

**COUNTY OF GAINES
INDEPENDENT AUDITOR'S REPORT**

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

COUNTY OF GAINES

TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis.....	2-9
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements:	
Statement of Net Assets-Modified Cash Basis	10
Statement of Activities-Modified Cash Basis	11
Fund Financial Statements:	
Balance Sheet-Modified Cash Basis-Governmental Funds	12-14
Statement of Revenues, Expenditures and Changes in Fund Balance-Modified Cash Basis-Governmental Funds.....	15-17
Statement of Fiduciary Net Assets-Modified Cash Basis-Fiduciary Funds	18
Notes to Financial Statements	19-33
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Budgetary Comparison Schedules	35-42

DAVIS, RAY & CO., PC

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 309, 2005 Hobbs Hwy.
Seminole, Texas 79360
(432) 758-3226
FAX (432) 758-3086

INDEPENDENT AUDITORS' REPORT

December 15, 2011

To the Honorable Judge and Commissioners' Court
County of Gaines
P.O. Box 847
Seminole, Texas 79360

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Gaines, Seminole, Texas, as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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. 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.

As discussed in Note I, the County of Gaines prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Gaines, as of September 30, 2011, and the respective changes in financial position—modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note I.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 9 and 36 through 42 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 operation, 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 regarding 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.

Davis, Ray & Co.

Davis, Ray & Co., PC
Certified Public Accountants

COUNTY OF GAINES



RICK DOLLAHAN, County Auditor

P. O. Box 847

Seminole, Texas 79360

December 15, 2011

Honorable Carter T. Schildknecht, District Judge, 106th Judicial District

Honorable Commissioners Court:

Lance Celandier County Judge

Danny Yocom Commissioner, PCT 1

Blair Tharp Commissioner, PCT 3

Craig Belt

Biz Houston

Commissioner, PCT 2

Commissioner, PCT 4

In accordance with Chapter 114.025(c) VTCA, I submit herewith my report of the financial position of County of Gaines, Texas as of September 30, 2011 together with the results of the operations for the fiscal year of 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Audited Financial Report, the management of County of Gaines, Texas, discusses and analyzes the County's financial performance for the fiscal year ended September 30, 2011. Please read it in conjunction with the independent auditors' report and the County's basic financial statements which begin on page 10.

FINANCIAL HIGHLIGHTS

- At the close of the most recent fiscal year, County of Gaines's net assets were \$37,898,090 an increase of 4.59 million dollars from the prior year. Of this amount, \$18,657,713 was unrestricted net assets.
- The County's net assets increased approximately 13.8% as a result of this year's operation.
- The County has no debt and pays cash for everything at this time.
- During the year, the County had expenses of \$17,415,024 which were \$4,597,076 less than the \$22,012,100 generated in Program and General Revenues. This compares to last year when revenues exceeded expenses by \$4,482,859.
- The General Fund ended the year with a fund balance of \$6,106,400 as compared to last year's fund balance of \$5,765,075.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to County of Gaines' basic financial statements. County of Gaines' basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 10 and 11). These provide information about the activities of the County as a whole and present a long-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The Road to Excellence is Built with Vision

Fund financial statements (starting on page 12) report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the County were sold to departments within the County or to external consumers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of other County funds or those outside of the County. They show what assets these funds have and who they belong to.

The notes to the financial statements (starting on page 19) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

REPORTING THE COUNTY AS A WHOLE – THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The analysis of the County's overall financial condition and operations begins on page 10. 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 includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. The County has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the County's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

These two statements report the County's net assets and changes in them. The County's net assets (the difference between assets and liabilities) provide one measure of the County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider non-financial factors as well, such as changes in the County's property tax base and the condition of the County's facilities.

In the Statement of Net Assets and the Statement of Activities, the County reports governmental activities:

Governmental activities – Most of the basic services are reported here, including general administration, law enforcement, judicial, road and bridge maintenance, cemetery, parks, airport and library services. Property taxes, courts and services revenue and vehicle registration fees finance most of these activities.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS – THE FUND FINANCIAL STATEMENTS

The fund financial statements begin on page 12 and provide detailed information about the most significant funds—not the County as a whole. A fund is a group 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. Laws and contracts require the County to establish some funds. The County's administration can establish many other funds to help it control and manage money for particular purposes (e.g. capital projects). All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds. Each category uses a different accounting approach.

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 statements, governmental funds 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 the County's near-term financing requirements. These funds use modified cash basis of accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) to reflect that focus. The governmental fund statements provide a detailed near-term view of the County's general operations and the basic services it provides.

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 County's near-term financing decisions. Following each of the governmental fund financial statements (the balance sheet and the statement of revenues, expenditures and changes in fund balance) is a reconciliation to facilitate this comparison between the governmental fund financial statements and the government-wide statements.

Fiduciary funds – The County is the trustee, or fiduciary, for money received in numerous offices. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 18. We report the resources these activities produce that are due to County operating funds as an interfund receivable in those funds and as an interfund payable in the Statement of Fiduciary Net Assets. All other resources within the fiduciary activities are excluded from the County's other financial reports because the County cannot use those assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the County's governmental activities.

Net assets of the County's governmental activities increased from \$33,301,014 to \$37,898,090. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – were \$18,657,713 at September 30, 2011.

Table I
County of Gaines, Texas
NET ASSETS

	Governmental Activities 2011	Governmental Activities 2010
Assets:		
Current and Other Assets	18,657,713	19,204,538
Capital Assets	19,240,377	14,096,476
Total Assets	37,898,090	33,301,014
Liabilities:		
Accounts Payable		
Noncurrent Liabilities		
Due in More Than One Year		
Total Liabilities		
Net Assets:		
Invested in Capital Assets, Net of Related Debt	19,240,377	14,096,476
Prior period adjustment	-	(38,020)
Unrestricted Net Assets	18,657,713	19,242,558
Total Net Assets	37,898,090	33,301,014

Table II
County of Gaines, Texas
CHANGES IN NET ASSETS

	Governmental Activities 2011	Governmental Activities 2010
Revenues:		
Program Revenues:		
Charges for Services	1,708,652	1,614,502
Operating Grants and Contributions	142,542	177,780
Total Program Revenues	1,851,194	1,792,282
General Revenues:		
Taxes		
Property taxes, Levied for General Purposes	19,893,997	18,648,105
Investment Earnings	32,492	33,768
Miscellaneous Revenue	227,901	17,885
Gain on sale of Assets	6,516	19,965
Total General Revenue and Special Items	20,160,906	18,719,723
Total Program & General Revenues	22,012,100	20,512,005

Table II (Continued)
County of Gaines, Texas
CHANGES IN NET ASSETS

	Governmental Activities 2011	Governmental Activities 2010
Expenses:		
General administration	932,972	870,744
Judicial	1,792,596	1,462,221
Elections	37,017	60,705
Financial Administration	500,124	481,594
Tax Administration	518,045	486,798
Facilities Management	1,425,798	1,334,395
Law Enforcement	1,654,495	1,561,180
Fire Protection	138,520	145,631
Corrections	1,589,343	1,473,696
Civil Defense	78,370	87,912
Road and Bridge	6,123,270	5,603,009
Sanitation	22,519	22,519
Airport	74,187	70,471
Loop Water System	-	3,500
Health	639,005	516,440
Human Services	62,365	61,690
Golf Course	616,434	632,267
Parks	323,731	322,852
Museums	119,244	106,722
County Extension Service	170,443	165,477
Libraries	367,736	332,332
Senior Citizens	228,810	226,991
Total Expenses	17,415,024	16,029,146
Change in Net Assets	4,597,076	4,482,859
Net Assets at Beginning of Year	33,301,014	28,856,175
Prior period adjustments	-	(38,020)
Net Assets at End of Year	37,898,090	33,301,014

Key factors related to the County's financial performance over the last year include the following:

1. Mineral and related taxable values increased more than 660 million dollars from the prior year. This increase nearly offset the 1.1 Billion dollar decrease of the prior year.
2. The ad valorem property tax revenue levy was up by 5.5% compared to the prior year. Revenues in virtually every other category increased as well.
3. The county was heavily involved in a major renovation of the courthouse which included relocation of offices to temporary facilities and significant planned expenditures of capital reserves. The project was about 78% complete as of year end.
4. There were no new positions added.

The cost of all governmental activities this year was \$17,415,024 which was an 8.6% increase over the prior year. However, as shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities was \$15,638,830, as some of the costs were paid with charges for services of \$1,708,652, a 5.8% increase from the previous year, and operating grants and contributions totaling \$142,542, a \$35,238 decrease.

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as reported on the balance sheet on page 12-13) reported a combined fund balance of \$18,657,713 which is \$300,010 less than last year's total of \$18,957,723. Included in this year's total change in fund balance is a decrease of \$2,872,450 in the County's Capital Project Fund.

For fiscal year 2011, actual expenditures on a budgetary basis for the General Fund were \$10,136,951 compared to the original budget expenditures of \$12,765,629. Actual revenue on a budgetary basis was \$14,242,495 compared to the original budget of \$13,736,751. Reasons for the actual numbers varying from the budget follow:

- The various categories of revenues were generally up from the prior year budget by 7.3%.
- Property tax was higher than budgeted because the Court only budgets 97% of the levy.
- Interest earnings received were substantially lower than budgeted, a reflection of the slow economy.
- Total disbursements were less than budgeted as the Reserve Line was minimally used with the express idea of transferring left over amounts to a Capital Projects Fund for future renovation projects.
- General government including fuel, utility and road repair costs were less than budgeted amounts.
- Judicial expenses were less than budgeted.
- Corrections expenses were also less than originally budgeted. However, expenditures for prisoner housing/medical care and capital costs for fleet replacements vehicles remain very high.

Over the course of the year, the County's Commissioners' Court revised the County budget several times. These revisions include amendments and supplemental appropriations that were approved during the year to address mid-year situational changes and amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. The primary amendments include:

- Moving contingency/reserve budgeted amounts to amend other lines to allow:
- Increasing several line items in a variety of departments to purchase or replace various items
- Funding other unanticipated expenses such as overtime and supplies to facilitate the completion of the Courthouse renovation project
- Upgrading or replacing office computers and hardware as they wore out
- Purchasing furniture and equipment

Page 35 provides a comparison of these changes as they relate to the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At the end of fiscal year 2010, the County had \$19,240,377 invested in a broad range of capital assets, including land, buildings and equipment.

The County's fiscal year 2011 capital outlay expenditures in all funds totaled \$6,627,546. This includes the following:

- 77.75% of the Phase Two Noresco Courthouse renovation project was paid for this year.
- Various other pieces of fleet replacement equipment were also purchased.

More detailed information about the County's capital assets is presented in Note III, Item D to the financial statements.

At year end, the County had \$168,989 in commitments under operating leases.

More detailed information about the County's long-term liabilities is presented in Note III, Item F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County Judge and Commissioners' Court members considered many factors when setting the FY 2012 budget and tax rates. Some key items that should be noted are as follows:

1. Mineral and related taxable values rebounded significantly in 2010 and increased again in 2011. Additionally, local property tax values increased slightly. This continued the trend towards shifting the burden of the tax levy back from private property to minerals. Overall, there was an approximate 5.6 % increase in valuations from last year's figures.
2. The Court undertook a dramatic change in the way the expenditure budget was funded a few years ago. As can be seen from these financial statements it is working. The Court continues to develop true undesignated reserves, while still keeping the tax rate low and funding all of the necessary things that take place each day. It is recommended that the Court not deviate from the "zero based budgeting concept" that they have adopted. This will ensure that they have sufficient revenues to fully fund the expenditure budget that they want to adopt or cause them to cut the expenditure budget to match the projected revenues.
3. Because of their foresight the Court weathered the mineral devaluation and now has the happier task of dealing with increased valuations. The Court again decided to fully fund a capital projects line in the General Fund to allow necessary capital upgrades to County facilities. In the end, the Court adopted a tax rate of \$0.352352, some 0.014 cents below the adopted tax rate for FY2011.
4. Phase Two of the renovation began in FY2011. It saw the entire Courthouse emptied and all infrastructures in that facility demolished and replaced by new state of the art equipment. Virtually every single component in the Courthouse has been replaced or improved upon. The nearly 7.6 million dollar project is expected to be finished by December 2011 with all County offices back in the Courthouse before the end of the year.
5. Elected official/employee base pay raised by 3% and the Court did allow longevity increases for the employees. There were no changes to the retirement system or other employee benefits.
6. Most of the other special revenue funds are projecting no major changes with the exception of the Capital Project fund. This fund has all of the money set aside for the Courthouse renovation and will see substantial depletion in FY2012 as the court pays the final costs for Phase 2 of the Noresco Project.
7. The oil and agriculture industries in our area have had successful years but continue to be very unpredictable. These two industries remain the largest parts of our local business activity, and the uncertainty that goes along with them makes it a challenge to accurately predict long-term economic and population numbers for County of Gaines. Possibilities that will help strengthen and expand existing business and industry remain a focal point for economic development, along with seeking and pursuing opportunities not directly linked to oil and agriculture to help create stability and diversification for our local economy.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, consumers, investors and creditors with a general overview of the County of Gaines' finances and to show the County's accountability for the money it receives. For questions concerning any information provided in this report or requests for additional financial information, contact County Auditor, County of Gaines, Texas, PO Box 847, Seminole, Texas 79360.

ACKNOWLEDGMENTS

For their assistance and cooperation already and during the upcoming year, we thank the District Judge, County Judge, Commissioners' Court, Treasurer's Office and other elected officials, department heads, foremen and employees in the various departments. The interest and involvement of the Commissioners' Court in planning and conducting the financial operations of the County is appreciated.

Kudos also to First Assistant Auditor, Esmeralda Felan and the rest of the Auditor's staff for their hard work, knowledge and willingness to help the great folks serving the County of Gaines. Please remember that County Auditor's Office is here to help, and looks forward to the opportunity of working with anyone who calls upon them.

Respectfully submitted,

Rick Dollahan

County of Gaines Auditor

COUNTY OF GAINES
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
SEPTEMBER 30, 2011

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 18,362,328
Inventory	295,385
Capital assets:	
Land	116,298
Construction in progress	5,856,095
Infrastructure, net	7,370,757
Buildings, net	1,809,684
Machinery and equipment, net	4,087,543
<i>Total Assets</i>	<u>37,898,090</u>
<u>NET ASSETS</u>	
Investments in capital assets, net of related debt	19,240,377
Unrestricted	<u>18,657,713</u>
<i>Net Assets</i>	<u><u>\$ 37,898,090</u></u>

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF GAINES
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental
Governmental Activities:				
General administration	\$ 932,972	\$ 38	\$ 408	\$ (932,526)
Judicial	1,792,596	606,297	79,111	(1,107,188)
Elections	37,017	8,196	-	(28,821)
Financial administration	500,124	-	-	(500,124)
Tax administration	518,045	88,089	-	(429,956)
Facilities management	1,425,798	-	-	(1,425,798)
Law enforcement	1,654,495	53,419	4,077	(1,596,999)
Fire protection	138,520	-	-	(138,520)
Corrections	1,589,343	97,973	-	(1,491,370)
Civil defense	78,370	-	-	(78,370)
Road and bridge	6,123,270	564,934	36,570	(5,521,766)
Sanitation	22,519	-	-	(22,519)
Airport	74,187	5,933	-	(68,254)
Health	639,005	-	-	(639,005)
Human services	62,365	-	-	(62,365)
Golf course	616,434	230,196	13,778	(372,460)
Parks	323,731	31,487	-	(292,244)
Museums	119,244	281	-	(118,963)
County extension	170,443	-	-	(170,443)
Libraries	367,736	21,809	8,598	(337,329)
Senior citizens	228,810	-	-	(228,810)
Total Primary Government	\$ 17,415,024	\$ 1,708,652	\$ 142,542	\$ (15,563,830)

General Revenues:

Property taxes	\$ 19,893,997
Interest income	32,492
Miscellaneous income	227,901
Gain on sale of assets	6,516

Total General Revenues 20,160,906

Changes in Net Assets	4,597,076
Net Assets - Beginning	33,301,014
Net Assets - Ending	<u>\$ 37,898,090</u>

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF GAINES
GOVERNMENTAL FUNDS BALANCE SHEET
MODIFIED CASH BASIS
SEPTEMBER 30, 2011

	General Fund	Road & Bridge Fund	Precinct #1
<u>ASSETS</u>			
Cash and cash equivalents	\$ 6,106,400	\$ 64,563	\$ 2,606,747
Inventory	-	-	82,580
Total Assets	<u>\$ 6,106,400</u>	<u>\$ 64,563</u>	<u>\$ 2,689,327</u>
Fund Balances:			
Non-Spendable:			
Inventory	\$ -	\$ -	\$ 82,580
Assigned:			
Road and bridge	-	64,563	2,606,747
Capital projects	-	-	-
Special revenue funds	-	-	-
Unassigned:	6,106,400	-	-
Total Fund Balances	<u>6,106,400</u>	<u>64,563</u>	<u>2,689,327</u>
Total Liabilities and Fund Balances	<u>\$ 6,106,400</u>	<u>\$ 64,563</u>	<u>\$ 2,689,327</u>

The accompanying notes to financial statements are an integral part of this statement.

Precinct #2	Precinct #3	Precinct #4	Farm to Market Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,112,050	\$ 1,844,767	\$ 3,166,843	\$ -	\$ 1,689,656	\$ 771,302	\$ 18,362,328
55,890	17,050	139,865	-	-	-	295,385
<u>\$ 2,167,940</u>	<u>\$ 1,861,817</u>	<u>\$ 3,306,708</u>	<u>\$ -</u>	<u>\$ 1,689,656</u>	<u>\$ 771,302</u>	<u>\$ 18,657,713</u>
\$ 55,890	\$ 17,050	\$ 139,865	\$ -	\$ -	\$ -	\$ 295,385
2,112,050	1,844,767	3,166,843	-	-	-	9,794,970
-	-	-	-	1,689,656	-	1,689,656
-	-	-	-	-	771,302	771,302
-	-	-	-	-	-	6,106,400
<u>2,167,940</u>	<u>1,861,817</u>	<u>3,306,708</u>	<u>-</u>	<u>1,689,656</u>	<u>771,302</u>	<u>18,657,713</u>
<u>\$ 2,167,940</u>	<u>\$ 1,861,817</u>	<u>\$ 3,306,708</u>	<u>\$ -</u>	<u>\$ 1,689,656</u>	<u>\$ 771,302</u>	<u>\$ 18,657,713</u>

COUNTY OF GAINES
RECONCILIATION OF THE GOVERNMENTAL
FUNDS BALANCE SHEET - MODIFIED CASH BASIS
SEPTEMBER 30, 2011

Reconciliation of Governmental Fund Balances to Net Assets of Governmental Activities:

Governmental Fund Balances	\$ 18,657,713
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>19,240,377</u>
Net Assets of Governmental Activities	<u>\$ 37,898,090</u>

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF GAINES
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Road & Bridge Fund	Precinct #1
<u>REVENUES</u>			
Property taxes	\$ 13,379,429	\$ -	\$ -
Intergovernmental revenue and grants	-	-	-
Charges for services	575,716	417,361	-
Fines	201,296	147,573	-
Investment income	21,607	-	-
Contributions & donations from private sources	-	-	-
Miscellaneous revenue	64,447	-	-
Total Revenues	<u>14,242,495</u>	<u>564,934</u>	<u>-</u>
<u>EXPENDITURES</u>			
General administration	849,387	-	-
Judicial	1,633,137	-	-
Elections	22,070	-	-
Financial administration	500,124	-	-
Tax administration	518,045	-	-
Facilities management	1,263,921	-	-
Public safety:			
Law enforcement	1,541,294	-	-
Fire protection	138,520	-	-
Corrections	1,566,968	-	-
Civil defense	72,246	-	-
Road and bridge	64,602	50,585	1,193,660
Sanitation	22,519	-	-
Airport	-	-	-
Health	542,570	-	-
Human services	62,365	-	-
Culture and recreation:			
Golf course	-	-	-
Parks	239,270	-	-
Museums	119,244	-	-
County extension	148,057	-	-
Libraries	357,038	-	-
Senior citizens	222,052	-	-
Capital Outlay	253,522	-	218,134
Total Expenditures	<u>10,136,951</u>	<u>50,585</u>	<u>1,411,794</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale of real and personal property	100	-	-
Transfers in(out)	(3,764,319)	(515,418)	1,874,144
Insurance recovery	-	-	-
Total Other Financing Sources (Uses)	<u>(3,764,219)</u>	<u>(515,418)</u>	<u>1,874,144</u>
Net Change in Fund Balance	341,325	(1,069)	462,350
Fund Balances - Beginning	<u>5,765,075</u>	<u>65,632</u>	<u>2,226,977</u>
Fund Balances - Ending	<u>\$ 6,106,400</u>	<u>\$ 64,563</u>	<u>\$ 2,689,327</u>

The accompanying notes to financial statements are an integral part of this statement.

Precinct #2	Precinct #3	Precinct #4	Farm to Market Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 6,514,568	\$ -	\$ -	\$ 19,893,997
-	-	-	36,570	-	84,296	120,866
-	-	-	-	-	292,940	1,286,017
-	-	-	-	-	9,304	358,173
-	-	-	10,841	-	44	32,492
-	-	-	-	-	21,691	21,691
-	-	-	-	-	-	64,447
-	-	-	6,561,979	-	408,275	21,777,683
-	-	-	-	13,707	14,013	877,107
-	-	-	-	-	156,790	1,789,927
-	-	-	-	-	7,403	29,473
-	-	-	-	-	-	500,124
-	-	-	-	-	-	518,045
-	-	-	-	-	127,602	1,391,523
-	-	-	-	-	10,342	1,551,636
-	-	-	-	-	-	138,520
-	-	-	-	-	-	1,566,968
-	-	-	-	-	-	72,246
1,284,080	1,281,051	937,165	-	-	-	4,811,143
-	-	-	-	-	-	22,519
-	-	-	-	-	66,021	66,021
-	-	-	-	-	96,435	639,005
-	-	-	-	-	-	62,365
-	-	-	-	-	564,194	564,194
-	-	-	-	-	2,293	241,563
-	-	-	-	-	-	119,244
-	-	-	-	-	175	148,232
-	-	-	-	-	6,498	363,536
-	-	-	-	-	-	222,052
72,847	159,915	27,101	-	5,856,095	39,932	6,627,546
1,356,927	1,440,966	964,266	-	5,869,802	1,091,698	22,322,989
-	-	-	-	17,295	-	17,395
1,786,207	1,682,134	1,734,911	(6,561,979)	2,980,057	784,263	-
-	-	-	-	-	227,901	227,901
1,786,207	1,682,134	1,734,911	(6,561,979)	2,997,352	1,012,164	245,296
429,280	241,168	770,645	-	(2,872,450)	328,741	(300,010)
1,738,660	1,620,649	2,536,063	-	4,562,106	442,561	18,957,723
\$ 2,167,940	\$ 1,861,817	\$ 3,306,708	\$ -	\$ 1,689,656	\$ 771,302	\$ 18,657,713

COUNTY OF GAINES
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
SEPTEMBER 30, 2011

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities:**

Net changes in Governmental Fund Balances	\$ (300,010)
Adjustment for adding inventory to Governmental Fund Balances in the current year	(246,815)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	6,627,546
Depreciation expense	(1,472,766)
Loss for equipment casualty is not reported in governmental funds	<u>(10,879)</u>
Change in Net Assets of Governmental Activities	<u>\$ 4,597,076</u>

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF GAINES
STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS -
FIDUCIARY FUNDS
SEPTEMBER 30, 2011

	Private Purpose Trust Fund	Agency Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$ 16,560	\$ 746,597
Total Assets	<u>\$ 16,560</u>	<u>\$ 746,597</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Intergovernmental payable	\$ -	\$ 242,182
Due to others	<u>-</u>	<u>504,415</u>
Total Liabilities	<u>-</u>	<u>746,597</u>
<u>NET ASSETS</u>		
Restricted for cemetery use	<u>16,560</u>	<u>-</u>
Total Net Assets	<u>\$ 16,560</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement.

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note I.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. REPORTING ENTITY

Gaines County, Texas (the "County"), was created in 1905 by the Texas Legislature. The County operates under the authority of the Commissioners' Court and provides the following services: Law Enforcement, Judicial, Health, Safety, Welfare, Culture, Road & Bridge Maintenance and General Administrative Services. The Commissioners' Court (the "Court") consists of four County Commissioners and the County Judge who are elected by the public. The Court has the primary accountability for fiscal matters.

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. They report information in all of Gaines County, Texas with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, intergovernmental revenues, and other non-exchange revenues.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

The General Fund-The General Fund is the County's primary operating fund and is always classified as a major fund. It accounts for all financial resources except those required to be accounted for in another fund. This fund is operated and maintained separately by the Commissioners' Court decision. There are not any outside requirements for the self-imposed separation, and the funds can be used for general County operations.

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

Governmental Funds (Continued)

Other Major Governmental Funds-The Road & Bridge Fund is designated to receive the road and bridge taxes. A portion of these monies is expended in the fund, but the bulk (99%) is transferred to the four precinct funds. All of the precincts' funds have been presented as major funds to obtain a more meaningful presentation. The Farm to Market Fund and Capital Projects Fund are also major special revenue funds.

Special Revenue Funds-The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in special revenue funds. Most Federal and some State financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor. Most of the County's special revenue funds are not from grants but simply have restrictions on their use.

Fiduciary Funds

Private Purpose Trust Funds-The County accounts for funds that both the principal and the income must be used for purposes that benefit parties other than the County. The Private Purpose Trust Fund is the Memorial Cemetery Fund and is restricted to cemetery use.

Agency Funds-The County accounts for resources held for others in a custodial capacity in agency funds. The County's agency funds are the County Attorney's funds, Sheriff's funds, Justice of the Peace's funds, County Clerk's funds, Tax Assessor Collector's funds, District Clerk's funds, Golf Course fund, State Fee fund, Appellate Judicial fund, County Wide Equalization fund, Employee Flexible Spending fund, Employee Insurance fund and the Probation funds.

Proprietary Funds

The County has no proprietary funds at this time.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

MEASUREMENT FOCUS (CONTINUED)

- b. Proprietary funds utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets. The County currently has no proprietary funds.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts or investments if they are in bank money market accounts, certificates of deposits maturing within 90 days and money market investment pools.

DUE FROM (TO) OTHER FUNDS

Interfund receivables and payables arise from interfund transactions and are recorded in the affected funds in the period in which transactions are executed. See Note I, F and Note III, C for additional discussion of interfund receivables, payables and transfers.

CONSUMABLE MATERIAL AND SUPPLIES/INVENTORY

Inventories consist of consumable materials and supplies held for future consumption. Inventory is accounted for under the purchases method. The cost is recorded as an expenditure at the time inventory is purchased. Quantities on hand at year-end are recorded at cost on a first-in, first-out basis with an offsetting nonspendable fund balance.

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

CAPITAL ASSETS

The County's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over infrastructure, land, buildings, furniture and equipment, depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation on all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided on the assets' estimated useful lives using the straight-line method of depreciation. 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 two years. The range of estimated useful lives by type of asset is as follows:

<u>Assets</u>	<u>Years</u>
Roads	40
Buildings	40-50
Building Improvements	15-25
Vehicles	5-10
Other Equipment	5-10

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

EQUITY CLASSIFICATION

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulation of other governments; or (2) law through constitutional provisions or enabling legislation. The County has no restricted net assets.
- c. Unrestricted net assets—All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)

EQUITY CLASSIFICATION (CONTINUED)

Fund Financial Statements

The Commissioner's Court meets regularly to manage and review cash financial activities and to insure compliance with established policies. It is the County's policy to keep adequate fund balance to provide a stable financial foundation. The target level for the County's unassigned General Fund balance is set at 120 days of the budgeted General Fund expenditures, considering the annual budget, as amended, for any given fiscal year. Any shortfalls or excess fund balance shall be considered and remedied as set forth in the policy by the Commissioner's Court.

In accordance with GASB Statement No. 54, fund balances are required to be reported according to the following classifications:

- a. Nonspendable fund balance—Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reason, must be kept intact. This classification includes inventories.
- b. Restricted fund balance—Constraints placed on the use of these resources are either externally imposed by creditors, grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).
- c. Committed fund balance—Amounts designated only by formal action of Commissioners Court.
- d. Assigned fund balance—Amounts that are constrained by the County's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be determined by the County Judge, with assistance of the County Auditor and County Attorney, as needed. The Governmental Funds Balance Sheet provides details of the amounts that have been assigned for specific purposes.
- e. Unassigned fund balance—This is the residual classification for the general fund. The general fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

E. REVENUES, EXPENDITURES, AND EXPENSES

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the County's taxpayers are reported as program revenues. The Statement of Activities demonstrates how other people or entities that participate in programs the County operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use or directly benefit from goods or services provided by a given function or segment of the County such as vehicle registrations. The "grants and contributions" column includes amounts paid by organizations outside the County to help meet the operational or capital requirements of a given function.

If a revenue is not program revenue, it is general revenue used to support all of the County's functions. Taxes are always general revenues.

The Fund financial statements provide reports on the financial condition and results of operations for three fund categories—governmental, proprietary and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column. Grants and similar items are recognized as revenue when collected and all eligibility requirements imposed by the provider have been met.

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

FUND FINANCIAL STATEMENTS

Interfund activity, if any, within and among the governmental category is reported as follows in the fund financial statements:

1. Interfund loans—Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services—Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements—Repayments from funds responsible for certain expenditures/adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers—Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances—Amounts reported in the fund financial statement as interfund receivables and payables are eliminated in the governmental columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities—Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount between governmental and business-type activities, which are reported as Transfers—Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the County requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY COMPLIANCE

The Commissioners' Court adopts an "appropriated budget" for the General Fund and all other funds. The adopted and final amended budgeted revenues and expenditures for the General Fund are presented in the Required Supplementary Information.

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. BUDGETARY COMPLIANCE(CONTINUED)

The following procedures are used in establishing the budgetary data reflected in the general purpose financial statements:

- a. In July, the County Judge, with the assistance of the County Auditor, prepares a budget for the succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The budget is filed with the County Clerk and is open to public inspection. The Commissioners' Court is required to hold at least one public hearing on the budget no less than 15 days subsequent to the filing by the County Judge.
- c. Prior to October 1, the budget is legally enacted through passage of a resolution by the Commissioners' Court. Once a budget is approved, it can only be amended at the department and fund level by approval of a majority of the members of the Commissioners' Court. The law requires that such amendments are made before the fact, are reflected in the official minutes of the Commissioners' Court and are not made after fiscal year end. The County had several routine budget amendments during the year, the largest was to move General Fund reserves into a Capital Projects Fund for future courthouse repair projects. The remaining amendments were mainly to purchase capital items, pay for increased prisoner medical expenses, fund several landscaping projects at the golf course, purchase election equipment, absorb higher fuel costs, insurance increases and road materials.
- d. Each budget is controlled at the revenue and expenditure function level in accordance with Texas statutory guidance. The County Auditor audits and approves legal expenditures. The Commissioners' Court audits and settles claims against the County but can spend money only in accordance with the adopted budget. The Treasurer disburses money after ordered by the Court if the expenditure is in accordance with Texas statutes. All budget appropriations lapse at year end.

C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had expenditures in excess of revenues with the resulting reduction of fund balance:

Road and Bridge Fund	\$ 1,069
Addressing Fund	2,925
Judicial Supplement Fund	26,335
(RAF) Record Archive-County Clerk Fund	43,793
Wal-Mart Grant Fund	485
Unclaimed Property Fund	1,137
Seagraves Playground Fund	2,293
Sheriff Commissary Fund	94
Capital Projects Fund	2,872,450
Leose Sheriff Fund	486

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS (CONTINUED)

The following funds had planned deficit spending as reflected by budgeted expenditures in excess of expected revenue:

Sheriff Forfeiture Fund	\$ 4,245
Crime Victims Fund	6
(RPF) County Clerk Fund	4,417
Courthouse Security Fund	18,565
Addressing Fund	2,952
(RAF) Record Archive-County Clerk Fund	70,433
Wal-Mart Grant Fund	478
Appellate Judicial Fund	185
Election Fund	3,170
Seagraves Playground Fund	2,289
Sheriff Commissary Fund	106
Capital Projects Fund	2,893,038

III. NOTES ON FUNDS AND ACCOUNTS

A. DEPOSITS AND INVESTMENTS

County Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits (cash and savings accounts)-The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository banks place 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 banks' dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The County's depository during the year was Commercial State Bank. The District's largest balance of \$10,667,036 occurred in February 2011 at which time there was \$2,176,351 uninsured or uncollateralized.

At September 30, 2011, the carrying amount of the County's deposits (cash, certificates of deposits and interest-bearing savings accounts) was \$9,154,257, and the bank balance was \$10,411,118. The County's cash deposits as of September 30, 2011 were fully covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

III. NOTES ON FUNDS AND ACCOUNTS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

A Summary of the County's cash and cash equivalents and investments at September 30, 2011 is shown below:

	Checking and Savings Accounts	Certificate of Deposit	Investment Pools	Total
General	\$ 8,382,464	\$ -	\$ 159,698	\$ 8,542,162
Road & Bridge	-	-	64,563	64,563
Precinct #1	-	-	2,606,747	2,606,747
Precinct #2	-	-	2,112,050	2,112,050
Precinct #3	-	-	1,844,767	1,844,767
Precinct #4	-	-	3,166,843	3,166,843
Capital Projects	-	-	-	-
Other Governmental Funds	25,196	-	-	25,196
Total Governmental Funds	\$ 8,407,660	\$ -	\$ 9,954,668	\$ 18,362,328
Fiduciary Fund	-	16,560	-	16,560
Agency Funds	746,597	-	-	746,597
Total	\$ 9,154,257	\$ 16,560	\$ 9,954,668	\$ 19,125,485

Legal and Contractual Provisions Governing Investments

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

The County's investments at September 30, 2011, are shown below:

Investment Type	Fair Value	Yield	Days until Maturity
Certificate of Deposit-			
Commercial State Bank	\$ 16,560	0.60%	48
Tex Pool Investment Pool	4,977,334	0.09%	On demand
Tex Star Investment Pool	4,977,334	0.09%	On demand
Total	\$ 9,971,228		

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

III. NOTES ON FUNDS AND ACCOUNTS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

The County's investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless there is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is a pool which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Policies Governing Deposits and Investments

Interest Rate Risk-Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The County invests in certificates of deposit and securities with short-term maturity dates to limit the interest rate risk.

Custodial Credit Risk for Deposits (cash, savings account and certificates of deposit)-This is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements is that all deposits must be insured by FDIC or secured by another manner provided by law.

Custodial Credit Risk for Investments-To limit the risk that an issuer or other counter-party to an investment will not fulfill its obligations, the County limits investments to certificates of deposit and public funds investment pools.

Public funds investment pools in Texas are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the Act). In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; (3) maintain market value of it's underlying investment portfolio within one half of one percent of the value of its shares.

The public fund investment pool invests only in securities issued or backed by the U.S. Government or its agencies. An investment in these securities is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the issuer seeks to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in the security. At September 30, 2011, the County had approximately \$4,977,334 uninsured with Tex Pool Investment Pool and \$4,977,334 uninsured with Tex Star Investment Pool.

B. PROPERTY TAXES

In accordance with State Law, The Gaines County Appraisal District makes all appraisals for tax purposes. Assessed values are based upon 100 percent of market value and reviewed every three years. Taxpayers have the right to challenge the assessed value.

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are not considered available in the funds until the County collects them.

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

III. NOTES ON FUNDS AND ACCOUNTS (CONTINUED)

B. PROPERTY TAXES(CONTINUED)

The tax rate for the fiscal year ended September 30, 2011, (2010 tax levy) was \$.247 per \$100 assessed value for County General Fund operations and \$.120 for Farm-Market Lateral Road maintenance and operations for a total rate of \$.367. The County is subject to tax rate rollback if the total amount of the property taxes imposed in any year, as defined by statute, exceeds the total amount of property taxes imposed in the preceded year by 8 percent.

C. INTERFUND BALANCES AND TRANSFERS

The interfund transfers reflected on the Statements of Revenues and Expenditures were for routine purposes except for a specific transfer of \$3,000,000 from the General Fund to the Capital Projects Fund. Transfers from the Road and Bridge and the Farm to Market funds were to the corresponding precinct funds for precinct operations. Transfers from the General Fund were for operations of the Special Revenue Fund for indigent health care, airport operations, cemetery maintenance, golf course operations, elections expenses, fire protection and law publications.

D. CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended September 30, 2011, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Land	\$ 116,298	\$ -	\$ -	\$ 116,298
Infrastructure	13,988,864	-	-	13,988,864
Buildings and Improvements	10,860,655	112,254	-	10,972,909
Furniture and Equipment	13,817,076	659,200	(340,725)	14,135,551
Construction in Progress	-	5,856,095	-	5,856,095
Totals at Historic Cost	<u>\$ 38,782,893</u>	<u>\$ 6,627,549</u>	<u>\$ (340,725)</u>	<u>\$ 45,069,717</u>
Less Accumulated Depreciation for:				
Infrastructure	\$ (6,268,385)	\$ (349,722)	\$ -	\$ (6,618,107)
Buildings and Improvements	(9,022,126)	(141,096)	-	(9,163,222)
Furniture and Equipment	(9,395,906)	(981,948)	329,843	(10,048,011)
Total Accumulated Depreciation	<u>\$ (24,686,417)</u>	<u>\$ (1,472,766)</u>	<u>\$ 329,843</u>	<u>\$ (25,829,340)</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,096,476</u>	<u>\$ 5,154,783</u>	<u>\$ (10,882)</u>	<u>\$ 19,240,377</u>

The Construction in Progress is related to the courthouse remodeling project Phase II, which will be completed in the following year. See note IV, J for more information regarding construction commitments subsequent to September 30, 2011.

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

III. NOTES ON FUNDS AND ACCOUNTS (CONTINUED)

E. CAPITAL ASSET ACTIVITY (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 55,865
Justice System	2,669
Elections	7,544
Facilities Management	34,275
Law Enforcement	102,859
Corrections	22,375
Civil Defense	6,124
Roads and Bridges	1,065,312
Airport	8,166
Golf Course	52,240
Parks and Recreation	82,168
County Extension Service	22,211
Libraries	4,200
Senior Citizens	6,758
Total Depreciation Expense	<u>\$ 1,472,766</u>

F. COMMITMENTS UNDER OPERATING LEASES

Commitments under operating (noncapitalized) lease agreements for several copiers, a postage machine and indigent software provide for minimum future rental payments as of September 30, 2011, as follows:

2012	\$ 60,528
2013	45,933
2014	32,300
2015	12,408
2016	9,720
Thereafter	8,100
Total Minimum Rentals	<u>\$ 168,989</u>

IV. OTHER NOTES

A. HEALTH CARE COVERAGE

During the current fiscal year, the employees of Gaines County were covered by a health insurance plan. The coverage is purchased through Blue Cross Blue Shield. The County's cost per employee per month was \$561. The employees, at their option, authorized payroll withholdings to pay contributions for dependents.

B. CAFETERIA PLAN

The County entered into a Pre-Tax Premium Plan that qualifies as a "cafeteria plan." The insurance premiums that qualify for the plan are medical, life and accidental death and dismemberment. The individuals who are eligible to participate are all employees who are covered or who are eligible to be covered under the County's group health plan.

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

IV. OTHER NOTES (CONTINUED)

C. EMPLOYEE RETIREMENT BENEFITS

The County provides two separate retirement benefit plans. One plan is the defined benefit plan that is provided through the Texas County and District Retirement System. The County also offers a deferred compensation plan to its employees.

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PLAN

Plan Description. Gaines County, Texas provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 559 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, P.O. Box 2034, Austin, Texas 78768-0234.

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 80 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits 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 deposits 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 deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy. The employer has elected the annually determined contribution rate (variable-rate) 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. It was 10.5% for the year ending September 30, 2011. The deposit rate payable by the employee members is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost. The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2010 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increase of 5.4 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2010 was 20 years.

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

IV. OTHER NOTES (CONTINUED)

D. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

For fiscal year 2011, the County's annual pension cost of \$689,936 was equal to the County's required and actual contributions. The three-year trend information is as follows:

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2009	649,394	100%	-
September 30, 2010	662,587	100%	-
September 30, 2011	689,936	100%	-

Funded Status and Funding progress. As of December 31, 2010, the most recent actuarial valuation date, the plan was 79.82% funded. The actuarial accrued liability for benefits was \$17,406,311, and the actuarial value of assets was \$13,893,573, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,512,738. The covered payroll (annual payroll of active employees covered by the plan) was \$6,275,541, and the ratio of the UAAL to the covered payroll was 55.98%. The schedule of pension funding progress is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA) (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c)</u>
12/31/08	11,677,355	14,949,873	3,272,518	78.11%	5,400,602	60.60%
12/31/09	12,973,363	16,178,647	3,205,284	80.19%	6,052,095	52.96%
12/31/10	13,893,573	17,406,311	3,512,738	79.82%	6,275,541	55.98%

DEFERRED COMPENSATION PLAN

The County offers a deferred compensation plan for employees who elect to participate. In a plan set up under Section 457 of the Internal Revenue Code, Participants may defer up to \$16,500 per year. Withdrawals are permitted because of death, emergency as defined by the Internal Revenue Service, termination of employment or retirement. The County does not contribute to the plan, and all assets in the plan belong to the employees.

E. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts, thefts, damage or destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2011, the County purchased commercial insurance to cover these risks. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

F. JOINT VENTURE ARRANGEMENTS

The County is involved in joint ventures with the City of Seminole, Northeast Gaines County Emergency Service District and South Plains Public Health District. These shared costs are for fire protection, landfill operations, emergency medical service, and public health services. Many of these agreements result in the County paying approximately half of the budget, but significant accumulations of financial resources or deficits are not generated from these joint ventures.

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

IV. OTHER NOTES (CONTINUED)

G. CONTINGENCY

In 2007, the County suffered significant damage due to hail storms. The County has received proceeds of \$227,901 in the current year for roof repair and Mausoleum repairs. The County expects to receive additional proceeds in the amount of \$147,000 to repair the remaining damage in the coming year.

H. SUBSEQUENT EVENTS

In May 2009, the Financial Accounting Standards Board issued new guidance on subsequent events, included in ASC 855, *Subsequent Events*. This guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Management has evaluated subsequent events through December 15, 2011, the date the financial statements were issued.

I. LITIGATION

The County is currently involved in one lawsuit concerning wrongful death claims by the family of an inmate at the Gaines County Jail. Legal counsel believes there is a reasonable likelihood that the County will be found to be not liable. If the County should lose the lawsuit, legal counsel estimates the range of damages could range anywhere between \$40,000 and \$125,000. Management believes these damages would be covered under the County's current insurance and would have no material effect on the County's financial statements.

J. CONSTRUCTION COMMITMENT

At year end, the building construction project with Noresco in the Construction fund was not completed. The project was approximately 78% complete, with the remaining contract balance totaling \$1,676,096. The project is expected to be completed by December 2011.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF GAINES
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
RECEIPTS:				
Taxes-property	\$ 12,991,596	\$ 12,991,596	\$ 13,379,429	\$ 387,833
Charges for services	391,855	391,855	575,716	183,861
Fines	178,480	178,480	201,296	22,816
Investment income	130,000	130,000	21,607	(108,393)
Miscellaneous	44,820	44,820	64,447	19,627
Total receipts	13,736,751	13,736,751	14,242,495	505,744
DISBURSEMENTS:				
Current:				
General government-administrative	1,571,483	1,252,624	849,387	403,237
Judicial	1,628,992	1,639,764	1,633,137	6,627
Elections	50,450	50,450	22,070	28,380
Financial administration	527,543	529,295	500,124	29,171
Tax administration	538,835	538,835	518,045	20,790
Facilities management	1,328,897	1,399,596	1,263,921	135,675
Public safety:				
Law enforcement	1,578,432	1,628,198	1,541,294	86,904
Fire protection	138,520	138,520	138,520	-
Corrections	1,708,943	1,740,943	1,566,968	173,975
Civil defense	81,977	82,410	72,246	10,164
Road and bridge	87,792	69,881	64,602	5,279
Sanitation	22,519	22,519	22,519	-
Health	544,715	545,842	542,570	3,272
Human services	63,733	63,613	62,365	1,248
Culture and recreation:				
Parks	313,031	313,282	239,270	74,012
Museums	125,376	128,055	119,244	8,811
County extension	230,930	233,512	148,057	85,455
Libraries	384,846	386,016	357,038	28,978
Senior citizens	223,615	244,572	222,052	22,520
Capital Outlay	1,615,000	336,540	253,522	83,018
Total disbursements	12,765,629	11,344,467	10,136,951	1,207,516
Excess (deficiency) of receipts over (under) disbursements	971,122	2,392,284	4,105,544	1,713,260
OTHER FINANCING SOURCES (USES):				
Sale of real and personal property	5	5	100	95
Transfers out (use)	(971,127)	(4,040,252)	(3,764,319)	275,933
Total other financing sources (uses)	(971,122)	(4,040,247)	(3,764,219)	276,028
Net change in fund balance	-	(1,647,963)	341,325	1,989,288
Fund balance, beginning of year	5,765,075	5,765,075	5,765,075	-
Fund balance, end of year	\$ 5,765,075	\$ 4,117,112	\$ 6,106,400	\$ 1,989,288

COUNTY OF GAINES
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
ROAD & BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
RECEIPTS:				
Charges for services	\$ 407,741	\$ 407,741	\$ 417,361	\$ 9,620
Fines	84,216	84,216	147,573	63,357
Investment income	5	5	-	(5)
<i>Total receipts</i>	<u>491,962</u>	<u>491,962</u>	<u>564,934</u>	<u>72,972</u>
DISBURSEMENTS:				
Current:				
Road and bridge	65,632	65,632	50,585	15,047
<i>Total disbursements</i>	<u>65,632</u>	<u>65,632</u>	<u>50,585</u>	<u>15,047</u>
Excess (deficiency) of receipts over (under) disbursements	<u>426,330</u>	<u>426,330</u>	<u>514,349</u>	<u>88,019</u>
OTHER FINANCING SOURCES (USES):				
Transfers out (use)	(426,330)	(488,038)	(515,418)	(27,380)
<i>Total other financing sources (uses)</i>	<u>(426,330)</u>	<u>(488,038)</u>	<u>(515,418)</u>	<u>(27,380)</u>
Net change in fund balance	-	(61,708)	(1,069)	60,639
<i>Fund balance, beginning of year</i>	<u>65,632</u>	<u>65,632</u>	<u>65,632</u>	<u>-</u>
<i>Fund balance, end of year</i>	<u>\$ 65,632</u>	<u>\$ 3,924</u>	<u>\$ 64,563</u>	<u>\$ 60,639</u>

COUNTY OF GAINES
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
PRECINCT #1
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
DISBURSEMENTS:				
Current:				
Road and bridge	\$ 1,813,083	\$ 1,786,499	\$ 1,411,794	\$ 374,705
<i>Total disbursements</i>	<u>1,813,083</u>	<u>1,786,499</u>	<u>1,411,794</u>	<u>374,705</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,813,083)</u>	<u>(1,786,499)</u>	<u>(1,411,794)</u>	<u>374,705</u>
OTHER FINANCING SOURCES (USES):				
Sale of real and personal property	5	5	-	(5)
Transfers out (use)	<u>1,813,078</u>	<u>1,786,494</u>	<u>1,874,144</u>	<u>87,650</u>
<i>Total other financing sources (uses)</i>	<u>1,813,083</u>	<u>1,786,499</u>	<u>1,874,144</u>	<u>87,645</u>
Net change in fund balance	-	-	462,350	462,350
<i>Fund balance, beginning of year</i>	<u>2,226,977</u>	<u>2,226,977</u>	<u>2,226,977</u>	<u>-</u>
<i>Fund balance, end of year</i>	<u>\$ 2,226,977</u>	<u>\$ 2,226,977</u>	<u>\$ 2,689,327</u>	<u>\$ 462,350</u>

COUNTY OF GAINES
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
PRECINCT #2
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
DISBURSEMENTS:				
Current:				
Road and bridge	\$ 1,728,011	\$ 1,702,674	\$ 1,356,927	\$ 345,747
Total disbursements	1,728,011	1,702,674	1,356,927	345,747
Excess (deficiency) of receipts over (under) disbursements	(1,728,011)	(1,702,674)	(1,356,927)	345,747
OTHER FINANCING SOURCES (USES):				
Sale of real and personal property	5	5	-	(5)
Transfers out (use)	1,728,006	1,702,669	1,786,207	83,538
Total other financing sources (uses)	1,728,011	1,702,674	1,786,207	83,533
Net change in fund balance	-	-	429,280	429,280
Fund balance, beginning of year	1,738,660	1,738,660	1,738,660	-
Fund balance, end of year	\$ 1,738,660	\$ 1,738,660	\$ 2,167,940	\$ 429,280

COUNTY OF GAINES
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
PRECINCT #3
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
DISBURSEMENTS:				
Current:				
Road and bridge	\$ 1,627,330	\$ 1,603,463	\$ 1,440,966	\$ 162,497
<i>Total disbursements</i>	<u>1,627,330</u>	<u>1,603,463</u>	<u>1,440,966</u>	<u>162,497</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,627,330)</u>	<u>(1,603,463)</u>	<u>(1,440,966)</u>	<u>162,497</u>
OTHER FINANCING SOURCES (USES):				
Sale of real and personal property	5	5	-	(5)
Transfers out (use)	1,627,325	1,603,458	1,682,134	78,676
<i>Total other financing sources (uses)</i>	<u>1,627,330</u>	<u>1,603,463</u>	<u>1,682,134</u>	<u>78,671</u>
Net change in fund balance	-	-	241,168	241,168
<i>Fund balance, beginning of year</i>	<u>1,620,649</u>	<u>1,620,649</u>	<u>1,620,649</u>	<u>-</u>
<i>Fund balance, end of year</i>	<u>\$ 1,620,649</u>	<u>\$ 1,620,649</u>	<u>\$ 1,861,817</u>	<u>\$ 241,168</u>

COUNTY OF GAINES
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
PRECINCT #4
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
DISBURSEMENTS:				
Current:				
Road and bridge	\$ 1,678,386	\$ 1,653,777	\$ 964,266	\$ 689,511
<i>Total disbursements</i>	<u>1,678,386</u>	<u>1,653,777</u>	<u>964,266</u>	<u>689,511</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,678,386)</u>	<u>(1,653,777)</u>	<u>(964,266)</u>	<u>689,511</u>
OTHER FINANCING SOURCES (USES):				
Sale of real and personal property	5	5	-	(5)
Transfers out (use)	<u>1,678,381</u>	<u>1,653,772</u>	<u>1,734,911</u>	<u>81,139</u>
<i>Total other financing sources (uses)</i>	<u>1,678,386</u>	<u>1,653,777</u>	<u>1,734,911</u>	<u>81,134</u>
Net change in fund balance	-	-	770,645	770,645
<i>Fund balance, beginning of year</i>	<u>2,536,063</u>	<u>2,536,063</u>	<u>2,536,063</u>	<u>-</u>
<i>Fund balance, end of year</i>	<u>\$ 2,536,063</u>	<u>\$ 2,536,063</u>	<u>\$ 3,306,708</u>	<u>\$ 770,645</u>

COUNTY OF GAINES
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
FARM TO MARKET FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
RECEIPTS:				
Taxes:				
Property Taxes	\$ 6,361,677	\$ 6,261,280	\$ 6,514,568	\$ 253,288
Investment income	22,000	22,000	10,841	(11,159)
Other revenue	36,784	36,784	36,570	(214)
<i>Total receipts</i>	<u>6,420,461</u>	<u>6,320,064</u>	<u>6,561,979</u>	<u>241,915</u>
OTHER FINANCING SOURCES (USES):				
Transfers out (use)	<u>(6,420,461)</u>	<u>(6,320,064)</u>	<u>(6,561,979)</u>	<u>241,915</u>
<i>Total other financing sources (uses)</i>	<u>(6,420,461)</u>	<u>(6,320,064)</u>	<u>(6,561,979)</u>	<u>241,915</u>
Net change in fund balance	-	-	-	-
<i>Fund balance, beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF GAINES
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
DISBURSEMENTS:				
Current:				
General government	\$ 25	\$ 17,030	\$ 13,707	\$ 3,323
Capital outlay	5	5,876,038	5,856,095	19,943
<i>Total disbursements</i>	<u>30</u>	<u>5,893,068</u>	<u>5,869,802</u>	<u>23,266</u>
Excess (deficiency) of receipts over (under) disbursements	<u>30</u>	<u>5,893,068</u>	<u>5,869,802</u>	<u>23,266</u>
OTHER FINANCING SOURCES (USES):				
Sale of real and personal property	15	15	17,295	17,280
Transfers out (use)	15	3,000,015	2,980,057	(19,958)
<i>Total other financing sources (uses)</i>	<u>30</u>	<u>3,000,030</u>	<u>2,997,352</u>	<u>(2,678)</u>
Net change in fund balance	-	(2,893,038)	(2,872,450)	20,588
Fund balance, beginning of year	<u>4,562,106</u>	<u>4,562,106</u>	<u>4,562,106</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,562,106</u>	<u>\$ 1,669,068</u>	<u>\$ 1,689,656</u>	<u>\$ 20,588</u>