Fee	Star Recovery Federal
ASSETS				
Cash and investments	\$ 47,031	\$ 43,247	\$ 7,055	\$ -
Taxes receivable	-	-	-	-
Receivables (net of allowance for uncollectibles)	-	-	-	-
Intergovernmental receivables	-	-	-	36,822
Prepaid expenses	-	-	-	-
Total assets	<u>\$ 47,031</u>	<u>\$ 43,247</u>	<u>\$ 7,055</u>	<u>\$ 36,822</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 781	\$ 4,071
Accrued wages payable	-	-	-	-
Intergovernmental payable	-	-	-	-
Due to other funds	-	-	-	32,751
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>781</u>	<u>36,822</u>
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Public health	-	-	-	-
Juvenile services	-	-	-	-
Election administration	-	-	-	-
Emergency management	-	-	-	-
Records management	-	-	-	-
Holiday lights	-	-	-	-
Court security and technology	-	-	-	-
Tax assessor-collector operations	-	-	-	-
Historical commission	-	-	-	-
District attorney operations	-	-	-	-
Law library	-	-	-	-
Law enforcement	47,031	-	-	-
Inmate welfare	-	-	-	-
Court management	-	43,247	6,274	-
Road and bridge	-	-	-	-
Capital projects	-	-	-	-
Purpose of trust	-	-	-	-
Other	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>47,031</u>	<u>43,247</u>	<u>6,274</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 47,031</u>	<u>\$ 43,247</u>	<u>\$ 7,055</u>	<u>\$ 36,822</u>

Special Revenue				Debt Service		
CSCD Bond Supervision	Elections Services Contracts	Metropolitan Planning Organization	Supplemental Guardianship	Total Nonmajor Special Revenue Funds	2003 Refunding Bonds	Total Nonmajor Debt Service Funds
\$ 43,746	\$ 22,000	\$ -	\$ 17,264	\$ 3,908,961	\$ -	\$ -
-	-	-	-	-	-	-
-	3,662	81,674	-	381,501	-	-
-	-	-	-	395,085	-	-
-	-	-	-	5,185	-	-
<u>\$ 43,746</u>	<u>\$ 25,662</u>	<u>\$ 81,674</u>	<u>\$ 17,264</u>	<u>\$ 4,690,732</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 4,187	\$ -	\$ 166,813	\$ -	\$ -
-	-	2,150	-	92,100	-	-
-	-	-	-	51	-	-
-	-	75,337	-	249,398	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>81,674</u>	<u>-</u>	<u>508,362</u>	<u>-</u>	<u>-</u>
-	-	-	-	5,185	-	-
-	-	-	-	1,511,727	-	-
-	-	-	-	536,170	-	-
-	-	-	-	13,270	-	-
-	-	-	-	141,721	-	-
-	-	-	-	766,155	-	-
-	-	-	-	74,789	-	-
-	-	-	-	413,577	-	-
-	-	-	-	125,703	-	-
-	-	-	-	13,810	-	-
-	-	-	-	8,412	-	-
-	-	-	-	17,115	-	-
-	-	-	-	202,792	-	-
-	-	-	-	139,314	-	-
43,746	-	-	17,264	207,612	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	25,662	-	-	25,662	-	-
-	-	-	-	(20,644)	-	-
<u>43,746</u>	<u>25,662</u>	<u>-</u>	<u>17,264</u>	<u>4,182,370</u>	<u>-</u>	<u>-</u>
<u>\$ 43,746</u>	<u>\$ 25,662</u>	<u>\$ 81,674</u>	<u>\$ 17,264</u>	<u>\$ 4,690,732</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

GRAYSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2012

	Capital Projects			Total Nonmajor Capital Projects Funds
	Lateral Road	Highway 289 Completion	Permanent Improvements	
ASSETS				
Cash and investments	\$ 317,126	\$ 37,636	\$ 2,418,838	\$ 2,773,600
Taxes receivable	-	-	3,700	3,700
Receivables (net of allowance for uncollectibles)	-	-	-	-
Intergovernmental receivables	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	<u>\$ 317,126</u>	<u>\$ 37,636</u>	<u>\$ 2,422,538</u>	<u>\$ 2,777,300</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 20,700	\$ 338,927	\$ 359,627
Accrued wages payable	-	-	-	-
Intergovernmental payable	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	3,233	3,233
Total liabilities	<u>-</u>	<u>20,700</u>	<u>342,160</u>	<u>362,860</u>
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Public health	-	-	-	-
Juvenile services	-	-	-	-
Election administration	-	-	-	-
Emergency management	-	-	-	-
Records management	-	-	-	-
Holiday lights	-	-	-	-
Court security and technology	-	-	-	-
Tax assessor-collector operations	-	-	-	-
Historical commission	-	-	-	-
District attorney operations	-	-	-	-
Law library	-	-	-	-
Law enforcement	-	-	-	-
Inmate welfare	-	-	-	-
Court management	-	-	-	-
Road and bridge	317,126	-	-	317,126
Capital projects	-	16,936	2,080,378	2,097,314
Purpose of trust	-	-	-	-
Other	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>317,126</u>	<u>16,936</u>	<u>2,080,378</u>	<u>2,414,440</u>
Total liabilities and fund balances	<u>\$ 317,126</u>	<u>\$ 37,636</u>	<u>\$ 2,422,538</u>	<u>\$ 2,777,300</u>

Permanent Fund	Total Nonmajor Governmental Funds
Texoma Succeeding Generations	
\$ 69,197	\$ 6,751,758
-	3,700
-	381,501
-	395,085
-	5,185
<u>\$ 69,197</u>	<u>\$ 7,537,229</u>
\$ -	\$ 526,440
-	92,100
-	51
-	249,398
-	3,233
<u>-</u>	<u>871,222</u>
-	5,185
-	1,511,727
-	536,170
-	13,270
-	141,721
-	766,155
-	74,789
-	413,577
-	125,703
-	13,810
-	8,412
-	17,115
-	202,792
-	139,314
-	207,612
-	317,126
-	2,097,314
69,197	69,197
-	25,662
-	(20,644)
<u>69,197</u>	<u>6,666,007</u>
<u>\$ 69,197</u>	<u>\$ 7,537,229</u>

GRAYSON COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue				
	Public Health	Juvenile Boot Camp	Holiday Lights	Tax A/C S-I-T Penalty	Courthouse Security
REVENUES					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-
Penalty and interest on taxes	-	-	-	-	-
Licenses and permits	374,543	-	-	-	-
Intergovernmental revenue and grants	1,067,647	120,624	-	-	-
Charges for services	338,902	2,167,312	-	-	64,404
Fines and fees	-	-	-	2,325	-
Forfeits	-	-	-	-	-
Investment earnings	1,836	385	160	324	914
Contributions and donations from private sources	99,539	-	72,799	-	-
Other	1,704	1	-	-	100
Total revenues	<u>1,884,171</u>	<u>2,288,322</u>	<u>72,959</u>	<u>2,649</u>	<u>65,418</u>
EXPENDITURES					
Current:					
General government	-	-	36,415	-	137,285
Judicial	-	-	-	-	-
Public safety	-	1,975,300	-	-	-
Highways and streets	-	-	-	-	-
Health and welfare	1,712,907	-	-	-	-
Capital outlay	-	204,647	-	-	13,240
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>1,712,907</u>	<u>2,179,947</u>	<u>36,415</u>	<u>-</u>	<u>150,525</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>171,264</u>	<u>108,375</u>	<u>36,544</u>	<u>2,649</u>	<u>(85,107)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	8,692	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>8,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	179,956	108,375	36,544	2,649	(85,107)
FUND BALANCE, BEGINNING	<u>1,331,771</u>	<u>432,980</u>	<u>38,245</u>	<u>123,054</u>	<u>371,084</u>
FUND BALANCE, ENDING	<u>\$ 1,511,727</u>	<u>\$ 541,355</u>	<u>\$ 74,789</u>	<u>\$ 125,703</u>	<u>\$ 285,977</u>

Special Revenue

Justice Court Building Security	Justice Court Technology	HAVA Funding	County Clerk Records Management	County Clerk Records Archive	County Clerk Vital Statistics	District Clerk Records Management
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	9,712	-	-	-	-
5,745	23,271	-	134,032	-	9,033	19,646
-	-	-	-	121,565	-	-
-	-	-	-	-	-	-
71	239	19	405	812	22	132
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>5,816</u>	<u>23,510</u>	<u>9,731</u>	<u>134,437</u>	<u>122,377</u>	<u>9,055</u>	<u>19,778</u>
-	-	-	192,256	293,496	5,095	229
-	24,271	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	5,940	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>24,271</u>	<u>5,940</u>	<u>192,256</u>	<u>293,496</u>	<u>5,095</u>	<u>229</u>
<u>5,816</u>	<u>(761)</u>	<u>3,791</u>	<u>(57,819)</u>	<u>(171,119)</u>	<u>3,960</u>	<u>19,549</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
5,816	(761)	3,791	(57,819)	(171,119)	3,960	19,549
<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>\$ 31,021</u>	<u>\$ 90,345</u>	<u>\$ 13,270</u>	<u>\$ 128,517</u>	<u>\$ 116,352</u>	<u>\$ 10,177</u>	<u>\$ 63,713</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, 2012

	Special Revenue			
	County Records Management	Historical Commission	Court Reporter Service	Drug Court Fees
REVENUES				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Penalty and interest on taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental revenue and grants	-	-	-	-
Charges for services	99,625	-	-	27,668
Fines	-	-	24,780	-
Forfeits	-	-	-	-
Investment earnings	996	36	-	209
Contributions and donations from private sources	-	-	-	-
Other	-	-	-	-
Total revenues	100,621	36	24,780	27,877
EXPENDITURES				
Current:				
General government	4,375	-	-	-
Judicial	-	-	24,780	2,920
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	4,375	-	24,780	2,920
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	96,246	36	-	24,957
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	96,246	36	-	24,957
FUND BALANCE, BEGINNING	351,150	13,774	-	72,124
FUND BALANCE, ENDING	\$ 447,396	\$ 13,810	\$ -	\$ 97,081

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
142,560	51,699	-	-	-	18,732	39,924
-	-	-	-	83,381	-	-
-	-	41,492	-	-	-	-
-	-	-	26,068	-	-	-
-	-	-	68	41	-	-
-	-	-	-	23	-	24,415
-	-	-	-	1	-	-
<u>142,560</u>	<u>51,699</u>	<u>41,492</u>	<u>26,136</u>	<u>83,446</u>	<u>18,732</u>	<u>64,339</u>
-	-	-	-	-	-	-
150,074	52,311	41,003	63,259	82,577	31,417	94,412
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>150,074</u>	<u>52,311</u>	<u>41,003</u>	<u>63,259</u>	<u>82,577</u>	<u>31,417</u>	<u>94,412</u>
(7,514)	(612)	489	(37,123)	869	(12,685)	(30,073)
-	-	-	-	-	-	30,073
-	-	-	-	-	-	-
-	-	-	-	-	-	30,073
(7,514)	(612)	489	(37,123)	869	(12,685)	-
-	-	-	42,711	16,246	15,020	-
<u>(7,514)</u>	<u>(612)</u>	<u>489</u>	<u>5,588</u>	<u>17,115</u>	<u>2,335</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, 2012

	Special Revenue			
	OAG Victim Coordinator Grant	Law Enforcement Block Grant	VINE Grant	Sheriff Forfeiture
REVENUES				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Penalty and interest on taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental revenue and grants	41,952	-	30,710	-
Charges for services	-	-	-	-
Fines	-	-	-	-
Forfeits	-	-	-	22,581
Investment earnings	-	-	-	467
Contributions and donations from private sources	-	-	-	-
Other	-	-	-	-
Total revenues	<u>41,952</u>	<u>-</u>	<u>30,710</u>	<u>23,048</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial	41,952	-	-	-
Public safety	-	-	30,710	55,163
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	10,597
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>41,952</u>	<u>-</u>	<u>30,710</u>	<u>65,760</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,712)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	<u>(42,712)</u>
FUND BALANCE, BEGINNING	-	-	-	<u>198,473</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,761</u>

Special Revenue

Jail Commissary	Juvenile Case Manager Fees	Interlocal Emergency Management	Hazard Mitigation Grant	Citizen Corps Program	State Homeland Security	County and District Court Technology	Law Enforcement Education
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	53,336	-	598	272,330	-	-
61,259	50	-	-	-	-	7,473	-
-	24,897	-	-	-	-	-	-
-	-	-	-	-	-	-	-
345	12	-	-	-	-	15	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>61,604</u>	<u>24,959</u>	<u>53,336</u>	<u>-</u>	<u>598</u>	<u>272,330</u>	<u>7,488</u>	<u>-</u>
-	-	-	-	8,500	-	-	-
-	37,515	-	-	-	-	5,650	-
56,186	-	49,435	4,513	-	-	-	1,950
-	-	-	-	-	-	-	-
-	-	-	-	-	272,330	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>56,186</u>	<u>37,515</u>	<u>49,435</u>	<u>4,513</u>	<u>8,500</u>	<u>272,330</u>	<u>5,650</u>	<u>1,950</u>
<u>5,418</u>	<u>(12,556)</u>	<u>3,901</u>	<u>(4,513)</u>	<u>(7,902)</u>	<u>-</u>	<u>1,838</u>	<u>(1,950)</u>
-	-	25,520	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	<u>25,520</u>	-	-	-	-	-
5,418	(12,556)	29,421	(4,513)	(7,902)	-	1,838	(1,950)
<u>133,896</u>	<u>12,453</u>	<u>112,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,396</u>	<u>48,981</u>
<u>\$ 139,314</u>	<u>\$ (103)</u>	<u>\$ 141,721</u>	<u>\$ (4,513)</u>	<u>\$ (7,902)</u>	<u>\$ -</u>	<u>\$ 6,234</u>	<u>\$ 47,031</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, 2012

	Special Revenue			
	Time Payment Fee	Probate Education Fee	Star Recovery Federal	CSCD Bond Supervision
REVENUES				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Penalty and interest on taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental revenue and grants	6,215	-	61,577	-
Charges for services	-	-	-	26,351
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment earnings	-	-	-	72
Contributions and donations from private sources	-	-	-	-
Other	-	-	-	-
Total revenues	<u>6,215</u>	<u>-</u>	<u>61,577</u>	<u>26,423</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial	-	2,876	61,577	-
Public safety	-	-	-	768
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>2,876</u>	<u>61,577</u>	<u>768</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>6,215</u>	<u>(2,876)</u>	<u>-</u>	<u>25,655</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	6,215	(2,876)	-	25,655
FUND BALANCE, BEGINNING	<u>37,032</u>	<u>9,150</u>	<u>-</u>	<u>18,091</u>
FUND BALANCE, ENDING	<u>\$ 43,247</u>	<u>\$ 6,274</u>	<u>\$ -</u>	<u>\$ 43,746</u>

Special Revenue				Debt Service	
Elections Services Contracts	Metropolitan Planning Organization	Supplemental Guardianship	Total Nonmajor Special Revenue Funds	2003 Refunding Bonds	Total Nonmajor Debt Service Funds
\$ -	\$ -	\$ -	\$ -	\$ 420,666	\$ 420,666
-	-	-	-	-	-
-	-	-	-	3,517	3,517
-	-	-	374,543	-	-
25,662	158,273	-	2,101,551	-	-
-	-	14,160	3,082,312	-	-
-	-	-	215,059	-	-
-	-	-	48,649	-	-
-	-	-	7,580	431	431
-	-	-	196,776	-	-
-	-	-	1,806	-	-
<u>25,662</u>	<u>158,273</u>	<u>14,160</u>	<u>6,028,276</u>	<u>424,614</u>	<u>424,614</u>
-	158,273	-	835,924	-	-
-	-	2,315	718,909	-	-
-	-	-	2,174,025	-	-
-	-	-	-	-	-
-	-	-	1,712,907	-	-
-	-	-	506,754	-	-
-	-	-	-	-	-
-	-	-	-	440,000	440,000
-	-	-	-	21,902	21,902
<u>-</u>	<u>158,273</u>	<u>2,315</u>	<u>5,948,519</u>	<u>461,902</u>	<u>461,902</u>
<u>25,662</u>	<u>-</u>	<u>11,845</u>	<u>79,757</u>	<u>(37,288)</u>	<u>(37,288)</u>
-	-	-	64,285	-	-
-	-	-	-	(42,297)	(42,297)
<u>-</u>	<u>-</u>	<u>-</u>	<u>64,285</u>	<u>(42,297)</u>	<u>(42,297)</u>
25,662	-	11,845	144,042	(79,585)	(79,585)
-	-	5,419	4,038,328	79,585	79,585
<u>\$ 25,662</u>	<u>\$ -</u>	<u>\$ 17,264</u>	<u>\$ 4,182,370</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, 2012

	Capital Projects			Total Nonmajor Capital Projects Funds
	Lateral Road	Highway 289 Completion	Permanent Improvements	
REVENUES				
Taxes:				
Property	\$ -	\$ -	\$ 103,258	\$ 103,258
Other	-	-	1,388	1,388
Penalty and interest on taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental revenue and grants	-	-	-	-
Charges for services	71,304	-	-	71,304
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment earnings	869	-	12,374	13,243
Contributions and donations from private sources	-	-	-	-
Other	-	-	6,623	6,623
Total revenues	<u>72,173</u>	<u>-</u>	<u>123,643</u>	<u>195,816</u>
EXPENDITURES				
Current:				
General government	-	-	24,681	24,681
Judicial	-	-	-	-
Public safety	-	-	-	-
Highways and streets	21,774	-	-	21,774
Health and welfare	-	-	-	-
Capital outlay	12,630	4,046	4,001,389	4,018,065
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>34,404</u>	<u>4,046</u>	<u>4,026,070</u>	<u>4,064,520</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>37,769</u>	<u>(4,046)</u>	<u>(3,902,427)</u>	<u>(3,868,704)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>37,769</u>	<u>(4,046)</u>	<u>(3,902,427)</u>	<u>(3,868,704)</u>
FUND BALANCE, BEGINNING	<u>279,357</u>	<u>20,982</u>	<u>5,982,805</u>	<u>6,283,144</u>
FUND BALANCE, ENDING	<u>\$ 317,126</u>	<u>\$ 16,936</u>	<u>\$ 2,080,378</u>	<u>\$ 2,414,440</u>

<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Texoma Succeeding Generations</u>	
\$ -	\$ 523,924
-	1,388
-	3,517
-	374,543
-	2,101,551
-	3,153,616
-	215,059
-	48,649
180	21,434
-	196,776
-	8,429
180	6,648,886
-	860,605
-	718,909
-	2,174,025
-	21,774
-	1,712,907
-	4,524,819
-	440,000
-	21,902
-	10,474,941
180	(3,826,055)
-	64,285
-	(42,297)
-	21,988
180	(3,804,067)
69,017	10,470,074
\$ 69,197	\$ 6,666,007

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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.

Pink Hill Water Project – This fund accounts for funding received from the Texas Department of Agriculture through the Texas Community Development Program Project, as well as local funds. The project is the replacement of water lines in the rural area served by the Pink Hill Water District. This funding is federal, provided by the Department of Housing and Urban Development.

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, 2012

	<u>State Court Costs and Arrest Fees</u>	<u>Appellate Justice System</u>	<u>Seized Funds</u>	<u>Adult Probation Restitution</u>	<u>District Attorney Bad Check Trust</u>
ASSETS					
Cash and investments	\$ <u>297,866</u>	\$ <u>8,729</u>	\$ <u>186,386</u>	\$ <u>13,352</u>	\$ <u>35,096</u>
Total assets	\$ <u>297,866</u>	\$ <u>8,729</u>	\$ <u>186,386</u>	\$ <u>13,352</u>	\$ <u>35,096</u>
LIABILITIES					
Due to other agencies and individuals	\$ <u>297,866</u>	\$ <u>8,729</u>	\$ <u>186,386</u>	\$ <u>13,352</u>	\$ <u>35,096</u>
Total liabilities and fund balances	\$ <u>297,866</u>	\$ <u>8,729</u>	\$ <u>186,386</u>	\$ <u>13,352</u>	\$ <u>35,096</u>

<u>Tax Assessor Collector</u>	<u>Sheriff Bonds</u>	<u>County Clerk Trust</u>	<u>District Clerk Trust</u>	<u>Pink Hill Water Project</u>	<u>Jail Inmate Trust</u>	<u>Totals</u>
\$ <u>1,795,522</u>	\$ <u>437,455</u>	\$ <u>953,910</u>	\$ <u>3,175,643</u>	\$ <u>8,375</u>	\$ <u>36,046</u>	\$ <u>6,948,380</u>
\$ <u>1,795,522</u>	\$ <u>437,455</u>	\$ <u>953,910</u>	\$ <u>3,175,643</u>	\$ <u>8,375</u>	\$ <u>36,046</u>	\$ <u>6,948,380</u>
\$ <u>1,795,522</u>	\$ <u>437,455</u>	\$ <u>953,910</u>	\$ <u>3,175,643</u>	\$ <u>8,375</u>	\$ <u>36,046</u>	\$ <u>6,948,380</u>
\$ <u>1,795,522</u>	\$ <u>437,455</u>	\$ <u>953,910</u>	\$ <u>3,175,643</u>	\$ <u>8,375</u>	\$ <u>36,046</u>	\$ <u>6,948,380</u>

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FEDERAL AWARDS SECTION

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

**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, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 10, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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.

June 10, 2013



**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, 2012. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

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.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, 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.

June 10, 2013

GRAYSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
National School Lunch Program	10.555	75-J6011	\$ 120,624
Total Passed through the Texas Department of Agriculture			<u>120,624</u>
Passed through Texas Department of State Health Services:			
Special Supplemental Food Program for Women, Infants and Children (WIC)	10.557	2012-001/001A	680,775
Total Passed through Texas Department of State Health Services			<u>680,775</u>
Total U. S. Department of Agriculture			<u>801,399</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>			
Passed through Office of the Attorney General:			
Victim Coordinator and Liaison Grant	16.576	1014265	41,951
Drug Court Discretionary Grant Program	16.585	2010-DC-BX-0013	61,577
Total Passed through Office of the Attorney General			<u>103,528</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	1344913	37,483
Violence Against Women Act	16.588	1344914	2,440
Edward Byrne Memorial Justice Assistant Grant	16.738	1804207	84
County STAR Recovery Court Program	16.738	1804206	142,476
County Family Drug Court Program	16.738	1867806	51,701
Total Passed through Office of the Governor, Criminal Justice Division			<u>264,894</u>
Direct Programs:			
State Criminal Alien Assistance Program	16.606	2010-AP-BX-0125	34,254
Total Direct Programs			<u>34,254</u>
Total U. S. Department of Justice			<u>402,676</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through Texas Department of Transportation:			
Airport Maintenance Program	20.106	M101DENSEN	48,350
Airport Maintenance Program	20.106	0901DENSEN	5,371
Federal Transit Metropolitan Planning Grant	20.205	FTA-Section 5303	30,000
Federal Transit Metropolitan Planning Grant	20.205	50-12XF0020	128,273
Total Passed through Texas Department of Transportation			<u>211,994</u>
Total U. S. Department of Transportation			<u>211,994</u>

(continued)

GRAYSON COUNTY, TEXAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<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 ELECTION</u>			
Passed through Texas Secretary of State			
Help America Vote Act	90.401	N/A	\$ 5,940
Total Passed through Texas Secretary of State			<u>5,940</u>
Total U. S. Department of Election			<u>5,940</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through Texas Department of State Health Services:			
Injury Prevention and Control Research and State and Community Based Programs	93.116	2012-040240	29,072
Centers for Disease Control and Prevention - Investigation and Technical Assistance OOPHP/Bioterrorism	93.283	2011-038704	114,645
Medicaid - Title XIX - Medical Assistance Program	93.778	2011-032002-001	13,652
Preventive Health Services Block Grant	93.991	2012-039688-001	<u>97,999</u>
Total Passed through Texas Department of State Health Services			<u>255,368</u>
Passed through Texas Juvenile Probation Commission:			
Title IV-E - Foster Care	93.658	23380711	<u>8,429</u>
Total Passed through Texas Juvenile Probation Commission			<u>8,429</u>
Total U. S. Department of Health and Human Services			<u>263,797</u>
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>			
Federal Emergency Management Agency			
Assistance to Firefighters Grant Program	97.044	EMW02010-04375	391,280
Passed through the Texas Department of Public Safety,			
Division of Emergency Management:			
Emergency Management Performance Grant	97.042	08-GA-48181-08	272,330
Emergency Management Performance Grant	97.042	09TX-EMPG-0147	598
Emergency Management Performance Grant	97.042	10TX-EMPG-0147	<u>46,785</u>
Total Passed through Texas Department of Public Safety, Division of Emergency Management			<u>319,713</u>
Total U. S. Department of Homeland Security			<u>319,713</u>
Total Federal Expenditures			\$ <u>2,396,799</u>

GRAYSON COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

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, 2012

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

None

Identification of major programs:

CFDA Number(s)

#10.557

Name of Federal Program or Cluster:

Special Supplemental Food Program for Women, Infants and Children

#97.044

Assistance to Firefighters Program

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

\$300,000

Auditee qualified as low-risk auditee?

Yes

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

None

Findings and Questioned Costs for Federal Awards

None

GRAYSON COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

None

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