

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

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

COUNTY OF GAINES

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INDEPENDENT AUDITORS' REPORT

December 10, 2012

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, 2012, 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, 2012, 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 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.

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 10, 2012

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

Honorable Commissioners Court:

Lance Celandor 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, 2012 together with the results of the operations for the fiscal year of 2012.

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, 2012. 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 \$42,121,081 an increase of 4.2 million dollars from the prior year. Of this amount, \$21,213,893 was unrestricted net assets.
- The County's net assets increased approximately 10% as a result of this year's operation.
- The County has no capital long term debt, but does have various operating leases for computer equipment and copiers. Everything else is on a cash basis.
- During the year, the County had expenses of \$18,698,117 which were \$4,222,991 less than the \$22,921,108 generated in Program and General Revenues. This compares to last year when revenues exceeded expenses by \$4,597,076.
- The General Fund ended the year with a fund balance of \$7,315,954 as compared to last year's fund balance of \$6,106,400.

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 and business-type activities.

Net assets of the County's governmental activities increased from \$37,898,090 to \$42,121,081. 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 \$21,213,893 at September 30, 2012.

Table I
County of Gaines, Texas
NET ASSETS

	Governmental Activities 2012	Governmental Activities 2011
Assets:		
Current and Other Assets	21,213,893	18,657,713
Capital Assets	20,907,188	19,240,377
Total Assets	42,121,081	37,898,090
Liabilities:		
Accounts Payable	-	-
Noncurrent Liabilities		
Due in More Than One Year	-	-
Total Liabilities	-	-
Net Assets:		
Invested in Capital Assets, Net of Related Debt	20,907,188	19,240,377
Prior period adjustment	-	-
Unrestricted Net Assets	21,213,893	18,657,713
Total Net Assets	42,121,081	37,898,090

Table II
County of Gaines, Texas
CHANGES IN NET ASSETS

	Governmental Activities 2012	Governmental Activities 2011
Revenues:		
Program Revenues:		
Charges for Services	1,821,513	1,708,652
Operating Grants and Contributions	177,850	142,542
Total Program Revenues	1,999,363	1,851,194
General Revenues:		
Taxes		
Property taxes, Levied for General Purposes	20,605,736	19,893,997
Investment Earnings	25,718	32,492
Miscellaneous Revenue	201,378	227,901
Gain on Sale of Assets	88,913	6,516
Total General Revenue and Special Items	20,921,745	20,160,906
Total Program & General Revenues	22,921,108	22,012,100

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

	Governmental Activities 2012	Governmental Activities 2011
Expenses:		
General administration	1,656,591	932,972
Judicial	1,610,281	1,792,596
Elections	64,395	37,017
Financial Administration	492,144	500,124
Tax Administration	529,445	518,045
Facilities Management	1,934,267	1,425,798
Law Enforcement	1,649,076	1,654,495
Fire Protection	133,710	138,520
Corrections	1,434,330	1,589,343
Civil Defense	64,036	78,370
Road and Bridge	6,361,516	6,123,270
Sanitation	22,518	22,519
Airport	78,824	74,187
Health	587,623	639,005
Human Services	64,760	62,365
Golf Course	685,433	616,434
Parks	349,558	323,731
Museums	117,254	119,244
County Extension Service	228,064	170,443
Libraries	328,871	367,736
Senior Citizens	251,311	228,810
Total Expenses	18,698,117	17,415,024
Change in Net Assets	4,222,991	4,597,076
Net Assets at Beginning of Year	37,898,090	33,301,014
Net Assets at End of Year	42,121,081	37,898,090

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 322 million dollars from the prior year.
2. The ad valorem property tax revenue levy was up by 3.45% compared to the prior year. Revenues in most other categories increased as well.
3. The county successfully completed the 8.5 million dollar renovation of the courthouse this year. Additionally, the county used a combination of insurance proceeds and cash to re-roof every major county facility this fiscal year at a total cash expenditure of just over \$700,000.
4. The extreme drought highlighted a problem with the county golf course well field wherein it could only produce about 600,000 gallons per day with a need of up to 1 million gallons per day during peak periods. To address this need, the county constructed a water feature that holds approximately 10 million gallons. By using mainly county equipment and personnel this project only cost approximately \$400,000. This new feature allows golf course personnel to water at night to maximize scarce water resources.
5. The county and the city also successfully entered in to a long term agreement for the purchase of the city's effluent water, and the construction of a pipeline to the golf course to add approximately 400,000 gallons of water per day to the available water for the course. These two actions should ensure the long-term viability of both the golf course and the county park.

The cost of all governmental activities this year was \$18,698,117 which was a 6.86% 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 \$16,698,754 because some of the costs were paid with charges for services of \$1,821,513 a 6.2% increase from the year before and operating grants and contributions of \$177,850 a \$35,308 increase.

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 \$21,213,893 which is \$2,556,180 more than last year's total of \$18,657,713. Included in this year's total change in fund balance is an increase of \$335,781.00 in the County's Capital Project Fund.

For fiscal year 2012, actual expenditure and transfers out of the General Fund were \$13,667,755 compared to the original budget expenditures of \$14,078,577. Actual revenue on a budgetary basis was \$14,877,309 compared to the original budget of \$14,165,130. Reasons for the actual numbers varying from the budget follow:

- The various categories of revenues were generally up from the prior year budget by 4.82%.
- 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 over 225 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
- Funding the re-roofing of all the major facilities in the county
- 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 2012, the County had \$20,907,188 invested in a broad range of capital assets, including land, buildings and equipment. The County's fiscal year 2012 capital outlay expenditures in all funds totaled \$9,201,463. This includes the following:

- 22.25% of the Phase Two Noresco Courthouse renovation project was paid for this year
- Re-roofing all major county buildings
- Constructing a water retention feature at the golf course to deal with the drought related water issues
- Various pieces of fleet replacement equipment was 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 \$278,724 in commitments under operating leases.

More detailed information about the County's long-term liabilities is presented in Note III, Item E 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 2013 budget and tax rates. Some key items that should be noted are as follows:

1. Mineral and related taxable values increased significantly in 2012. 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 20 % increase in valuations from last year's figures.
2. The Court undertook a dramatic change in the way the expenditure budget was funded in 2008. 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 2010 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 \$0.303621, some 0.048731 cents below the adopted tax rate for FY2012.
4. 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.
5. The Information Technology Department and the Roadside Parks department were eliminated. Additionally, an IT assistant position was moved from the Sheriffs' department to the existing county IT department in a consolidation effort. Further, a new position titled "Elections Administrator" was created for this year. This position when filled will be responsible for consolidating county election activities and relieve the Tax Assessor and County Clerk's offices of this responsibility.
6. Most of the other special revenue funds are projecting no major changes with the exception of the Capital Project fund. This fund will be used to upgrade and modify several existing county buildings this year. Even though there are planned transfers in to the fund there may still be some overall depletion in FY 2013.
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 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

BASIC FINANCIAL STATEMENTS

COUNTY OF GAINES
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
SEPTEMBER 30, 2012

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 20,704,332
Inventory	509,561
Capital assets:	
Land	116,298
Infrastructure, net	7,021,036
Buildings, net	9,511,892
Machinery and equipment, net	<u>4,257,962</u>
Total Assets	<u><u>42,121,081</u></u>
<u>NET ASSETS</u>	
Investments in capital assets, net of related debt	20,907,188
Unrestricted	<u>21,213,893</u>
Net Assets	<u><u>\$ 42,121,081</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, 2012

	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental
Governmental Activities:				
General administration	\$ 1,656,591	\$ 80	\$ 3,862	\$ (1,652,649)
Judicial	1,610,281	711,969	123,822	(774,490)
Elections	64,395	14,629	-	(49,766)
Financial administration	492,144	-	-	(492,144)
Tax administration	529,445	124,524	-	(404,921)
Facilities management	1,934,267	-	-	(1,934,267)
Law enforcement	1,649,076	46,516	-	(1,602,560)
Fire protection	133,710	-	-	(133,710)
Corrections	1,434,330	98,895	-	(1,335,435)
Civil defense	64,036	-	-	(64,036)
Road and bridge	6,361,516	535,290	36,559	(5,789,667)
Sanitation	22,518	-	-	(22,518)
Airport	78,824	9,071	-	(69,753)
Health	587,823	-	-	(587,823)
Human services	64,760	-	-	(64,760)
Golf course	685,433	225,016	13,607	(446,810)
Parks	349,558	33,265	-	(316,293)
Museums	117,254	292	-	(116,962)
County extension	228,064	-	-	(228,064)
Libraries	382,781	21,966	-	(360,815)
Senior citizens	251,311	-	-	(251,311)
Total Primary Government	\$ 18,698,117	\$ 1,821,513	\$ 177,850	\$ (16,698,754)
General Revenues:				
Property taxes				\$ 20,605,736
Interest income				25,718
Miscellaneous income				201,378
Gain on sale of assets				88,913
Total General Revenues				20,921,745
Changes in Net Assets				4,222,991
Net Assets - Beginning				37,898,090
Net Assets - Ending				\$ 42,121,081

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, 2012

	General Fund	Road & Bridge Fund	Precinct #1
<u>ASSETS</u>			
Cash and cash equivalents	\$ 7,315,954	\$ 64,563	\$ 2,854,759
Inventory	<u>-</u>	<u>-</u>	<u>113,418</u>
Total Assets	<u>\$ 7,315,954</u>	<u>\$ 64,563</u>	<u>\$ 2,968,177</u>
Fund Balances:			
Non-Spendable:			
Inventory	\$ -	\$ -	\$ 113,418
Assigned:			
Road and bridge	-	64,563	2,854,759
Capital projects	-	-	-
Special revenue funds	-	-	-
Unassigned:	<u>7,315,954</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>7,315,954</u>	<u>64,563</u>	<u>2,968,177</u>
Total Liabilities and Fund Balances	<u>\$ 7,315,954</u>	<u>\$ 64,563</u>	<u>\$ 2,968,177</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
\$ 2,280,599	\$ 2,208,845	\$ 3,279,756	\$ -	\$ 2,025,437	\$ 674,419	\$ 20,704,332
95,248	114,243	186,652	-	-	-	509,561
<u>\$ 2,375,847</u>	<u>\$ 2,323,088</u>	<u>\$ 3,466,408</u>	<u>\$ -</u>	<u>\$ 2,025,437</u>	<u>\$ 674,419</u>	<u>\$ 21,213,893</u>
\$ 95,248	\$ 114,243	\$ 186,652	\$ -	\$ -	\$ -	\$ 509,561
2,280,599	2,208,845	3,279,756	-	-	-	10,688,522
-	-	-	-	2,025,437	-	2,025,437
-	-	-	-	-	674,419	674,419
-	-	-	-	-	-	7,315,954
<u>2,375,847</u>	<u>2,323,088</u>	<u>3,466,408</u>	<u>-</u>	<u>2,025,437</u>	<u>674,419</u>	<u>21,213,893</u>
<u>\$ 2,375,847</u>	<u>\$ 2,323,088</u>	<u>\$ 3,466,408</u>	<u>\$ -</u>	<u>\$ 2,025,437</u>	<u>\$ 674,419</u>	<u>\$ 21,213,893</u>

COUNTY OF GAINES
RECONCILIATION OF THE GOVERNMENTAL
FUNDS BALANCE SHEET - MODIFIED CASH BASIS
SEPTEMBER 30, 2012

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

Governmental Fund Balances	\$ 21,213,893
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>20,907,188</u>
Net Assets of Governmental Activities	<u><u>\$ 42,121,081</u></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, 2012

	General Fund	Road & Bridge Fund	Precinct #1
<u>REVENUES</u>			
Property taxes	\$ 13,852,393	\$ -	\$ -
Intergovernmental revenue and grants	-	-	-
Charges for services	580,077	383,340	-
Fines	218,285	117,512	-
Investment income	17,266	-	-
Contributions & donations from private sources	-	-	-
Miscellaneous revenue	179,399	-	100
Total Revenues	14,847,420	500,852	100
<u>EXPENDITURES</u>			
General administration	893,308	-	-
Judicial	1,528,536	-	-
Elections	48,407	-	-
Financial administration	492,144	-	-
Tax administration	529,445	-	-
Facilities management	1,262,548	-	-
Public safety:			
Law enforcement	1,524,160	-	-
Fire protection	133,710	-	-
Corrections	1,411,783	-	-
Civil defense	64,036	-	-
Road and bridge	52,723	50,882	1,382,329
Sanitation	22,518	-	-
Airport	-	-	-
Health	552,734	-	-
Human services	64,760	-	-
Culture and recreation:			
Golf course	-	-	-
Parks	267,735	-	-
Museums	116,445	-	-
County extension	200,686	-	-
Libraries	378,581	-	-
Senior citizens	242,163	-	-
Capital outlay	179,285	-	401,789
Total Expenditures	9,965,707	50,882	1,784,118
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale of real and personal property	29,889	-	4,034
Transfers in(out)	(3,702,048)	(449,970)	2,058,834
Insurance recovery	-	-	-
Capital grants	-	-	-
Total Other Financing Sources (Uses)	(3,672,159)	(449,970)	2,062,868
Net Change in Fund Balance	1,209,554	-	278,850
Fund Balances - Beginning	6,106,400	64,563	2,689,327
Fund Balances - Ending	\$ 7,315,954	\$ 64,563	\$ 2,968,177

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
\$ -	\$ -	\$ -	\$ 6,753,343	\$ -	\$ -	\$ 20,605,736
-	-	-	36,559	-	137,429	173,988
-	-	-	-	-	297,875	1,261,292
-	-	-	-	-	10,587	346,384
-	-	-	8,441	-	11	25,718
-	-	-	-	-	3,862	3,862
34,339	-	-	-	-	43,869	257,707
34,339	-	-	6,798,343	-	493,633	22,674,687
-	-	-	-	298,850	3,124	1,195,282
-	-	-	-	-	79,076	1,607,612
-	-	-	-	-	8,444	56,851
-	-	-	-	-	-	492,144
-	-	-	-	-	-	529,445
-	-	-	-	-	637,047	1,899,595
-	-	-	-	-	17,098	1,541,258
-	-	-	-	-	-	133,710
-	-	-	-	-	172	1,411,955
-	-	-	-	-	-	64,036
1,319,084	1,282,540	1,218,670	-	-	-	5,306,228
-	-	-	-	-	-	22,518
-	-	-	-	-	70,658	70,658
-	-	-	-	-	35,089	587,823
-	-	-	-	-	-	64,760
-	-	-	-	-	627,884	627,884
-	-	-	-	-	-	267,735
-	-	-	-	-	809	117,254
-	-	-	-	-	-	200,686
-	-	-	-	-	-	378,581
-	-	-	-	-	-	242,163
157,902	71,050	391,445	-	2,097,340	46,557	3,345,368
1,476,986	1,353,590	1,610,115	-	2,396,190	1,525,958	20,163,546
7,186	29,609	18,956	-	1,628	-	91,302
1,643,368	1,785,252	1,750,859	(6,798,343)	2,632,624	1,079,424	-
-	-	-	-	97,719	59,789	157,508
-	-	-	-	-	(203,771)	(203,771)
1,650,554	1,814,861	1,769,815	(6,798,343)	2,731,971	935,442	45,039
207,907	461,271	159,700	-	335,781	(96,883)	2,556,180
2,167,940	1,861,817	3,306,708	-	1,689,656	771,302	18,657,713
\$ 2,375,847	\$ 2,323,088	\$ 3,466,408	\$ -	\$ 2,025,437	\$ 674,419	\$ 21,213,893

COUNTY OF GAINES
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
SEPTEMBER 30, 2012

**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	\$ 2,556,180
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	3,345,368
Depreciation expense	(1,676,168)
Net book value of assets disposed of	<u>(2,389)</u>
Change in Net Assets of Governmental Activities	<u>\$ 4,222,991</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, 2012

	Private Purpose Trust Fund	Agency Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$ 16,560	\$ 862,732
Total Assets	<u>\$ 16,560</u>	<u>\$ 862,732</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Intergovernmental payable	\$ -	\$ 254,594
Due to others	<u>-</u>	<u>608,138</u>
Total Liabilities	<u>-</u>	<u>862,732</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, 2012

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, 2012

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 on page 21.

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, 2012

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 or 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, 2012

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—Consists of 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, 2012

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 reasons, 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—Includes amounts designated only by formal action of Commissioners Court.
- d. Assigned fund balance—Includes 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, 2012

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, 2012

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. 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 courthouse repair projects. The remaining amendments were mainly to purchase capital items, fund water well drilling and landscaping projects at the golf course, 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:

Sheriff Forfeiture Fund	\$ 14,506
CVC - Crime Victims Comensation Fund	6
Courthouse Security Fund	12,223
Seminole Museum Fund	809
4-H Sheep Facility Fund	172
Disaster Recovery Fund	206,119
Sheriff Commissary Fund	109
Leose Sheriff Fund	312
Library Memorial Fund	352

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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:

General Fund	\$ 1,446,900
Precinct #4	141,297
Sheriff Forfeiture Fund	17,245
CVC - Crime Victims Compensation Fund	6
Airport Fund	800
(RPF) County Clerk Fund	19,974
Courthouse Security Fund	20,792
911 - Addressing Fund	5,985
Court Reporter Service Fund	7,800
(RMF) District Clerk/Record Management Fund	1,250
Unclaimed Property Fund	1,995
Seminole Museum Fund	803
JCBS - Justice Court Building Security Fund	995
Appellate Judicial Fund	265
Disaster Recovery Fund	457,215
Election Fund	19,331
Fire Truck Fund	420,350
Sheriff Commissary Fund	2,995
Capital Projects Fund	242,825

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 \$11,547,445 occurred in February 2012 at which time there was \$51,868 uninsured or uncollateralized.

At September 30, 2012, the carrying amount of the County's deposits (cash, certificates of deposits and interest-bearing savings accounts) was \$9,593,055, and the bank balance was \$10,572,908. The County's cash deposits as of September 30, 2012 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, 2012

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, 2012 is shown below:

	Checking and Savings Accounts	Certificate of Deposit	Investment Pools	Total
General	\$ 6,030,467	\$ -	\$ 1,285,487	\$ 7,315,954
Road & Bridge	-	-	64,563	64,563
Precinct #1	-	-	2,854,759	2,854,759
Precinct #2	-	-	2,280,599	2,280,599
Precinct #3	-	-	2,208,845	2,208,845
Precinct #4	-	-	3,279,756	3,279,756
Capital Projects	2,025,437	-	-	2,025,437
Other Governmental Funds	674,419	-	-	674,419
Total Governmental Funds	\$ 8,730,323	\$ -	\$ 11,974,009	\$ 20,704,332
Fiduciary Fund	-	16,560	-	16,560
Agency Funds	862,732	-	-	862,732
Total	\$ 9,593,055	\$ 16,560	\$ 11,974,009	\$ 21,583,624

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, 2012, 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	5,986,980	0.09%	On demand
Tex Star Investment Pool	5,987,029	0.09%	On demand
Total	\$ 11,990,569		

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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, 2012, the County had approximately \$5,986,980 uninsured with Tex Pool Investment Pool and \$5,987,029 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, 2012

III. NOTES ON FUNDS AND ACCOUNTS (CONTINUED)

B. PROPERTY TAXES(CONTINUED)

The tax rate for the fiscal year ended September 30, 2012, (2011 tax levy) was \$.237 per \$100 assessed value for County General Fund operations and \$.115 for Farm-Market Lateral Road maintenance and operations for a total rate of \$.352. 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 \$1,500,000 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, 2012, 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	10,972,907	8,050,089	-	19,022,996
Furniture and Equipment	14,135,553	1,151,374	(578,014)	14,708,913
Construction in Progress	5,856,095	-	(5,856,095)	-
Totals at Historic Cost	<u>\$ 45,069,717</u>	<u>\$ 9,201,463</u>	<u>\$ (6,434,109)</u>	<u>\$ 47,837,071</u>
Less Accumulated Depreciation for:				
Infrastructure	\$ (6,618,107)	\$ (349,721)	\$ -	\$ (6,967,828)
Buildings and Improvements	(9,163,222)	(347,882)	-	(9,511,104)
Furniture and Equipment	(10,048,011)	(978,565)	575,625	(10,450,951)
Total Accumulated Depreciation	<u>\$ (25,829,340)</u>	<u>\$ (1,676,168)</u>	<u>\$ 575,625</u>	<u>\$ (26,929,883)</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,240,377</u>	<u>\$ 7,525,295</u>	<u>\$ (5,858,484)</u>	<u>\$ 20,907,188</u>

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

III. NOTES ON FUNDS AND ACCOUNTS (CONTINUED)

D. CAPITAL ASSET ACTIVITY (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 257,538
Justice System	2,669
Elections	7,544
Facilities Management	34,672
Law Enforcement	107,818
Corrections	22,375
Roads and Bridges	1,055,288
Airport	8,166
Golf Course	57,549
Parks and Recreation	81,823
County Extension Service	27,378
Libraries	4,200
Senior Citizens	9,148
Total Depreciation Expense	<u>\$ 1,676,168</u>

E. 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, 2012, as follows:

2013	\$ 99,257
2014	88,487
2015	56,105
2016	32,940
2017	1,935
Total Minimum Rentals	<u>\$ 278,724</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, 2012

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 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, 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 10.98% for the year ending September 30, 2012. 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, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2011 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, 2011 was 20 years.

COUNTY OF GAINES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

IV. OTHER NOTES (CONTINUED)

D. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

For fiscal year 2012, the County's annual pension cost of \$720,225 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, 2010	662,587	100%	-
September 30, 2011	689,936	100%	-
September 30, 2012	720,225	100%	-

Funded Status and Funding progress. As of December 31, 2011, the most recent actuarial valuation date, the plan was 79.43% funded. The actuarial accrued liability for benefits was \$18,601,367, and the actuarial value of assets was \$14,774,900, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,826,467. The covered payroll (annual payroll of active employees covered by the plan) was \$6,582,833, and the ratio of the UAAL to the covered payroll was 58.13%. 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>
12/31/09	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%
12/31/11	14,774,900	18,601,367	3,826,467	79.43%	6,582,833	58.13%

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 \$17,000 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 2012, 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, 2012

IV. OTHER NOTES (CONTINUED)

G. 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 10, 2012, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF GAINES
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<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	\$ 13,405,000	\$ 13,405,000	\$ 13,852,393	\$ 447,393
Charges for services	483,110	483,110	580,077	96,967
Fines	174,195	174,195	218,285	44,090
Investment income	22,000	22,000	17,266	(4,734)
Miscellaneous	80,820	80,820	179,399	98,579
<i>Total receipts</i>	<u>14,165,125</u>	<u>14,165,125</u>	<u>14,847,420</u>	<u>682,295</u>
DISBURSEMENTS:				
Current:				
General government-administrative	3,496,728	1,887,841	893,308	994,533
Judicial	1,720,815	1,723,573	1,528,536	195,037
Elections	50,450	51,545	48,407	3,138
Financial administration	536,397	536,397	492,144	44,253
Tax administration	542,329	542,329	529,445	12,884
Facilities management	1,355,112	1,456,394	1,262,548	193,846
Public safety:				
Law enforcement	1,601,143	1,656,478	1,524,160	132,318
Fire protection	133,710	133,710	133,710	-
Corrections	1,728,775	1,678,775	1,411,783	266,992
Civil defense	82,554	84,315	64,036	20,279
Road and bridge	90,072	90,072	52,723	37,349
Sanitation	22,519	22,519	22,518	1
Health	556,402	556,402	552,734	3,668
Human services	66,447	66,447	64,760	1,687
Culture and recreation:				
Parks	308,938	319,638	267,735	51,903
Museums	129,196	129,196	116,445	12,751
County extension	242,018	242,168	200,686	41,482
Libraries	389,241	389,466	378,581	10,885
Senior citizens	240,652	259,714	242,163	17,551
Capital Outlay	115,125	175,667	179,285	(3,618)
<i>Total disbursements</i>	<u>13,408,623</u>	<u>12,002,646</u>	<u>9,965,707</u>	<u>2,036,939</u>
Excess (deficiency) of receipts over (under) disbursements	<u>756,502</u>	<u>2,162,479</u>	<u>4,881,713</u>	<u>2,719,234</u>
OTHER FINANCING SOURCES (USES):				
Sale of real and personal property	5	5	29,889	29,884
Transfers in (out)	(669,954)	(3,609,384)	(3,702,048)	(92,664)
<i>Total other financing sources (uses)</i>	<u>(669,949)</u>	<u>(3,609,379)</u>	<u>(3,672,159)</u>	<u>(62,780)</u>
Net change in fund balance	86,553	(1,446,900)	1,209,554	2,656,454
<i>Fund balance, beginning of year</i>	<u>6,106,400</u>	<u>6,106,400</u>	<u>6,106,400</u>	<u>-</u>
<i>Fund balance, end of year</i>	<u>\$ 6,192,953</u>	<u>\$ 4,659,500</u>	<u>\$ 7,315,954</u>	<u>\$ 2,656,454</u>

COUNTY OF GAINES
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
ROAD & BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<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:				
Charges for services	\$ 421,740	\$ 421,740	\$ 383,340	\$ (38,400)
Fines	105,000	105,000	117,512	12,512
<i>Total receipts</i>	<u>526,740</u>	<u>526,740</u>	<u>500,852</u>	<u>(25,888)</u>
DISBURSEMENTS:				
Current:				
Road and bridge	64,563	64,563	50,882	13,681
<i>Total disbursements</i>	<u>64,563</u>	<u>64,563</u>	<u>50,882</u>	<u>13,681</u>
Excess (deficiency) of receipts over (under) disbursements	<u>462,177</u>	<u>462,177</u>	<u>449,970</u>	<u>(12,207)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	(462,177)	(462,177)	(449,970)	12,207
<i>Total other financing sources (uses)</i>	<u>(462,177)</u>	<u>(462,177)</u>	<u>(449,970)</u>	<u>12,207</u>
Net change in fund balance	-	-	-	-
<i>Fund balance, beginning of year</i>	<u>64,563</u>	<u>64,563</u>	<u>64,563</u>	<u>-</u>
<i>Fund balance, end of year</i>	<u>\$ 64,563</u>	<u>\$ 64,563</u>	<u>\$ 64,563</u>	<u>\$ -</u>

COUNTY OF GAINES
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
PRECINCT #1
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
RECEIPTS:				
Miscellaneous	\$ 5	\$ 5	\$ 100	\$ 95
<i>Total receipts</i>	<u>5</u>	<u>5</u>	<u>100</u>	<u>95</u>
DISBURSEMENTS:				
Current:				
Road and bridge	1,840,811	1,840,811	1,784,118	56,693
<i>Total disbursements</i>	<u>1,840,811</u>	<u>1,840,811</u>	<u>1,784,118</u>	<u>56,693</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,840,806)</u>	<u>(1,840,806)</u>	<u>(1,784,018)</u>	<u>56,788</u>
OTHER FINANCING SOURCES (USES):				
Sale of real and personal property	5	5	4,034	4,029
Transfers in (out)	1,840,801	1,840,801	2,058,834	218,033
<i>Total other financing sources (uses)</i>	<u>1,840,806</u>	<u>1,840,806</u>	<u>2,062,868</u>	<u>222,062</u>
Net change in fund balance	-	-	278,850	278,850
<i>Fund balance, beginning of year</i>	<u>2,689,327</u>	<u>2,689,327</u>	<u>2,689,327</u>	<u>-</u>
<i>Fund balance, end of year</i>	<u>\$ 2,689,327</u>	<u>\$ 2,689,327</u>	<u>\$ 2,968,177</u>	<u>\$ 278,850</u>

COUNTY OF GAINES
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
PRECINCT #2
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<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:				
Miscellaneous	\$ 5	\$ 5	\$ 34,339	\$ 34,334
<i>Total receipts</i>	<u>5</u>	<u>5</u>	<u>34,339</u>	<u>34,334</u>
DISBURSEMENTS:				
Current:				
Road and bridge	<u>1,751,797</u>	<u>1,751,797</u>	<u>1,476,986</u>	<u>274,811</u>
<i>Total disbursements</i>	<u>1,751,797</u>	<u>1,751,797</u>	<u>1,476,986</u>	<u>274,811</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,751,792)</u>	<u>(1,751,792)</u>	<u>(1,442,647)</u>	<u>309,145</u>
OTHER FINANCING SOURCES (USES):				
Sale of real and personal property	5	5	7,186	7,181
Transfers in (out)	<u>1,751,787</u>	<u>1,751,787</u>	<u>1,643,368</u>	<u>(108,419)</u>
<i>Total other financing sources (uses)</i>	<u>1,751,792</u>	<u>1,751,792</u>	<u>1,650,554</u>	<u>(101,238)</u>
Net change in fund balance	-	-	207,907	207,907
<i>Fund balance, beginning of year</i>	<u>2,167,940</u>	<u>2,167,940</u>	<u>2,167,940</u>	<u>-</u>
<i>Fund balance, end of year</i>	<u>\$ 2,167,940</u>	<u>\$ 2,167,940</u>	<u>\$ 2,375,847</u>	<u>\$ 207,907</u>

COUNTY OF GAINES
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
PRECINCT #3
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<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:				
Miscellaneous	\$ 5	\$ 5	\$ -	\$ (5)
<i>Total receipts</i>	<u>5</u>	<u>5</u>	<u>-</u>	<u>(5)</u>
DISBURSEMENTS:				
Current:				
Road and bridge	<u>1,757,469</u>	<u>1,757,469</u>	<u>1,353,590</u>	<u>403,879</u>
<i>Total disbursements</i>	<u>1,757,469</u>	<u>1,757,469</u>	<u>1,353,590</u>	<u>403,879</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,757,464)</u>	<u>(1,757,464)</u>	<u>(1,353,590)</u>	<u>403,874</u>
OTHER FINANCING SOURCES (USES):				
Sale of real and personal property	5	5	29,609	29,604
Transfers in (out)	<u>1,757,459</u>	<u>1,757,459</u>	<u>1,785,252</u>	<u>27,793</u>
<i>Total other financing sources (uses)</i>	<u>1,757,464</u>	<u>1,757,464</u>	<u>1,814,861</u>	<u>57,397</u>
Net change in fund balance	-	-	461,271	461,271
<i>Fund balance, beginning of year</i>	<u>1,861,817</u>	<u>1,861,817</u>	<u>1,861,817</u>	<u>-</u>
<i>Fund balance, end of year</i>	<u>\$ 1,861,817</u>	<u>\$ 1,861,817</u>	<u>\$ 2,323,088</u>	<u>\$ 461,271</u>

COUNTY OF GAINES
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
PRECINCT #4
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<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:				
Miscellaneous	\$ 5	\$ 5	\$ -	\$ (5)
<i>Total receipts</i>	<u>5</u>	<u>5</u>	<u>-</u>	<u>(5)</u>
DISBURSEMENTS:				
Current:				
Road and bridge	1,703,923	1,845,219	1,610,115	235,104
<i>Total disbursements</i>	<u>1,703,923</u>	<u>1,845,219</u>	<u>1,610,115</u>	<u>235,104</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,703,918)</u>	<u>(1,845,214)</u>	<u>(1,610,115)</u>	<u>235,099</u>
OTHER FINANCING SOURCES (USES):				
Sale of real and personal property	5	5	18,956	18,951
Transfers in (out)	1,703,913	1,703,912	1,750,859	46,947
<i>Total other financing sources (uses)</i>	<u>1,703,918</u>	<u>1,703,917</u>	<u>1,769,815</u>	<u>65,898</u>
Net change in fund balance	-	(141,297)	159,700	300,997
<i>Fund balance, beginning of year</i>	<u>3,306,708</u>	<u>3,306,708</u>	<u>3,306,708</u>	<u>-</u>
<i>Fund balance, end of year</i>	<u>\$ 3,306,708</u>	<u>\$ 3,165,411</u>	<u>\$ 3,466,408</u>	<u>\$ 300,997</u>

COUNTY OF GAINES
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
FARM TO MARKET FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<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	\$ 6,540,000	\$ 6,540,000	\$ 6,753,343	\$ 213,343
Investment income	15,000	15,000	8,441	(6,559)
Other revenue	36,784	36,784	36,559	(225)
<i>Total receipts</i>	<u>6,591,784</u>	<u>6,591,784</u>	<u>6,798,343</u>	<u>206,559</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>(6,591,784)</u>	<u>(6,591,784)</u>	<u>(6,798,343)</u>	<u>206,559</u>
<i>Total other financing sources (uses)</i>	<u>(6,591,784)</u>	<u>(6,591,784)</u>	<u>(6,798,343)</u>	<u>206,559</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, 2012

	<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	\$ 171,711	\$ 298,850	\$ (127,139)
Capital outlay	1,500,000	2,955,613	2,097,340	858,273
<i>Total disbursements</i>	<u>1,500,025</u>	<u>3,127,324</u>	<u>2,396,190</u>	<u>731,134</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,500,025</u>	<u>3,127,324</u>	<u>2,396,190</u>	<u>731,134</u>
OTHER FINANCING SOURCES (USES):				
Sale of real and personal property	15	15	1,628	1,613
Transfers in (out)	15	2,884,484	2,632,624	(251,860)
Insurance recovery	-	-	97,719	97,719
<i>Total other financing sources (uses)</i>	<u>30</u>	<u>2,884,499</u>	<u>2,731,971</u>	<u>(152,528)</u>
Net change in fund balance	(1,499,995)	(242,825)	335,781	578,606
<i>Fund balance, beginning of year</i>	<u>1,689,656</u>	<u>1,689,656</u>	<u>1,689,656</u>	<u>-</u>
<i>Fund balance, end of year</i>	<u>\$ 189,661</u>	<u>\$ 1,446,831</u>	<u>\$ 2,025,437</u>	<u>\$ 578,606</u>