

HOOD COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012

HOOD COUNTY, TEXAS
AUDITOR'S OFFICE
5417 Acton Hwy #106
Granbury, Texas 76049

HOOD COUNTY, TEXAS

TABLE OF CONTENTS

SEPTEMBER 30, 2012

**Page
Number**

INTRODUCTORY SECTION

County Auditor’s Letter of Transmittal	i – v
Organizational Chart	vi
List of Principal Officials.....	vii

FINANCIAL SECTION

Independent Auditors’ Report.....	1 – 2
Management’s Discussion and Analysis	3 – 14
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	15
Statement of Activities.....	16
Fund Financial Statements	
Balance Sheet – Governmental Funds	17 – 18
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in	
Fund Balances – Governmental Funds	20 – 21
Reconciliation of the Statement of Revenues, Expenditures	
and Changes in Fund Balances of Governmental Funds to the	
Statement of Activities.....	22
Statement of Fiduciary Net Assets.....	23
Notes to Financial Statements.....	24 – 46

(continued)

HOOD COUNTY, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2012**

**Page
Number**

FINANCIAL SECTION (Continued)

Required Supplementary Information

Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund	47 – 48
Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget to Actual – Road and Bridge Fund	49
Notes to Budgetary Information	50 – 51
Texas County and District Retirement System Schedule of Funding Progress	52

Combining and Individual Fund Statements and Schedules

Nonmajor Governmental Funds

Combining Balance Sheet.....	53 – 58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	59 – 64

Nonmajor Special Revenue Funds

Schedules of Revenues, Expenditures and Changes in Fund

Balance – Budget and Actual:	
District Attorney Forfeiture	65
Grants Fund.....	66
Judges Education	67
Courthouse Security.....	68
Justice Court Technology	69
Records Management.....	70
Records Preservation	71
Time Payment Collection Fees	72
Truant Officer	73
Abandoned Vehicle.....	74

(continued)

HOOD COUNTY, TEXAS

**TABLE OF CONTENTS
(Continued)
SEPTEMBER 30, 2012**

**Page
Number**

FINANCIAL SECTION (Continued)

Combining and Individual Fund Statements and Schedules (Continued)

Nonmajor Special Revenue Funds (Continued)

Schedules of Revenues, Expenditures and Changes in Fund

Balance – Budget and Actual: (Continued)

TJJD Juvenile Probation Progress	75
Law Library	76
County Library	77
Library Special	78
County Attorney Forfeitures	79

Nonmajor Debt Service Fund

Debt Service Fund.....	80
------------------------	----

Agency Funds

Combining Balance Sheet.....	81 – 84
------------------------------	---------

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on

Compliance and Other Matters Based on an Audit of

Financial Statements Performed in Accordance With

<i>Government Auditing Standards</i>	85 – 86
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INTRODUCTORY SECTION

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Hood County Auditor

5417 Acton Hwy, Ste. 106
Granbury, TX 76049
(817) 579-3210

May 23, 2013

Honorable Ralph H. Walton, Jr., 355th Judicial District Judge
Honorable Darrell Cockerham, Hood County Judge
Honorable Hood County Commissioners
Hood County, Texas

Gentlemen:

The Annual Financial Report of Hood County, Texas for the year ended September 30, 2012, is submitted herewith. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation including all disclosures rests with the County. We believe the data as presented is correct in all material respects; that it is presented in a manner designed to fairly present the financial position and results of operations of Hood County, Texas (the County) as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain a proper understanding of the County's financial activity have been included. The report was prepared in accordance with generally accepted accounting principles set forth by the Governmental Accounting Standards Board, and is in compliance with Paragraph 114.025 Vernon's Texas Codes Annotated (V.T.C.A.) Local Government Code.

The Annual Financial Report is presented in two sections: introductory and financial. The introductory section includes this transmittal letter, Hood County's organizational chart and a list of principal officials (as of the end of September). The financial section includes the financial statements and the combining and individual fund financial statements and schedules, in addition to the independent auditors' report on the financial statements and schedules.

This report includes all of the funds and account groups of the County. The County provides a full range of services, including public safety, corrections, legal and judicial services, roads construction and roads maintenance, County library, and other administrative services.

ECONOMIC CONDITION

LOCAL ECONOMIC INFORMATION – The Texas State Legislature created Hood County in 1866. The County’s population of about 52,000 occupies 437 square miles (of which Lake Granbury comprises 15 square miles). The North Central Texas Council of Governments estimates that Hood County has added over 12,000 new residents since the 2000 Census. As of the date of this report, Hood County Sales Tax collections have improved from the prior two years. New construction of homes and businesses are also slightly improved. Development and production of natural gas is smaller than during the years 2008 through 2010. The growth in population and vehicle traffic gave rise to larger demands for services from Hood County government. Property valuations have been relatively stable for the past several years.

MAJOR INITIATIVES

FOR THE YEAR – Hood County completed restoration of the historic Hood County Courthouse, and occupied it two years ago. This project was funded largely by the Texas Historical Commission (THC) through a \$4.794 million dollar grant, with local match of about almost two million dollars. THC has completed their funding of this project.

Grant programs from the Texas Department of Agriculture were completed to address environmental concerns regarding the water quality of Lake Granbury. These grants were passed through to the Acton Municipal Utility District for extension of sewer facilities.

FOR THE FUTURE – In November 2012 voters approved a referendum for the County to borrow up to 10 million dollars to build a new recreation facility, to be managed by YMCA of Fort Worth. This project is pending donation of real property from the Granbury Independent School District. An election was held May 8, 2010, in which voters approved the County’s authority to issue up to 75 million dollars of bonded debt for highway improvements; this project is being pursued only for the Cresson traffic relief route. Plans are also underway to build a new Animal Control facility, as well as a new Emergency Operations Center.

FINANCIAL INFORMATION

INTERNAL CONTROL STRUCTURE – The accounting records for Hood County’s governmental operations are maintained on a modified accrual basis, the same basis utilized for financial statement presentation. The financial operating controls are shared by the Commissioners’ Court (the governing body) and the County Auditor, who is appointed by the District Judge. The County Auditor has the basic responsibilities for maintaining the records of all financial transactions of the County; and, examining and approving all disbursements from County funds prior to their submission to the Commissioners’ Court for authorization. The Commissioners’ Court sets the tax rates, establishes policies for County operations, approves contracts for the County, and develops and adopts the County budget within the resources as estimated by the County Judge, with assistance from the County Auditor.

Accounting systems for the County were developed with consideration given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance for safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits likely to be derived from those controls; the evaluation of these costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and county financial assistance, the County government is also responsible for keeping an adequate internal control structure in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the government.

BUDGETING CONTROLS – Hood County maintains strict budgetary controls to ensure compliance with legal provisions in the annual appropriated budget approved by the County’s governing body. Activities of the General Fund, certain Special Revenue Funds, and Debt Service Funds are included in the annual appropriated budget. According to the budget laws of the State of Texas, expenditures may not exceed the amount appropriated for each fund.

GENERAL GOVERNMENT FUNCTIONS – The following schedule presents a summary of revenues recorded in the governmental activities for the fiscal year ended September 30, 2012, as well as the amount and percentage of increases and decreases in relation to prior year revenues.

Revenue Source	Amount	Percent of Total	Increase (Decrease) from 2011	Percent Increase (Decrease) from 2011
Taxes	\$ 21,979,100	77.07%	\$ 139,336	0.64%
Charges for services	4,572,263	16.03%	204,407	4.68%
Grants and contributions	1,580,121	5.53%	(1,406,992)	(47.10%)
Investment income	32,380	0.12%	1,272	4.09%
Miscellaneous	<u>357,677</u>	<u>1.25%</u>	<u>16,982</u>	<u>4.98%</u>
Total	\$ <u>28,521,541</u>	<u>100%</u>	\$ <u>(1,044,995)</u>	<u>(3.53%)</u>

Tax revenues increased because sales tax collections rose significantly from recent years, due to greater economic activity and merchant sales volume. The County collects sales taxes strictly for the purpose of reducing ad valorem taxes. Charges for services increased slightly, reversing a trend of decreases in recent years. The grant from the Texas Historical Commission for courthouse restoration was substantially completed last year, resulting in smaller grant revenues this year. Investment income has remained lower in recent years due to much lower interest rates. Investment income and miscellaneous revenues remained about the same as last year. Overall, current revenues decreased 3.53%.

The following schedule presents a summary of governmental activities expenses for the fiscal year ended September 30, 2012, and the percentage of increases and decreases in relation to prior year amounts.

<u>Functional Category</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2011</u>	<u>Percent Increase (Decrease) from 2011</u>
General administration	\$ 5,241,794	19.80%	\$ 198,428	3.93%
Judicial	3,689,087	13.93%	(239,455)	(6.10%)
Public facilities	753,899	2.85%	35	0.00%
Public safety	10,493,391	39.62%	(288,196)	(2.67%)
Public transportation	4,238,812	16.00%	115,185	2.79%
Health and welfare	720,196	2.72%	123,077	20.61%
Culture/recreation	589,970	2.23%	(18,938)	(3.11%)
Conservation	83,335	0.31%	8,220	10.94%
Interest on long-term debt	<u>671,824</u>	<u>2.54%</u>	<u>(64,533)</u>	<u>(8.76%)</u>
Total	\$ <u>26,482,308</u>	<u>100%</u>	\$ <u>(166,177)</u>	<u>(0.62%)</u>

General administration increases were from increased required attorney fees for indigent defense, and for a payment to reduce the TCDRS pension obligation. There were other relatively minor changes in operating expenditures, but the overall change was less than one percent. The cost of debt service has declined as portions of the County's debt have matured, and have been repaid. Overall, current expenditures decreased 0.62%.

DEBT ADMINISTRATION – At September 30, 2012, Hood County had general long-term bonded debt, Texas tax notes and contractual obligations outstanding in the amount of \$16,550,000. The County has maintained its debt ratings by both Fitch and Standard & Poor's at AA – Stable outlook. Net tax-supported debt per capita for the County was \$318.

CASH MANAGEMENT – The County's investment policies are in accordance with the laws of the State of Texas. The policies identify the authorized investments, collateral requirements and safekeeping requirements for collateral. Demand deposits are covered by a guaranteed letter of credit pledged as collateral maintained at a third party bank. The remaining funds are held at Texpool and Texstar, approved government investment pools.

ENTERPRISE OPERATIONS – The County currently maintains no Enterprise Funds.

RETIREMENT PLAN FUNDING – The County provides pension, disability and death benefits for all of its employees (half time or more) through a nontraditional, joint contributory, defined contribution plan in the statewide Texas County and District Retirement System, (TCDRS). The contribution rate of the County was 7.50% for 2012 and 7.50% for 2011, and for employee members is six percent of covered payroll. After the fiscal year ended, the Commissioners' Court paid \$750,000 into the TCDRS fund to reduce the unfunded pension obligation, which is expected to improve the "funded ratio" of the plan to just over 95%.

RISK MANAGEMENT – The County participates in the Texas Association of Counties programs for risk management. These programs provide coverage for various types of risks including: property and casualty, vehicle operation, general liability, and employee coverage for health, unemployment and workers' compensation.

OTHER INFORMATION

INDEPENDENT AUDIT – State laws require an annual audit by independent certified public accountants. Commissioners' Court engaged the public accounting firm of Pattillo, Brown & Hill, LLP. Their audit was designed to meet the requirements set forth in state statutes, and generally accepted governmental auditing standards. The auditors' report on the financial statements and combining and individual fund statements and schedules are included in the financial section of this report.

ACKNOWLEDGMENTS – The preparation of this report could not have been accomplished without the dedicated services of the County Auditor's office staff. I also want to express my appreciation to all County staff members who have assisted in the maintenance of the accounting records of the County, the County Treasurer's office, the District Judge, and to the members of the Commissioners' Court for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

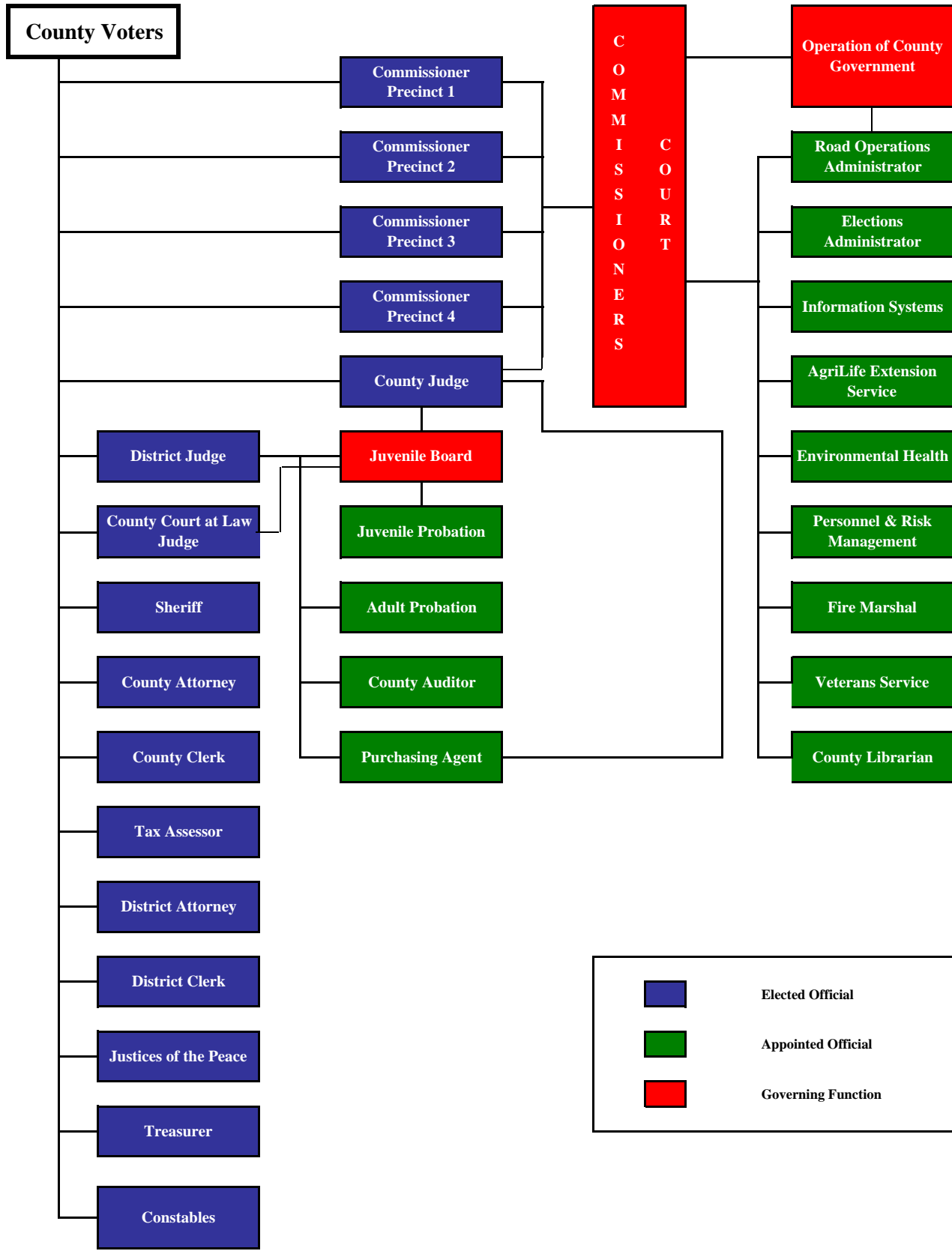
Respectfully submitted,

Stan McBroom

Stan McBroom
County Auditor

HOOD COUNTY ORGANIZATION

September 30, 2012



OFFICIALS OF HOOD COUNTY, TEXAS

SEPTEMBER 30, 2012

ELECTED OFFICIALS

County Judge Darrell Cockerham
County Commissioner Precinct 1 Mike Sympson
County Commissioner Precinct 2Richard Roan
County Commissioner Precinct 3 Leonard Heathington
County Commissioner Precinct 4 Steve Berry
County Attorney R. Kelton Conner
County Clerk Mary Burnett
County Court at Law Vincent J. Messina
Constable, Precinct 1&2 Dewayne Hart
Constable, Precinct 3 Randy Branum
Constable, Precinct 4G. Chad Jordan
District Judge Ralph H. Walton, Jr.
District Attorney Robert T. Christian
District Clerk Tonna L. (Trumble) Hitt
Justice of the Peace, Precincts 1&2 Martin Castillo
Justice of the Peace, Precinct 3 Judy B. Watson
Justice of the Peace, Precinct 4 Danny Tuggle
Sheriff Roger Deeds
Tax Assessor-Collector Teresa McCoy
Treasurer Kathy C. Davis

APPOINTED OFFICIALS

County Auditor Stan McBroom
Chief, Adult Probation Shelli Berry
Chief, Juvenile Probation Beth Pate
County Librarian Courtney Kincaid
Environmental Health James D. McAusland
Fire Marshal Brian Fine
Agri-Life Extension Service Marty J. Vahlenkamp
Information Systems Jackie Solomon
Veterans Service Linda Mallon
Purchasing Agent Nelda Walters
Personnel & Risk Management Robert Blessing
Superintendent Road Operations Donald F. Linney



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge
and County Commissioners
Hood County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hood County, Texas (the “County”) as of and for the year ended September 30, 2012, which collectively comprise the County’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hood County’s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hood County, Texas, as of September 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2013, on our consideration of Hood County, Texas’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the pension plan schedule of funding progress on pages 3 through 14 and 47 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hood County, Texas's financial statements as a whole. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

May 23, 2013

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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Management's Discussion and Analysis

As management of Hood County (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i – v of this report.

Financial Highlights

- The assets of Hood County exceeded its liabilities at the close of the most recent fiscal year for governmental activities by \$54,805,433 (net assets). Of this amount, \$17,158,255 (unrestricted net assets), may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net assets increased for governmental activities by \$2,039,233, or 4%.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$17,904,881. 57% of the governmental funds amount, \$10,196,755 is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,208,305 or 53% of the total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business, even though the County cannot operate like a private enterprise.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements present functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The *governmental activities* of the County include general government, judicial, public facilities, public safety, public transportation, health and welfare, culture and recreation, and conservation.

The government-wide financial statements can be found on pages 15 – 16 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of unencumbered resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Fund (Special Revenue Fund), Debt Service Fund, and Courthouse Restoration Fund (Capital Projects Fund), all of which are considered to be major funds. Data from the other 23 funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

Fiduciary Funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County’s operations. The County is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The basic fiduciary fund financial statements can be found on page 23 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 – 46 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found following the notes to the financial statements of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found following the required supplementary information of this report.

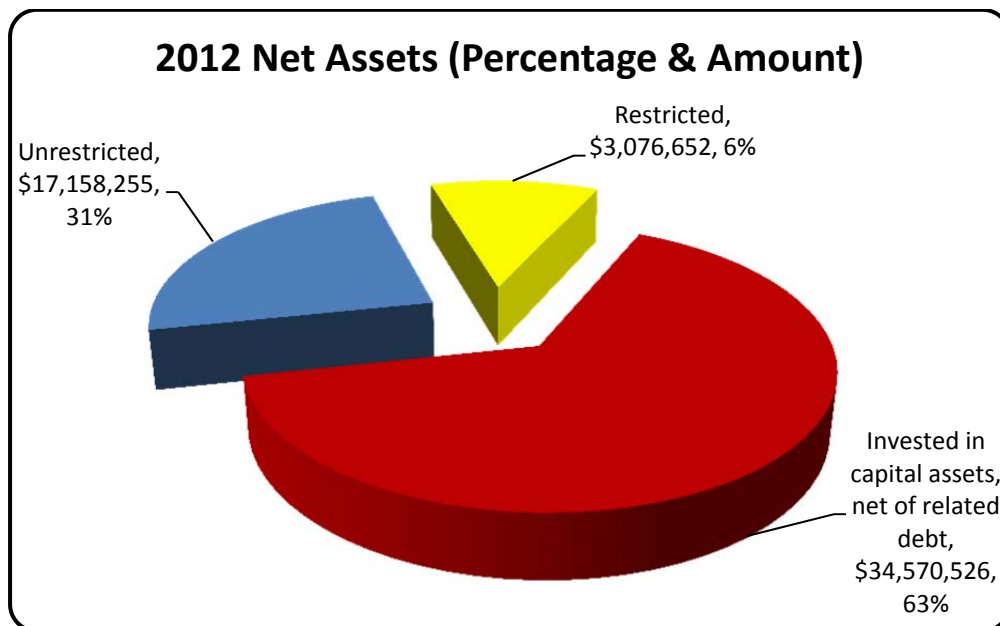
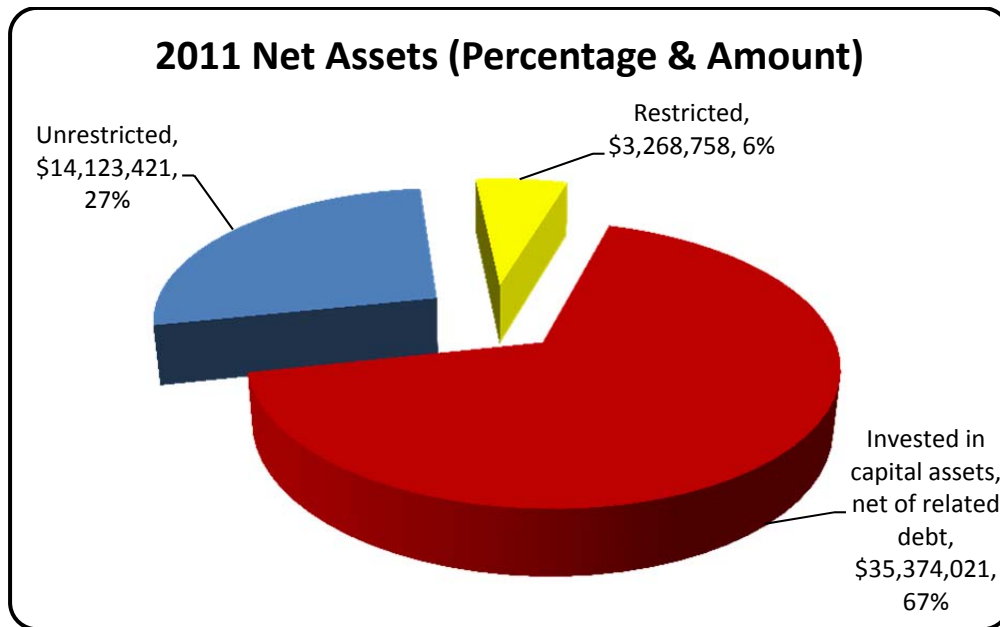
Government-wide Financial Analysis

HOOD COUNTY’S NET ASSETS

	Governmental Activities	
	2012	2011
Current assets	\$ 22,197,788	\$ 20,052,255
Capital assets	51,266,773	52,026,582
Total assets	<u>73,464,561</u>	<u>72,078,837</u>
Current liabilities	1,335,116	1,993,917
Noncurrent liabilities	17,324,012	17,318,720
Total liabilities	<u>18,659,128</u>	<u>19,312,637</u>
Net assets:		
Invested in capital assets, net of related debt	34,570,526	35,374,021
Restricted	3,076,652	3,268,758
Unrestricted	<u>17,158,255</u>	<u>14,123,421</u>
Total net assets	<u>\$ 54,805,433</u>	<u>\$ 52,766,200</u>

An additional portion of the County’s net assets of \$3,076,652 (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$17,158,255 (31%) may be used to meet the government’s ongoing obligations to citizens and creditors.

As of September 30, 2012, the County is able to report positive balances in all three categories of net assets for the government as a whole.



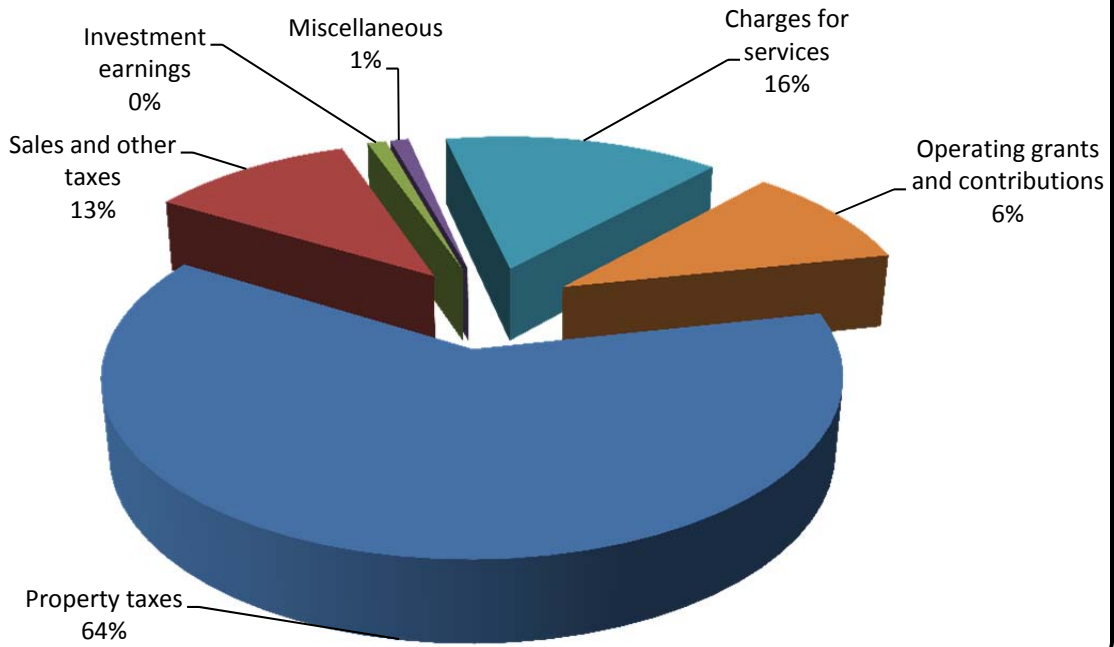
Analysis of the County’s Operations. Governmental activities reported an increase in net assets in the amount of \$2,039,233 or 4%.

The following table provides a summary of the County’s operations for the year ended September 30, 2012.

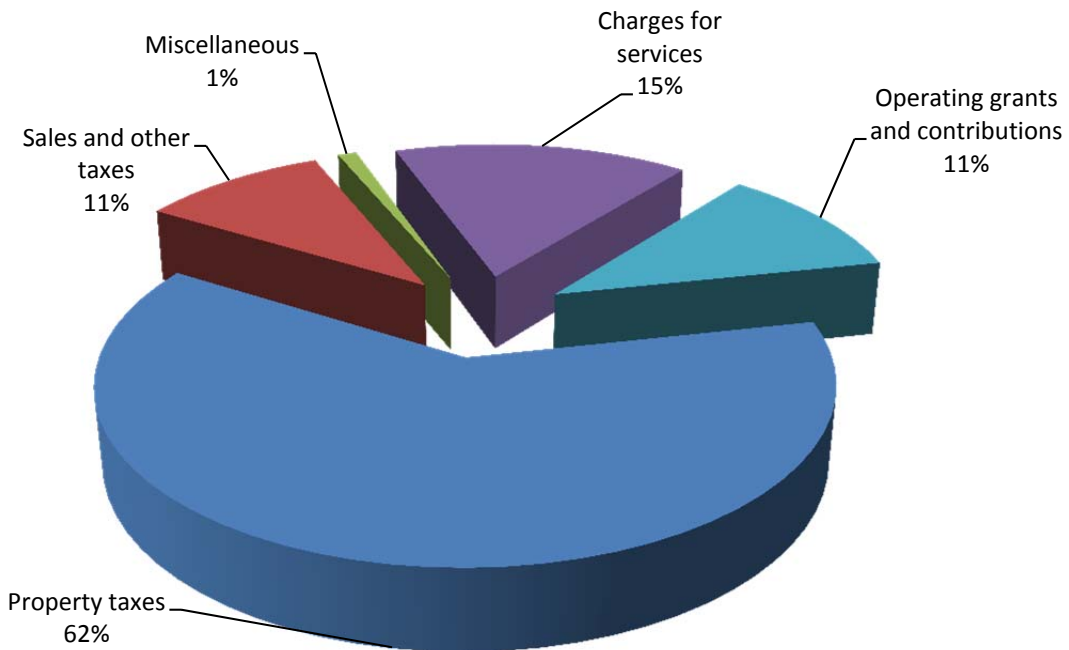
HOOD COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities	
	2012	2011
REVENUES		
Program revenues:		
Charges for services	\$ 4,572,263	\$ 4,367,856
Operating grants and contributions	1,580,121	2,987,113
General revenues:		
Property taxes	18,155,429	18,466,180
Sales and other taxes	3,823,671	3,373,584
Investment earnings	32,380	31,108
Miscellaneous	357,677	340,695
Total revenues	28,521,541	29,566,536
EXPENSES		
General administration	5,241,794	5,043,366
Judicial and legal	3,689,087	3,928,542
Public facilities	753,899	753,864
Public safety	10,493,391	10,781,587
Public transportation	4,238,812	4,123,627
Health and welfare	720,196	597,119
Culture and recreation	589,970	608,908
Conservation	83,335	75,115
Interest on long-term debt	671,824	736,357
Total expenses	26,482,308	26,648,485
CHANGE IN NET ASSETS	2,039,233	2,918,051
NET ASSETS, BEGINNING	52,766,200	49,848,149
NET ASSETS, ENDING	\$ 54,805,433	\$ 52,766,200

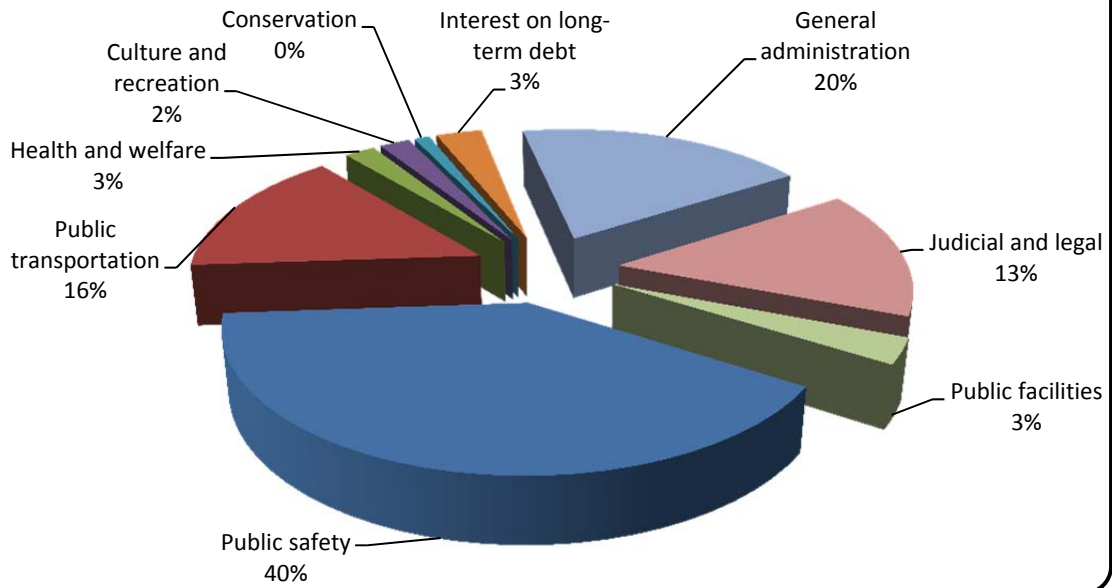
Percentage 2012 Revenues



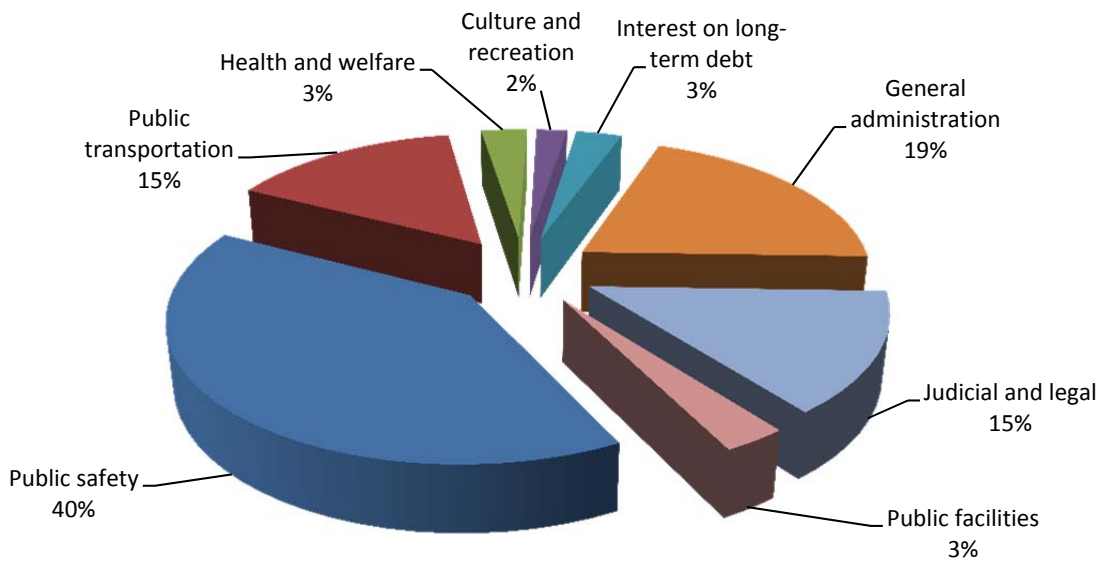
Percentage 2011 Revenues



2012 Expense Percentages



2011 Expense Percentages



Financial Analysis of the County's Funds

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

Governmental Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$17,904,881. \$10,196,755 of this total amount constitutes unassigned fund balance. The remainder of the fund balance has been designated as non-spendable, restricted, committed or assigned as follows:

<u>Fund Balance Classification</u>	<u>Amount</u>
Non-spendable:	
Prepays	\$ 192,115
Inventory	60,778
Restricted:	
Records management and preservation	652,762
Judicial	671,880
Public safety	138,998
Culture and recreation	386,864
Debt service	1,172,010
Committed:	
Capital projects	3,167,431
Assigned:	
General contingency	155,000
Public transportation	135,288
Judicial	225,000
Pension contribution	750,000

Fund balance of the General Fund increased by \$575,989; the Road and Bridge; decreased by \$85,536; the Debt Service Fund decreased by \$243,416; the Courthouse Restoration Fund increased by \$119,021 ; and, other nonmajor governmental funds increased by \$1,433,481 .

General Fund Budgetary Highlights. Over the course of the year, the County recommended and the Commissioners approved several revisions to budgeted revenue and appropriations. These recommendations fall into the following categories:

- Provision of court-appointed attorneys, as required by law;
- Increased cost of housing inmates outside Hood County, and for jail operations;
- Purchase and repairs of road operations maintenance equipment; and
- Construction of grant-funded sewer facilities.

Capital Assets

The County's investment in capital assets for its governmental activities as of September 30, 2012, amounts to \$51,266,773 (net of accumulated depreciation). This investment in capital assets includes land; buildings and improvements; furniture, equipment and vehicles; infrastructure; and construction in progress.

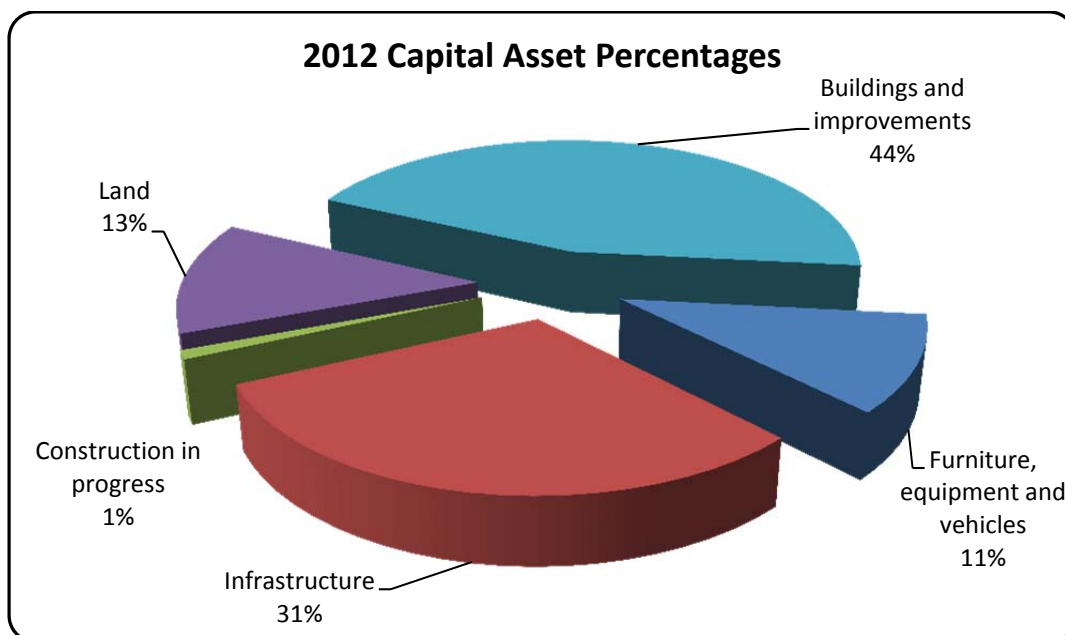
Major capital asset events during the current fiscal year included the following:

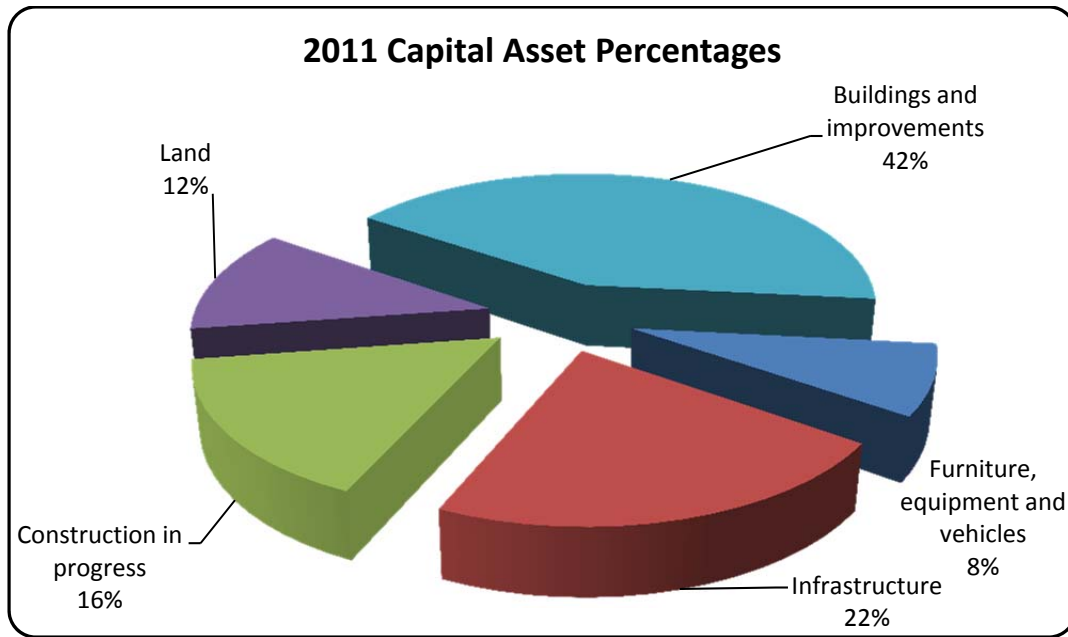
- Courthouse restoration project;
- Vehicles purchased for law enforcement and fire protection;
- Communications equipment and computer equipment purchased;
- Purchase of new Roads Maintenance equipment; and
- Software for online delivery of vital records.

HOOD COUNTY'S CAPITAL ASSETS (Net of Accumulated Depreciation)

	Governmental Activities	
	September 30, 2012	September 30, 2011
Land	\$ 6,621,112	\$ 6,621,112
Construction in progress	347,811	7,447,811
Buildings and improvements	22,873,165	16,321,558
Furniture, equipment and vehicles	5,650,825	6,316,070
Infrastructure	15,773,860	15,320,031
Total	<u>\$ 51,266,773</u>	<u>\$ 52,026,582</u>

Additional information on the County's capital assets can be found in the notes to the financial statements of this report.



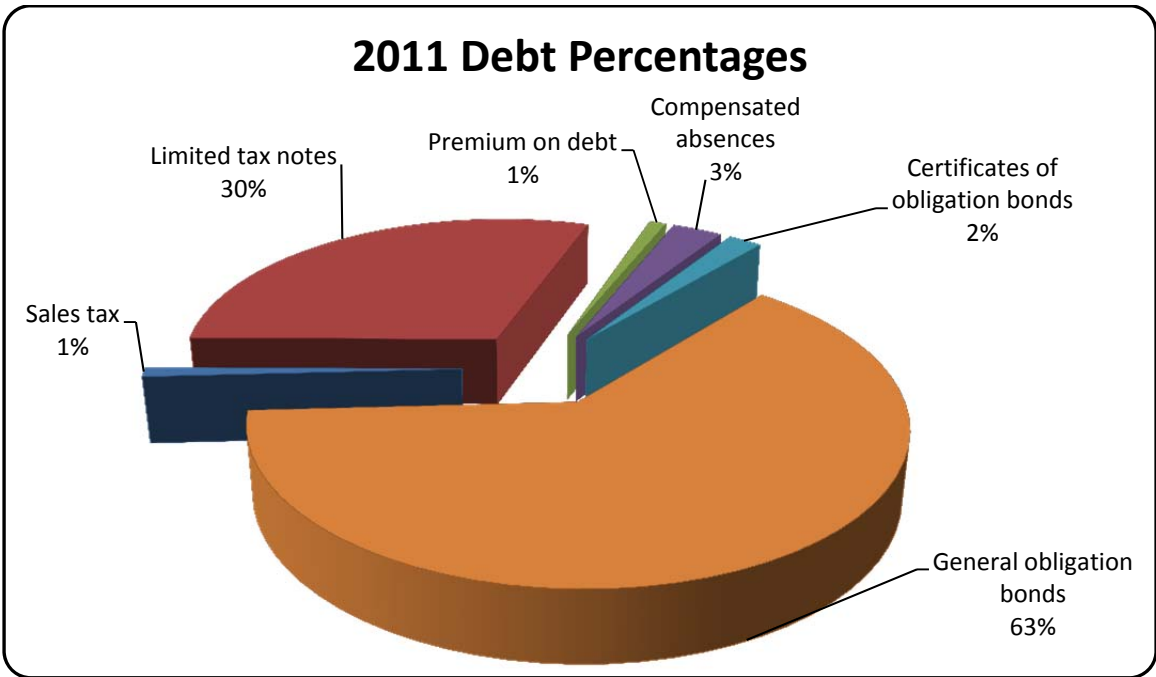
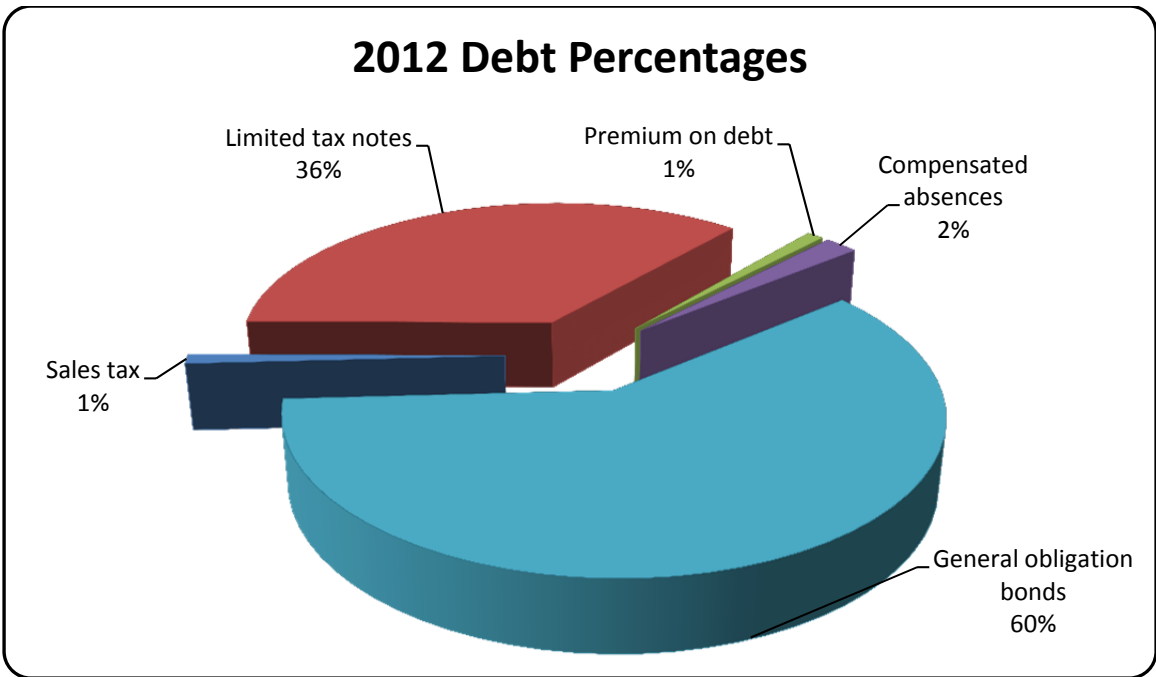


DEBT ADMINISTRATION

At the end of the current fiscal year, the County had a total long-term debt of \$17,324,012. Of this amount, \$16,550,000 comprises bonded, tax notes, and loans debt backed by the full faith and credit of the County. These bonds and limited tax notes will be retired with revenues from property taxes.

**HOOD COUNTY'S LONG-TERM DEBT
Bonds, Limited Tax Notes, Capital Leases,
Components of Debt, and Compensated Absences**

	Governmental Activities	
	September 30, 2012	September 30, 2011
Certificates of obligation bonds	\$ -	\$ 365,000
General obligation bonds	10,340,000	10,865,000
Limited tax anticipation notes (TANs)	6,210,000	5,265,000
Excess sales tax	135,928	100,738
Premium on debt	146,247	157,561
Compensated absences	491,837	565,421
Total	\$ 17,324,012	\$ 17,318,720



All of the outstanding Bonds of the County payable from its limited taxes are insured and are, therefore, rated AA – stable outlook by Fitch Ratings and Standard & Poor's.

Additional information on the County's long-term debt can be found in the notes to the financial statements of this report.

During the current year, the County issued \$2,500,000 of tax anticipation notes at an interest rate of 1.17%. These resources will be used to fund various projects of the County.

Economic Factors and Next Year's Budgets and Rates

The annual budget is the means by which Commissioners' Court sets the direction of the County, and allocates its resources.

In considering the budget for FY 2013, Commissioners' Court considered the following factors:

- Property tax rates were decreased slightly by the Commissioners' Court, approximately one-half cent per \$100 taxable valuation.
- The Sheriff's budget was increased by approval of four new patrol deputy positions, as well as two new animal control officer positions.
- Costs for employee health care insurance premiums increased somewhat; the County continued participation in the health care plan sponsored by the Texas Association of Counties.
- The Commissioners' Court intends to pursue the TxDOT project for traffic relief in Cresson, although there is presently no signed funding agreement with TxDOT.
- As of January 1, 2013, there was an additional Justice of the Peace sworn in, and an additional Constable, Precinct 1, pursuant to the elections of 2012.
- During December 2012, Commissioners' Court paid \$750,000 to TCDRS to reduce the unfunded pension obligation. The resulting "funded ratio" is expected to be just over 95%.
- In the 2012 election, voters approved County construction of a recreational facility, at a cost not to exceed ten million dollars, that is, not to exceed ten million dollars of debt to the County. This project is pending negotiations for the donation of real property from the Granbury Independent School District, and for an operating lease agreement with the YMCA of Fort Worth.

Requests for Information

This financial report is designed to provide a general overview of Hood County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Hood County Auditor, 5417 Acton Hwy., Suite 106, Granbury, Texas 76049; or call (817) 579-3210.

**BASIC
FINANCIAL STATEMENTS**

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HOOD COUNTY, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

	Governmental Activities
ASSETS	
Cash and investments	\$ 17,667,097
Receivables, net:	
Taxes	787,524
Accounts	1,748,556
Due from other governments	500,850
Prepaid items	192,115
Inventories	60,778
Net pension asset	1,000,000
Bond issuance cost	240,868
Capital assets:	
Non-depreciable	6,968,923
Depreciable, net	44,297,850
Total capital assets	<u>51,266,773</u>
 Total assets	 <u>73,464,561</u>
 LIABILITIES	
Accounts payable	1,030,909
Accrued interest	44,669
Unearned revenues	259,538
Noncurrent liabilities:	
Due within one year	2,573,813
Due in more than one year	14,750,199
Total liabilities	<u>18,659,128</u>
 NET ASSETS	
Invested in capital assets, net of related debt	34,570,526
Restricted for:	
Records management	652,762
Judicial	671,880
Public safety	138,998
Culture and recreation	390,382
Debt service	1,145,859
Road and bridge	76,771
Unrestricted	<u>17,158,255</u>
 Total net assets	 <u>\$ 54,805,433</u>

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

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HOOD COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
General government	\$ 5,241,794	\$ 646,079	\$ 31,551	\$(4,564,164)
Judicial	3,689,087	2,031,369	241,848	(1,415,870)
Public facilities	753,899	-	293,916	(459,983)
Public safety	10,493,391	585,803	712,463	(9,195,125)
Public transportation	4,238,812	1,067,594	-	(3,171,218)
Health and welfare	720,196	241,418	300,343	(178,435)
Culture and recreation	589,970	-	-	(589,970)
Conservation	83,335	-	-	(83,335)
Interest on long-term debt	671,824	-	-	(671,824)
Total governmental activities	\$ 26,482,308	\$ 4,572,263	\$ 1,580,121	(20,329,924)
General revenues:				
				18,155,429
				3,823,671
				32,380
				357,677
				22,369,157
				2,039,233
				52,766,200
				\$ 54,805,433

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

HOOD COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	<u>General</u>	<u>Special Road and Bridge</u>	<u>Debt Service</u>
ASSETS			
Cash and investments	\$ 10,530,287	\$ 34,243	\$ 1,153,281
Receivables, net:			
Taxes	728,926	21,977	31,014
Accounts	1,724,258	154	6,323
Due from other governments	51,860	31,884	-
Due from other funds	1,018,452	-	-
Prepaid items	151,141	13,639	23,063
Inventories	<u>-</u>	<u>60,778</u>	<u>-</u>
Total assets	<u>\$ 14,204,924</u>	<u>\$ 162,675</u>	<u>\$ 1,213,681</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	786,029	85,904	90
Due to other funds	1,009	-	-
Deferred revenue	<u>1,793,152</u>	<u>13,904</u>	<u>18,518</u>
Total liabilities	<u>2,580,190</u>	<u>99,808</u>	<u>18,608</u>
Fund balances:			
Nonspendable:			
Prepaid items	151,141	13,639	23,063
Inventory	-	60,778	-
Restricted:			
Records management and preservation	-	-	-
Judicial	-	-	-
Public safety	-	-	-
Culture and recreation	-	-	-
Debt service	-	-	1,172,010
Committed:			
Capital projects	-	-	-
Assigned:			
General contingency	155,000	-	-
Public transportation	135,288	-	-
Judicial	225,000	-	-
Pension contribution	750,000	-	-
Unassigned	<u>10,208,305</u>	<u>(11,550)</u>	<u>-</u>
Total fund balances	<u>11,624,734</u>	<u>62,867</u>	<u>1,195,073</u>
Total liabilities and fund balances	<u>\$ 14,204,924</u>	<u>\$ 162,675</u>	<u>\$ 1,213,681</u>

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

Courthouse Restoration	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 5,949,286	\$ 17,667,097
-	5,607	787,524
-	17,821	1,748,556
293,916	123,190	500,850
724,536	1,009	1,743,997
-	4,272	192,115
-	-	60,778
<u>\$ 1,018,452</u>	<u>\$ 6,101,185</u>	<u>\$ 22,700,917</u>
-	158,886	1,030,909
1,018,452	724,536	1,743,997
-	<u>195,556</u>	<u>2,021,130</u>
<u>1,018,452</u>	<u>1,078,978</u>	<u>4,796,036</u>
-	4,272	192,115
-	-	60,778
-	652,762	652,762
-	671,880	671,880
-	138,998	138,998
-	386,864	386,864
-	-	1,172,010
-	3,167,431	3,167,431
-	-	155,000
-	-	135,288
-	-	225,000
-	-	750,000
-	-	10,196,755
-	<u>5,022,207</u>	<u>17,904,881</u>
<u>\$ 1,018,452</u>	<u>\$ 6,101,185</u>	<u>\$ 22,700,917</u>

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HOOD COUNTY, TEXAS

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

SEPTEMBER 30, 2012

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

Total fund balances - governmental funds balance sheet		\$	17,904,881
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			51,266,773
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Property taxes	\$	124,918	
Adjudicated fines		<u>1,636,674</u>	
			1,761,592
Long-term liabilities, including bonds payable and tax anticipation notes, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds	(10,340,000)	
Premium on bonds	(146,247)	
Limited tax notes	(6,210,000)	
Excess sales tax	(135,928)	
Compensated absences	(491,837)	
Issuance costs of long-term debt		240,868	
Interest payable on long-term debt	(<u>44,669</u>)	
			(17,127,813)
Governmental funds report outlays for pension costs as expenditures. However, in the statement of activities the amount by which these outlays exceed the annual required contributions for the plan are not expenses. Instead these outlays are reported as an asset on the statement of net assets.			<u>1,000,000</u>
Net assets of governmental activities - statement of net assets		\$	<u>54,805,433</u>

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

HOOD COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>General</u>	<u>Special Road and Bridge</u>	<u>Debt Service</u>
REVENUES			
Taxes	\$ 16,737,793	\$ 1,983,104	\$ 2,846,294
Intergovernmental	583,744	-	-
Charges for services	33,527	-	-
Fees of office	2,391,678	1,067,594	-
Forfeitures	-	-	-
Investment earnings	21,354	1,326	2,580
Miscellaneous	<u>380,635</u>	<u>72,761</u>	<u>-</u>
Total revenues	<u>20,148,731</u>	<u>3,124,785</u>	<u>2,848,874</u>
EXPENDITURES			
Current:			
General government	5,542,861	-	-
Judicial and legal	3,310,069	-	-
Public facilities	756,168	-	-
Public safety	8,969,141	-	-
Public transportation	-	3,412,589	-
Health and welfare	391,542	-	-
Culture and recreation	-	-	-
Conservation	83,586	-	-
Capital outlay	68,749	-	-
Debt service:			
Principal	54,948	-	2,445,000
Interest and other charges	<u>-</u>	<u>-</u>	<u>646,318</u>
Total expenditures	<u>19,177,064</u>	<u>3,412,589</u>	<u>3,091,318</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>971,667</u>	<u>(287,804)</u>	<u>(242,444)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of tax anticipation notes	-	-	-
Proceeds from sale of capital assets	7,817	-	-
Transfers in	38,908	202,932	-
Transfers out	<u>(442,403)</u>	<u>(664)</u>	<u>(972)</u>
Total other financing sources and uses	<u>(395,678)</u>	<u>202,268</u>	<u>(972)</u>
NET CHANGE IN FUND BALANCES	575,989	(85,536)	(243,416)
FUND BALANCES, BEGINNING	<u>11,048,745</u>	<u>148,403</u>	<u>1,438,489</u>
FUND BALANCES, ENDING	<u>\$ 11,624,734</u>	<u>\$ 62,867</u>	<u>\$ 1,195,073</u>

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

Courthouse Restoration	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 520,751	\$ 22,087,942
293,916	1,020,736	1,898,396
-	105,889	139,416
-	355,628	3,814,900
-	34,349	34,349
-	7,120	32,380
-	151,846	605,242
<u>293,916</u>	<u>2,196,319</u>	<u>28,612,625</u>
-	325,844	5,868,705
-	147,345	3,457,414
-	-	756,168
-	752,666	9,721,807
-	-	3,412,589
-	309,057	700,599
-	519,288	519,288
-	-	83,586
1,049,431	493,740	1,611,920
-	-	2,499,948
-	42,561	688,879
<u>1,049,431</u>	<u>2,590,501</u>	<u>29,320,903</u>
(755,515)	(394,182)	(708,278)
-	2,500,000	2,500,000
-	-	7,817
874,536	239,471	1,355,847
-	(911,808)	(1,355,847)
<u>874,536</u>	<u>1,827,663</u>	<u>2,507,817</u>
119,021	1,433,481	1,799,539
(119,021)	3,588,726	16,105,342
<u>\$ -</u>	<u>\$ 5,022,207</u>	<u>\$ 17,904,881</u>

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HOOD COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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

Net change in fund balances - total governmental funds:		\$ 1,799,539
<p>Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay	\$ 1,576,366	
Depreciation	<u>(2,299,959)</u>	(723,593)
<p>Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets.</p>		
		(36,216)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	(18,704)	
Adjudicated fines	<u>17,758</u>	(946)
<p>The issuance of long-term debt (e.g., bonds, leases, tax notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt related items.</p>		
Issuance of long-term debt	(2,590,138)	
Issuance costs of long-term debt	42,561	
Principal payments on long-term debt	<u>2,499,948</u>	(47,629)
<p>Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	73,584	
Amortization of long-term debt issuance costs	(62,009)	
Amortization of premium on long-term debt	11,314	
Interest on long-term debt	<u>25,189</u>	48,078
<p>Governmental funds report outlays for pension costs as expenditures. However, in the statement of activities the amount by which these outlays exceed the annual required contributions for the plan are not expenses. Instead these outlays are reported as an asset on the statement of net assets.</p>		
		<u>1,000,000</u>
Change in net assets of governmental activities		<u>\$ 2,039,233</u>

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

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HOOD COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ <u>1,671,086</u>
Total assets	\$ <u><u>1,671,086</u></u>
LIABILITIES	
Amounts held for others	\$ <u>1,671,086</u>
Total liabilities	\$ <u><u>1,671,086</u></u>

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

HOOD COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the County reflected in the accompanying financial statements conform to the accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in Governmental Accounting and Financial Reporting Standards. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

A. Reporting Entity

Hood County, Texas (the “County”) is a political subdivision of the State of Texas. The County is governed by the Commissioners’ Court, composed of four elected County Commissioners and an elected County Judge. Each of these officials serves a term of four years. The primary activities of the County include: the construction and maintenance of County roads, public safety through the sheriff’s department, health and welfare and judicial.

A financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the elected officials of the County are financially accountable, or the relationship to the County is such that exclusion would cause the County’s financial statements to be misleading or incomplete. No component units are reported in this financial report.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the County. For the most part, Interfund activity has been removed from these statements; however, Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, normally are supported by taxes and intergovernmental revenues.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Revenues from property and sales taxes, grants and contracts, fees of office, forfeitures, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Revenues from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to 90 days.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the County to refund all or part of the unused amount.

The County reports Fiduciary Funds in the form of Agency Funds. These funds account for monies held on behalf of other entities. Fiduciary Fund Financial Statements include a Statement of Net Assets. The County's Fiduciary Funds represent Agency Funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds are accounted for on the accrual basis of accounting. Accordingly, all assets and liabilities are included on the Statement of Net Assets. Because the assets are held in an agent capacity and are not available to support County programs, these funds are not included in the government-wide statements.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Debt Service Fund** accounts for the accumulation of resources for the annual payment of general long-term debt principal and interest of governmental funds and to provide a reserve for such payment.

The **Road and Bridge Special Revenue Fund** accounts for the property taxes and fees from auto registration, certificates of title, and gross weight and axle fees, and approved expenditures for public transportation projects.

The **Courthouse Restoration Fund** accounts for the accumulation of grant and debt proceeds for the restoration of the Courthouse under a state program for restoration of historic Texas County Courthouses.

Additionally, the County reports the following fiduciary fund:

Agency Funds account for assets that the County holds on behalf of others as their agent.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

Cash and temporary investments include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the County. In accordance with GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools," investments are stated at fair value.

The County maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as cash and investments under each fund's caption. Funds are allowed to exceed the amount of their equity in the pooled cash account.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Property Taxes

Property taxes are levied as of October 1st of each year with statements prepared and mailed at that date or soon thereafter. The tax levy is based upon appraised property values as of each previous January 1st for all taxable property within the County. Payments are due and payable when taxes are levied and may be timely paid through January 31st. On February 1st, taxes become delinquent and subject to penalty and interest charges. After June 30th, any uncollected taxes are subject to tax suit and additional charges to offset related legal costs. The lien date for property taxes is July 1st.

The appraisal of property within the County is the responsibility of the Hood County Appraisal District. The Texas Legislature established the Appraisal District and the related Appraisal Review Board in 1979 through the adoption of a comprehensive Property Tax Code. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Real property is reappraised at least every four years. Under certain circumstances, taxpayers and taxing units including the County, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Under the Code, the Commissioners' Court will continue to set annual tax rates on the property. The Code also provides that, if approved by the qualified voters in the Appraisal District, collection functions may be placed with the Appraisal District. The Appraisal District bills and collects property taxes for the County.

The County is permitted by Article VIII, Section 9 of the State of Texas Constitution to levy taxes up to \$0.80 per \$100 assessed valuation for general governmental services including payment of principal and interest on general long-term debt and maintenance of roads and bridges. Article 6790 of Vernon's Civil Statutes permits the County to collect an additional \$0.15 per \$100 valuation for road and bridge purposes. Article 7048a of Vernon's Civil Statutes permits the County to collect \$0.30 per \$100 valuation for road, bridge and flood control purposes.

The County's 2011 tax levy, supporting the 2012 fiscal period budget, totaled \$0.348888 per \$100 valuation and was comprised as follows:

Constitutional levy:	
General fund	\$ 0.246604
Road and bridge fund (lateral road)	0.037453
Library fund	0.010010
Debt service	<u>0.054821</u>
Combined tax rate	\$ <u>0.348888</u>

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds.” All outstanding balances between funds are reported as “due to/from other funds.”

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Inventories

The County utilizes the consumption method to account for inventory. Under this method, inventory is considered an expenditure when used rather than when purchased. Significant inventories are reported on the balance sheet at cost, using the first-in, first-out method and reported as nonspendable fund balance in the governmental fund financial statements since they do not constitute “available spendable resources” even though they are a component of current assets. Inventories in the governmental funds are comprised of road materials, bulk fuel and chemicals.

6. Capital Assets

Capital assets, which include land, buildings and improvements, furniture, equipment and vehicles, infrastructure, and construction in progress, are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Assets capitalized have an original cost of \$5,000 or more and over two years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Leased assets are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5 - 50
Furniture, equipment and vehicles	5 - 20
Infrastructure	20 - 50

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. Compensated Absences

Employees are allowed paid absences due to sickness, vacation and compensatory time. Sick leave starts accruing three months from hire date. It accrues at a rate of 3.7 hours a pay period with a maximum of two hundred and forty (240). Employees are allowed to donate hours to a sick bank when the 240 hours is reached. The sick bank hours are then available to employees who max out their sick time in cases of serious illness. Sick leave benefits are recognized in the period in which time off is actually taken. Vacation benefits accrue monthly at rates depending upon an employee's length of service. Vacation benefits must be taken annually and are limited to a carryover period depending upon the employee's length of service.

Compensatory time represents time worked by employees in excess of 40 hours per week, and is earned at one and one-half times such hours worked. This applies to all non-exempt employees. Exempt employees are all department heads, supervisory personnel, and certain other professional or administrative positions. The maximum compensatory time an employee may accumulate without Commissioners' Court approval is fifty (50) hours. All such paid absences are paid at the employee's regular pay rate.

There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees separate from service with the County. Vacation and compensatory pay are accrued when incurred in the government-wide statements up to the amount the County pays upon termination of an employee. A liability for these amounts is reported in governmental funds only if they have matured for example, as a result of employee resignations and retirements.

8. Long-term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Fund Balance

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the Commissioners' Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent is determined by the County Judge, with the assistance of the County Auditor and County Attorney, as needed.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Restricted net assets, as presented in the government-wide statement of net assets, are reported when constraints placed on the use of net assets are either 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments), or 2) imposed by law through constitutional provisions or enabling legislation.

11. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2012, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Cash and temporary investments:		
TexPool	\$ 5,525,000	41
TexStar	<u>5,300,000</u>	49
Total fair value	<u>\$ 10,825,000</u>	

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to them. The County requires that all deposits with financial institutions be collateralized in an amount equal to 110 percent of uninsured balances. The County’s cash deposit in the bank of \$8,750,171 on September 30, 2012, was covered by federal depository insurance or collateral held by the County’s agent in the County’s name.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the County to invest its funds underwritten investment policy (the “investment policy”) that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under Chapter 2256 of the Texas Government Code.

The County’s deposits and investments are invested pursuant to the investment policy, which is approved by Commissioners’ Court. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition, it includes an “Investment Strategy Statement” that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the County will deposit funds is addressed. The County’s investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The County’s management believes that it complied with the requirements of the PFIA and the County’s investment policy.

The County’s Investment Officer submits an investment report each quarter to the Commissioners’ Court. The report details the investment positions of the County and the compliance of the investment portfolios as they relate to both the adopted investment strategy statements and the Texas State law.

The County is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of the United States or its agencies and instrumentalities. Section 2256.009 (a) (1), PFIA and 116 Local Government Code;
2. Direct obligations of the State of Texas or its agencies and instrumentalities. Section 2256.009 (a) (2), PFIA and 116 Local Government Code;
3. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities. Section 2256.009 (a) (4), PFIA;

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments (Continued)

4. Certificates of deposit issued by a depository institution that has its main office or a branch office in this state in accordance with Section 2256.010 (a) (1), PFIA: a) guaranteed or insured by the Federal Deposit Insurance Corporation or its successors, or secured by obligations that are described by paragraphs 1 through 3 above which are intended to include all direct federal agency or instrumentality issued mortgage-backed securities, but excluding those mortgage-backed securities of the nature described in Section 2256.009 (b) of the PFIA, that have a market value of not less than the principal amount of the certificates or in any other manner and amount provided by law for deposits of the County; b) governed by a Depository Agreement that complies with federal and state regulation to properly secure a pledged security interest and; c) solicited for bid orally, in writing, electronically, or any combination of these methods. Section 2256.005 (c) (1-4), PFIA; and

5. Eligible investment pools organized and operating in compliance with the PFIA that have been authorized by the Commissioners' Court; and those investment philosophies and strategies are consistent with this policy and the County's ongoing investment strategy. Disclosures of compliance with Section 2256.0016 of the PFIA must be submitted by the pool. Investment pools created to function as a money market mutual fund must mark its portfolio to market daily and stabilize at a net asset value of \$1 (one dollar).

Further, the County's investment policy provides limitations on types of investments, including funds maintained in the depository bank, which may be held as follows.

U. S. Treasury bills/notes/bonds	100%
U. S. agencies and instrumentalities	100%
States, counties, cities and other	50%
Certificates of deposit	50%
Eligible investment pools	90%

The County's investment policy does not cover investments (trust funds) controlled by County courts and held by various financial institutions jointly under the name of the County and the Court's beneficiaries and carrying the identification number of the beneficiaries.

The County participates in two Local Government Investment Pools (LGIP), TexPool and TexStar. The State Comptroller oversees TexPool with Lehman Brothers and Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over TexStar, an advisory board consisting of participants or their designees maintains oversight responsibility for TexStar.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments (Continued)

The County invests in TexPool and TexStar to provide its liquidity needs. TexPool and TexStar are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool and TexStar are 2(a) 7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. TexPool and TexStar are rated AAAM and must maintain a dollar-weighted average maturity not to exceed 60 days, which is the limit.

Credit Risk. As of September 30, 2012, the LGIPs (which represent approximately 96.6% of the County's investment portfolio) are rated AAAM by Standard & Poor's or AAA by Fitch. The certificate of deposit (which represents approximately 3.4% of the County's investment portfolio) is insured and covered by collateral held by the County's agent in the County's name.

It is the County's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The County's investment pools are rated as follows by Standard & Poor's Investors Service.

TexPool	AAAM
TexStar	AAAM

II. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables, Uncollectible Accounts and Deferred Revenues

Receivables and Allowances

Receivables as of year-end for the County's individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds					Total
	General	Special Road and Bridge	Debt Service	Courthouse Restoration	Other Governmental Funds	
Receivables:						
Taxes	\$ 1,090,606	\$ 89,943	\$ 117,818	\$ -	\$ 21,478	\$ 1,319,845
Accounts	139,444	32,038	6,323	293,916	141,011	612,732
Adjudicated fine receivable	<u>6,465,695</u>	-	-	-	-	6,465,695
Gross receivables	7,695,745	121,981	124,141	293,916	162,489	8,398,272
Less: allowance for uncollectibles	<u>5,190,701</u>	<u>67,966</u>	<u>86,804</u>	-	<u>15,871</u>	<u>5,361,342</u>
Net total receivables	<u>\$ 2,505,044</u>	<u>\$ 54,015</u>	<u>\$ 37,337</u>	<u>\$ 293,916</u>	<u>\$ 146,618</u>	<u>\$ 3,036,930</u>

Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

Receivable Fund	Unavailable	Unearned
General		
Delinquent property tax receivable	\$ 88,978	\$ -
Fines	1,636,674	-
Other	-	67,500
Total general	<u>1,725,652</u>	<u>67,500</u>
Road and bridge		
Delinquent property tax receivable	13,904	-
Total road and bridge	<u>13,904</u>	<u>-</u>
Debt service		
Delinquent property tax receivable	18,518	-
Total debt service	<u>18,518</u>	<u>-</u>
Other governmental		
Delinquent property tax receivable	3,518	-
Grants	-	115,153
Other	-	76,885
Total other governmental	<u>3,518</u>	<u>192,038</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Interfund Balances and Transactions

Due to/from Other Funds

The composition of interfund balances as of September 30, 2012, is as follows:

<u>Due to</u>	<u>Due from</u>	<u>Total</u>
General	Courthouse restoration	\$ 1,018,452
Courthouse restoration	Nonmajor	724,536
Nonmajor	General	<u>1,009</u>
		<u>\$ 1,743,997</u>

All balances of the due to/due from resulted from short-term loans that are to be reimbursed within the next year.

Interfund Transfers

	<u>Transfer In</u>				<u>Total</u>
	<u>General</u>	<u>Special Road and Bridge</u>	<u>Courthouse Restoration</u>	<u>Nonmajor Governmental</u>	
Transfer out:					
General	\$ -	\$ 202,932	\$ -	\$ 239,471	\$ 442,403
Special road and bridge	664	-	-	-	664
Debt service	972	-	-	-	972
Nonmajor governmental	<u>37,272</u>	<u>-</u>	<u>874,536</u>	<u>-</u>	<u>911,808</u>
	<u>\$ 38,908</u>	<u>\$ 202,932</u>	<u>\$ 874,536</u>	<u>\$ 239,471</u>	<u>\$ 1,355,847</u>

The Commissioners' Court approved these transfers as transfers of operational funds to cover planned expenditures.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	Balance 09/30/11	Additions	Reclassifications/ Deletions	Balance 09/30/12
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,621,112	\$ -	\$ -	\$ 6,621,112
Construction in progress	7,447,811	-	(7,100,000)	347,811
Total assets not being depreciated	<u>14,068,923</u>	<u>-</u>	<u>(7,100,000)</u>	<u>6,968,923</u>
Capital assets, being depreciated:				
Buildings and improvements	21,484,668	504,964	6,614,295	28,603,927
Furniture, equipment and vehicles	12,869,106	508,903	(140,980)	13,237,029
Infrastructure	43,642,965	567,888	485,705	44,696,558
Total capital assets being depreciated	<u>77,996,739</u>	<u>1,581,755</u>	<u>6,959,020</u>	<u>86,537,514</u>
Less accumulated depreciation:				
Buildings and improvements	5,163,110	567,652	-	5,730,762
Furniture, equipment and vehicles	6,553,036	1,132,543	(99,375)	7,586,204
Infrastructure	28,322,934	599,764	-	28,922,698
Total accumulated depreciation	<u>40,039,080</u>	<u>2,299,959</u>	<u>(99,375)</u>	<u>42,239,664</u>
Total capital assets being depreciated, net	<u>37,957,659</u>	<u>(718,204)</u>	<u>7,058,395</u>	<u>44,297,850</u>
Governmental activities capital assets, net	<u>\$ 52,026,582</u>	<u>\$(718,204)</u>	<u>\$(41,605)</u>	<u>\$ 51,266,773</u>

Depreciation expense was charged to functions of the County as follows:

Governmental activities:	
General government	\$ 326,748
Judicial and legal	242,049
Public safety	800,759
Public transportation	836,464
Health and welfare	21,699
Culture and recreation	<u>72,240</u>
Total depreciation expense - governmental activities	<u>\$ 2,299,959</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt

General Obligation Debt

General obligation bonds and certificates of obligation payable at September 30, 2012, are summarized as follows:

	Interest Rate	Series Dates		Amount Outstanding 09/30/12
		Issued	Maturity	
General obligation:				
Refunding bonds, Series 2003	3.25%	2004	2014	\$ 820,000
Refunding bonds, Series 2008	4.05%	2008	2029	5,610,000
Refunding bonds, Series 2009	4.00% - 4.125%	2009	2023	<u>3,910,000</u>
				<u>\$ 10,340,000</u>

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

Year Ending September 30,	Principal	Interest	Total Requirement
2013	\$ 555,000	\$ 401,255	\$ 956,255
2014	595,000	388,052	983,052
2015	390,000	363,143	753,143
2016	410,000	347,119	757,119
2017	425,000	330,394	755,394
2018-2022	2,410,000	1,375,650	3,785,650
2023-2027	3,750,000	773,121	4,523,121
2028-2029	<u>1,805,000</u>	<u>73,811</u>	<u>1,878,811</u>
	<u>\$ 10,340,000</u>	<u>\$ 4,052,545</u>	<u>\$ 14,392,545</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

General Obligation Debt (Continued)

During the year ended September 30, 2004, the County issued \$3,755,000 in General Obligation Refunding Bonds, Series 2003, for the purpose of refunding the remaining portion of the Certificates of Obligation, Series 1994. These general obligation bonds bear interest at a rate of 3.25% and were scheduled to be retired over a period of 11 years, beginning in 2004. The Certificates of Obligation, Series 1994 were refunded in their entirety at the time of the refunding.

On August 18, 2008, the County sold \$5,730,000 of General Obligation Refunding Bonds, Series 2008. These refunding bonds (Series 2008) were issued for the purpose of generating resources and decreasing the total debt service payments.

On May 26, 2009, the County sold \$4,180,000 of General Obligation Refunding Bonds, Series 2009. These refunding bonds (Series 2009) were issued for the purpose of generating resources and decreasing the total debt service payments.

Prior Year Defeasance of Bonds

In prior years, the County defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. On September 30, 2012, there are no bonds considered defeased.

Limited Tax Notes

Limited tax notes payable at September 30, 2012, are summarized as follows:

	Amount Issued	Interest Rate	Series Dates		Amount Outstanding 09/30/12
			Issued	Maturity	
Series 2006	\$ 1,540,000	4.10%	2006	2013	\$ 170,000
Series 2008	3,395,000	3.29%	2008	2015	1,045,000
Series 2009	2,840,000	3.29%	2009	2013	700,000
Series 2011	1,845,000	2.065%	2011	2018	1,795,000
Series 2012	2,500,000	1.17%	2012	2017	2,500,000
					<u>\$ 6,210,000</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Annual debt service requirements to maturity of limited tax note requirements are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2013	\$ 1,805,000	\$ 111,859	\$ 1,916,859
2014	1,750,000	64,860	1,814,860
2015	1,005,000	38,599	1,043,599
2016	660,000	22,380	682,380
2017	675,000	11,841	686,841
2018-2021	<u>315,000</u>	<u>3,252</u>	<u>318,252</u>
	<u>\$ 6,210,000</u>	<u>\$ 252,791</u>	<u>\$ 6,462,791</u>

Excess Sales Tax

During the year ended September 30, 2009, the state comptroller notified the County that excess sales tax in the amount of \$219,790 had been paid to the County in error. The County negotiated a payback schedule of 48 months at \$4,579 per month beginning with the October 2009 payment and ending September 2013. No interest is payable on the excess balance. During the year ended September 30, 2012, the state comptroller notified the County that excess sales tax in the amount of \$90,138 had been paid to the County in error in addition to what had previously been overpaid. The state agreed to extend the original payback agreement for 32 months at the original monthly deduction amount. A final 33rd payment in the amount of \$3,138 will be paid in June 2015.

The following is a summary payment schedule agreed upon by the state comptroller as of September 30, 2012:

<u>Year Ending September 30,</u>	
2013	\$ 54,948
2014	54,948
2015	<u>26,032</u>
	<u>\$ 135,928</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Changes in Long-term Debt

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

	Balance September 30, 2011	Additions	Retirements	Balance September 30, 2012	Amounts Due Within One Year
<u>Governmental activities</u>					
Certificates of obligation	\$ 365,000	\$ -	\$ 365,000	\$ -	\$ -
General obligation bonds	10,865,000	-	525,000	10,340,000	555,000
Premium on bonds	157,561	-	11,314	146,247	11,314
Limited tax notes	5,265,000	2,500,000	1,555,000	6,210,000	1,805,000
Excess sales tax	100,738	90,138	54,948	135,928	54,948
Compensated absences	<u>565,421</u>	<u>600,959</u>	<u>674,543</u>	<u>491,837</u>	<u>147,551</u>
Total governmental activities	<u>\$ 17,318,720</u>	<u>\$ 3,191,097</u>	<u>\$ 3,185,805</u>	<u>\$ 17,324,012</u>	<u>\$ 2,573,813</u>

Compensated absences is typically funded with the General and Road and Bridge Funds.

F. Operating Leases

The County is involved in an operating lease for copiers. The minimum future rental payments on noncancelable leases as of September 30, 2012, are as follows:

<u>Year Ending September 30,</u>	
2013	\$ 72,014
2014	44,060
2015	35,696
2016	26,081
2017	4,681
2018-2022	<u>339</u>
	<u>\$ 182,871</u>

III. OTHER INFORMATION

A. Retirement Plan

Plan Description

The County provides retirement, disability, and death benefits for all of its fulltime employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

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

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

Funding Policy

The County has elected the annually determined contribution rate ("ADCR") plan provision 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 County is actuarially determined annually. The County contributed using the actuarially determined rate of 7.50% for the months of the accounting year in 2011, and 7.56% for the months of the accounting year in 2012.

The contribution rate payable by the employee members for calendar years 2012 and 2011 is the rate of 6%, as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

(continued)

III. OTHER INFORMATION (Continued)

A. Retirement Plan

Annual Pension Cost

For the year ended September 30, 2012, the County's annual pension costs and net pension asset were as follows:

Annual required contribution (ARC)	\$ 883,850
Interest on net pension asset	-
Adjustment to ARC	<u>-</u>
Annual pension cost	883,850
Contributions made	(1,883,850)
Net pension asset, beginning of year	<u>-</u>
Change in net pension asset	<u>(1,000,000)</u>
Net pension asset, end of year	<u>\$(1,000,000)</u>

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2010 and December 31, 2011, the basis for determining the contribution rates for calendar years 2011 and 2012. The December 31, 2011 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial Valuation Date	12/31/09	12/31/10	12/31/11
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	20	20	20
Asset valuation method	SAF: 10-yr smoothed value ESF: Fund Value	SAF: 10-yr smoothed value ESF: Fund Value	SAF: 10-yr smoothed value ESF: Fund Value
Actuarial Assumptions:			
Investment return ¹	8.0%	8.0%	8.0%
Projected salary increases ¹	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

¹Includes inflation at the state rate

(continued)

III. OTHER INFORMATION (Continued)

A. Retirement Plan (Continued)

Annual Pension Cost (Continued)

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

Accounting Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
09/30/10	\$ 874,482	100%	\$ -
09/30/11	941,713	100%	-
09/30/12	883,850	213%	(1,000,000)

Funded Status and Funding Progress

The funded status as of December 31, 2011, the most recent actuarial valuation completed, is presented as follows:

Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	\$ 18,532,313	\$ 19,988,869	\$ 1,456,556	92.71%	\$ 11,967,381	12.17%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

B. Post Employment Group Term Life Insurance Plan

Plan Description

The County participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County and District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

The GTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County and District Retirement System, P. O. Box 2034, Austin, Texas 78768-2034.

(continued)

III. OTHER INFORMATION (Continued)

B. Post Employment Group Term Life Insurance Plan (Continued)

Funding Policy

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The County's contributions to the GTLF for the years ended September 30, 2012, 2011, and 2010 were \$30,177, \$37,258, and \$41,510, respectively, which equaled the contractually required contributions each year.

C. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County purchases workers' compensation insurance coverage from the Texas Association of Counties Self-insurance Fund, a public entity risk pool, which is self-sustaining through member premiums. The Fund reinsures through commercial companies for the claims in excess of \$300,000. The County maintains commercial insurance coverage covering other risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. There have been no significant reductions in insurance coverage.

D. Contingencies

The County is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. Although the outcome of such lawsuits and other claims is not presently determinable, the resolution of these matters is not expected to have a material effect on the financial condition of the County.

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. A contingent liability was not established because potential reimbursements are considered immaterial.

**REQUIRED
SUPPLEMENTARY INFORMATION**

HOOD COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 16,362,450	\$ 16,377,911	\$ 16,737,793	\$ 359,882
Intergovernmental	312,000	507,435	583,744	76,309
Charges for services	26,000	26,700	33,527	6,827
Fees of office	2,385,000	2,389,800	2,391,678	1,878
Investment earnings	35,000	35,000	21,354	(13,646)
Miscellaneous	326,250	339,446	380,635	41,189
Total revenues	<u>19,446,700</u>	<u>19,676,292</u>	<u>20,148,731</u>	<u>472,439</u>
EXPENDITURES				
Current:				
General government:				
Commissioners' court	389,296	389,296	380,476	8,820
County judge	163,383	162,533	150,897	11,636
County clerk	510,115	508,115	487,189	20,926
Veteran's service	57,654	57,654	44,154	13,500
Nondepartmental	2,646,018	2,457,931	2,022,931	435,000
Risk management	681,700	621,500	453,694	167,806
Mailroom	149,566	149,566	103,168	46,398
Purchasing	170,353	170,353	163,540	6,813
Human resources	157,911	157,911	141,140	16,771
County auditor	264,625	264,625	257,076	7,549
County treasurer	177,948	177,948	159,197	18,751
County tax assessor/collector	441,617	441,617	375,970	65,647
Voter registration	37,186	37,186	35,572	1,614
Information systems	742,890	742,890	663,374	79,516
Elections	132,635	132,635	104,483	28,152
Total general government	<u>6,722,897</u>	<u>6,471,760</u>	<u>5,542,861</u>	<u>928,899</u>
Judicial:				
County court	75,453	70,203	57,047	13,156
County court-at-law judge	263,245	264,245	260,746	3,499
County court-at-law	315,780	316,780	286,178	30,602
District judge	132,185	132,185	124,983	7,202
District court	497,048	497,048	477,516	19,532
District clerk	388,006	388,006	335,062	52,944
Justice of the peace, precincts 1 and 2	202,403	205,903	169,663	36,240
Justice of the peace, precinct 3	174,960	174,660	170,198	4,462
Justice of the peace, precinct 4	174,053	173,753	158,969	14,784
County attorney	675,018	675,018	646,330	28,688
District attorney	584,419	584,419	564,065	20,354
Jury	79,500	79,500	59,312	20,188
Total judicial	<u>3,562,070</u>	<u>3,561,720</u>	<u>3,310,069</u>	<u>251,651</u>
Public facilities:				
Buildings and grounds	865,331	871,377	756,168	115,209
Total public facilities	<u>865,331</u>	<u>871,377</u>	<u>756,168</u>	<u>115,209</u>

(continued)

HOOD COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Current: (Continued)				
Public safety:				
Fire protection	\$ 283,400	\$ 283,400	\$ 271,860	\$ 11,540
Fire marshal	266,218	266,218	257,382	8,836
Civil process services	58,925	56,925	49,277	7,648
Constable, precincts 1 and 2	126,961	128,061	117,358	10,703
Constable, precincts 3 and 4	246,474	247,474	238,725	8,749
Sheriff, administration	3,350,161	3,391,553	3,290,156	101,397
Sheriff, dispatch	901,226	903,776	837,395	66,381
Sheriff, civil	3,000	3,000	10,987	(7,987)
Justice center security contract	221,049	221,349	208,415	12,934
Highway patrol	89,273	89,473	86,695	2,778
911 Coordinator	56,160	58,250	49,485	8,765
Animal control	222,634	220,634	206,808	13,826
Jail	3,243,898	3,411,118	3,100,217	310,901
Juvenile probation	371,080	371,080	227,292	143,788
Adult probation	17,625	17,625	17,089	536
Total public safety	<u>9,458,084</u>	<u>9,669,936</u>	<u>8,969,141</u>	<u>700,795</u>
Public transportation:				
Road operations	50,000	50,000	-	50,000
Total public transportation	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Health and welfare:				
County health	257,449	257,749	239,611	18,138
Environmental protection	70,000	96,300	93,303	2,997
Public assistance	54,000	54,000	58,628	(4,628)
Total health and welfare	<u>381,449</u>	<u>408,049</u>	<u>391,542</u>	<u>16,507</u>
Conservation:				
County extension agent	84,629	84,729	83,586	1,143
Total conservation	<u>84,629</u>	<u>84,729</u>	<u>83,586</u>	<u>1,143</u>
Total current expenditures	21,124,460	21,117,571	19,053,367	2,064,204
Capital outlay	-	70,000	68,749	1,251
Debt service:				
Principal	54,948	54,948	54,948	-
Total expenditures	<u>21,179,408</u>	<u>21,242,519</u>	<u>19,177,064</u>	<u>2,065,455</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,732,708)</u>	<u>(1,566,227)</u>	<u>971,667</u>	<u>(1,593,016)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	10,000	10,000	7,817	(2,183)
Transfers in	56,760	91,466	38,908	(52,558)
Transfers out	(231,933)	(431,520)	(442,403)	(10,883)
Total other financing sources and uses	<u>(165,173)</u>	<u>(330,054)</u>	<u>(395,678)</u>	<u>(65,624)</u>
NET CHANGE IN FUND BALANCE	<u>(1,897,881)</u>	<u>(1,896,281)</u>	<u>575,989</u>	<u>2,472,270</u>
FUND BALANCE, BEGINNING	<u>11,048,745</u>	<u>11,048,745</u>	<u>11,048,745</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 9,150,864</u>	<u>\$ 9,152,464</u>	<u>\$ 11,624,734</u>	<u>\$ 2,472,270</u>

HOOD COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,984,940	\$ 1,985,605	\$ 1,983,104	\$(2,501)
Fees of office	1,260,000	1,260,000	1,067,594	(192,406)
Investment earnings	3,000	3,000	1,326	(1,674)
Miscellaneous	<u>67,000</u>	<u>67,000</u>	<u>72,761</u>	<u>5,761</u>
Total revenues	<u>3,314,940</u>	<u>3,315,605</u>	<u>3,124,785</u>	<u>(190,820)</u>
EXPENDITURES				
Current:				
Public transportation:				
Operations	3,462,109	3,462,109	3,159,513	302,596
Appraisals	57,000	57,000	49,248	7,752
Development	<u>205,453</u>	<u>205,453</u>	<u>203,828</u>	<u>1,625</u>
Total expenditures	<u>3,724,562</u>	<u>3,724,562</u>	<u>3,412,589</u>	<u>311,973</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(409,622)</u>	<u>(408,957)</u>	<u>(287,804)</u>	<u>121,153</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	202,932	202,932	202,932	-
Transfers out	<u>-</u>	<u>(664)</u>	<u>(664)</u>	<u>-</u>
Total other financing sources and uses	<u>202,932</u>	<u>202,268</u>	<u>202,268</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(206,690)</u>	<u>(206,689)</u>	<u>(85,536)</u>	<u>121,153</u>
FUND BALANCE, BEGINNING	<u>148,403</u>	<u>148,403</u>	<u>148,403</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$(58,287)</u>	<u>\$(58,286)</u>	<u>\$ 62,867</u>	<u>\$ 121,153</u>

HOOD COUNTY, TEXAS

NOTES TO BUDGETARY INFORMATION

SEPTEMBER 30, 2012

Budgetary Information

The budget law of the State of Texas provides that amounts budgeted for current expenditures from the various funds of the County shall not exceed the balances in the funds, plus the anticipated revenues for the current year as estimated by the County Auditor. The legal level of budgetary control is at the department level of each fund. Any expenditure, which alters the total budgeted amounts of a fund, must be approved by Commissioners' Court, and the budget amended. Budgets are adopted on a basis consistent with generally accepted accounting principles.

Annual appropriated budgets are adopted for the General Fund, all Special Revenue Funds, except certain funds (County Attorney Collection Fee, District Attorney, Sheriff Forfeiture, Sheriff Commissary, Alternative Dispute Resolution Fees), and the Debt Service Fund. Project length budgets are adopted for Capital Projects Funds.

The County follows these procedures in establishing the budgetary data reflected in the financial report. The County Judge has departmental meetings with management to determine the departmental budget requests; the County Judge, assisted by the County Auditor, submits to the County Commissioners a proposed operating budget for the fiscal year commencing the following October. The proposed operating budget establishes estimated revenues and other resources available for appropriation. Proposed expenditures may not exceed estimated revenues, other resources, and available fund balances after proper publication of notice, a public hearing is conducted by the Commissioners' Court to obtain taxpayer comments (if an increase to the effective tax rate of more than 3% is proposed as a result of the proposed budget, additional notices and public hearings are required); after the public hearing(s) the Commissioners' Court makes appropriate budget changes and adopts the budget through the passage of an order at a regularly scheduled meeting on or before October 1. A separate order is adopted to levy the taxes necessary to finance the budgeted expenditures.

Although the level of budgetary control is department level of each fund, the County adopts its budget at a line-item level for internal managerial control purposes. Line item level is defined for revenue purposes as the type of revenue to be derived and for expenditure purposes by department and type of expenditures (salaries and wages, and employee benefits; operating expenses/expenditures; and capital outlay). Budget amendments to transfer budgeted amounts from one line item to another may be made at the discretion of Commissioners' Court. Amendments to provide for items not included in the original budget may be made by the Commissioners' Court upon finding and declaration of the existence of an emergency sufficient to require action. County management can, with the exception of personnel items, make adjustments to their budgets within the department level. Appropriations not exercised in the current year lapse at the end of the year.

(continued)

HOOD COUNTY, TEXAS

**NOTES TO BUDGETARY INFORMATION
(Continued)
SEPTEMBER 30, 2012**

Encumbrances

Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

Excess of Expenditures Over Appropriations

During the year ended September 30, 2012, the County incurred expenditures in excess of appropriations within the following funds:

General fund:		
Health and welfare - public assistance	\$	4,628

This overrun was funded by other departments expending less than budget.

HOOD COUNTY, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	\$ 14,843,611	\$ 16,911,788	\$ 2,068,177	87.77%	\$ 11,989,355	17.25%
2010	16,152,903	18,416,060	2,263,157	87.71%	12,131,230	18.66%
2011	18,532,313	19,988,869	1,456,556	92.71%	11,967,381	12.17%

1 - The annual covered payroll is based on the employee contributions received by TCDRS for the year ending with the valuation date.

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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NONMAJOR SPECIAL REVENUE FUNDS

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

District Attorney – This fund is used to account for monies received from fees collected on the payment of hot checks and revenue specific to the District Attorney's office and to account for monies received from the state, for the benefit of the District Attorney's office. Expenditures are used to improve the operation of the District Attorney's office.

District Attorney Forfeiture – This fund is used to account for the award of property and cash from drug seizures. These proceeds are available for use by the District Attorney to improve the operations of the office or expended in future drug related activities. This fund also accounts for previously forfeited funds held by the STOP Narcotics Task Force pursuant to Chapter 59, Texas Criminal Code, that were disbursed to the partner law enforcement agencies of the STOP Narcotics Task Force when this agency was dissolved by agreement of the partner law enforcement agencies.

County Attorney Collection Fee – This fund is used to account for monies received from fees collected on the payment of hot checks and revenues specific to the County Attorney's office. Expenditures are used to improve the operation of the County Attorney's office.

Grants – This fund accounts for intergovernmental revenues from federal and state sources that the County receives for various projects. Each grant's revenue is restricted to the use intended for the grant.

Judges' Education – This fund is used to account for fees collected from County court cases specific to offset the expenditures of continuing professional education requirements of the County and District judges.

Courthouse Security – This fund is used to account for revenue derived from fees collected by the County and District Clerks for the purpose of providing security measures for the County and District courts.

Justice Court Technology – This fund accounts for the mandate that each justice court in Hood County assess a technology fee of \$4.00 as cost of court on each conviction, as defined by Art. 102.0173, Code of Criminal Procedure, for a fine-only misdemeanor committed on or after January 1, 2002. The use of this fee is restricted to the purchase of technological enhancements for a justice court.

Records Management – This fund is used to account for specific fees collected by the County Clerk. These funds are to be utilized for records preservation and automation of the record retention in the County Clerk's office.

Records Preservation – This fund is used to account for specific fees collected by the County Clerk and District Clerk. These funds are to be utilized for records preservation and record retention County offices.

Time Payment Collection Fee – This fund is used to account for fees collected by the County Clerk, District Clerk, Justice of the Peace Precincts 1 and 2, and Justice of the Peace Precincts 3 and 4, for the purpose of improving the efficiency of the respective offices.

Sheriff Forfeiture – This fund is used to account for the award of property and cash from drug seizures. These proceeds are available for use by the Sheriff to improve the operations of the office or expended in future drug related activities.

Sheriff Commissary – This fund is used to account for jail inmates' purchases of food, toiletry items, and other supplies. Expenditures are for the purchase of stock and profits generated may be used by the Sheriff to purchase items for the benefit of the inmate population.

Truant Officer – This fund is used to account for the intergovernmental revenues collected from Granbury Independent School District to provide the services of a truant officer. These funds are to offset the costs of administering the program out of Precincts 3 and 4 Constables' office.

Abandoned Vehicle – This fund is used to account for funds collected from the storage and sale of abandoned vehicles. Expenditures are for the costs of towing, processing and auctioning of these vehicles.

TJPC Juvenile Probation Programs – This fund accounts for revenues received from the Texas Juvenile Probation Commission to supplement expenditures of the County in administering a Juvenile Probation Department. This fund accounts for four Texas Juvenile Probation Commission programs as follows: TJPC – State Aid which accounts for revenues received from the Texas Juvenile Probation Commission to supplement expenditures of the County in administering a Juvenile Probation Department; TJPC – Progressive Sanctions JPO which pays only for salaries and/or fringe benefits, supplies or other miscellaneous expenses of Juvenile Probation Officers (JPO) hired under this grant. The JPO duties include supervising juveniles on Levels I, II, or III of the Progressive Sanctions Model; TJPC – Progressive Sanctions Level 1-2-3 which is solely for the provision of probation services within the three budget categories of staff services, non-residential services and residential services. This program provides funds for the creation of new programs or to enhance existing programs for juveniles who are assigned to Levels I, II, or III of the Progressive Sanctions Model; and TJPC – Salary Adjustment Funding which accounts for revenues received from the Texas Juvenile Probation Commission to adjust the salaries of eligible fulltime certified juvenile probation officers. The County operates under an approved budget with the TJPC and submits reports quarterly with an annual contract report submitted as of each fiscal year ended August 31.

Law Library – This fund accounts for the cost of operating and maintaining a law library for public use. Revenues are derived from law library fees assessed against each civil case filed in District and County courts.

County Library – This fund is used to account for property tax collections and library user fees. Expenditures are for the costs of maintaining the County public library, including personnel costs and the purchase of books.

Library Special – This fund is used to account for donations by public users of the library, which are to be utilized for improvements to and the enhancement of the library.

Alternative Dispute Resolution Fees – This fund is used to account for fees dedicated to a process for peaceable and expeditious resolution of citizen disputes, i.e., mediation or arbitration among individuals who have ongoing relationships such as relatives, neighbors, landlords and tenants, or merchants and consumers.

County Attorney Forfeitures – This fund is used to account for proceeds from forfeitures of contraband seized by the County Attorney. These proceeds are available to the County Attorney for legitimate law enforcement activities of the County Attorney office.

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CAPITAL PROJECTS FUNDS

The Capital Projects Fund accounts for proceeds from grants and debt issuances, or local resources authorized for acquisition and construction of capital projects.

Office Equipment C & M Capital Projects Fund – This fund accounts for bond proceeds authorized for acquisition and construction of capital projects, and for tax note and lease purchase proceeds for the acquisition of capital equipment.

Courts Facility – This fund accounts for grant proceeds for the construction of the Justice Center under a state program for energy efficiency and conservation.

HOOD COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	Special Revenue Funds		
	District Attorney	District Attorney Forfeiture	County Attorney Collection Fee
ASSETS			
Cash and investments	\$ 18,732	\$ 75,847	\$ 78,175
Receivables, net:			
Taxes	-	-	-
Accounts	-	211	-
Due from other governments	-	-	-
Due from other funds	-	-	-
Prepaid items	-	-	-
Total assets	\$ 18,732	\$ 76,058	\$ 78,175
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	-	-	-
Fund balances:			
Nonspendable:			
Prepaid items	-	-	-
Restricted:			
Records management and preservation	-	-	-
Judicial	18,732	76,058	78,175
Public safety	-	-	-
Culture and recreation	-	-	-
Committed:			
Capital projects	-	-	-
Total fund balances	18,732	76,058	78,175
Total liabilities and fund balances	\$ 18,732	\$ 76,058	\$ 78,175

Special Revenue Funds

<u>Grants</u>	<u>Judges Education</u>	<u>Courthouse Security</u>	<u>Justice Court Technology</u>	<u>Records Management</u>	<u>Records Preservation</u>	<u>Time Payment Collection Fee</u>
\$ 47,199	\$ 5,590	\$ 102,769	\$ 77,360	\$ 659,396	\$ 124,287	\$ 59,511
-	-	-	-	-	-	-
435	3	1,372	1,307	296	54	109
6,968	-	-	-	-	-	-
1,009	-	-	-	-	-	-
-	<u>676</u>	-	-	-	-	-
<u>\$ 55,611</u>	<u>\$ 6,269</u>	<u>\$ 104,141</u>	<u>\$ 78,667</u>	<u>\$ 659,692</u>	<u>\$ 124,341</u>	<u>\$ 59,620</u>
\$ 4,128	\$ -	\$ -	\$ 195	\$ 97,037	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>4,128</u>	<u>-</u>	<u>-</u>	<u>195</u>	<u>97,037</u>	<u>-</u>	<u>-</u>
-	676	-	-	-	-	-
27,936	-	-	-	562,655	62,171	-
-	5,593	104,141	78,472	-	62,170	59,620
23,547	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>51,483</u>	<u>6,269</u>	<u>104,141</u>	<u>78,472</u>	<u>562,655</u>	<u>124,341</u>	<u>59,620</u>
<u>\$ 55,611</u>	<u>\$ 6,269</u>	<u>\$ 104,141</u>	<u>\$ 78,667</u>	<u>\$ 659,692</u>	<u>\$ 124,341</u>	<u>\$ 59,620</u>

(continued)

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

	Special Revenue Funds		
	Sheriff Forfeiture	Sheriff Commissary	Truant Officer
ASSETS			
Cash and investments	\$ 14,293	\$ 13,575	\$ 10,221
Receivables, net:			
Taxes	-	-	-
Accounts	-	-	-
Due from other governments	-	-	-
Due from other funds	-	-	-
Prepaid items	-	-	-
Total assets	\$ 14,293	\$ 13,575	\$ 10,221
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 1,062
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	-	-	1,062
Fund balances:			
Nonspendable:			
Prepaid items	-	-	-
Restricted:			
Records management and preservation	-	-	-
Judicial	-	-	-
Public safety	14,293	13,575	9,159
Culture and recreation	-	-	-
Committed:			
Capital projects	-	-	-
Total fund balances	14,293	13,575	9,159
Total liabilities and fund balances	\$ 14,293	\$ 13,575	\$ 10,221

Special Revenue Funds

Abandoned Vehicle	TJJD Juvenile Probation Programs	Law Library	County Library	Library Special	Alternative Dispute Resolution Fees
\$ 74,597	\$ 100,895	\$ 47,309	\$ 402,336	\$ 7,897	\$ 120,503
-	-	-	5,607	-	-
4,789	-	20	368	5	-
-	49	-	1,020	-	-
-	-	-	-	-	-
-	-	-	3,596	-	-
<u>\$ 79,386</u>	<u>\$ 100,944</u>	<u>\$ 47,329</u>	<u>\$ 412,927</u>	<u>\$ 7,902</u>	<u>\$ 120,503</u>
\$ 2,505	\$ 22,516	\$ 2,942	\$ 26,839	\$ 12	\$ -
-	-	-	-	-	-
-	76,885	-	3,518	-	-
<u>2,505</u>	<u>99,401</u>	<u>2,942</u>	<u>30,357</u>	<u>12</u>	<u>-</u>
-	-	-	3,596	-	-
-	-	-	-	-	-
-	-	44,387	-	-	120,503
76,881	1,543	-	-	-	-
-	-	-	378,974	7,890	-
-	-	-	-	-	-
<u>76,881</u>	<u>1,543</u>	<u>44,387</u>	<u>382,570</u>	<u>7,890</u>	<u>120,503</u>
<u>\$ 79,386</u>	<u>\$ 100,944</u>	<u>\$ 47,329</u>	<u>\$ 412,927</u>	<u>\$ 7,902</u>	<u>\$ 120,503</u>

(continued)

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

	Special Revenue	
	County Attorney Forfeitures	Total Special Revenue Funds
ASSETS		
Cash and investments	\$ 24,029	\$ 2,064,521
Receivables, net:		
Taxes	-	5,607
Accounts	-	8,969
Due from other governments	-	8,037
Due from other funds	-	1,009
Prepaid items	-	4,272
Total assets	\$ 24,029	\$ 2,092,415
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ -	\$ 157,236
Due to other funds	-	-
Deferred revenue	-	80,403
Total liabilities	-	237,639
Fund balances:		
Nonspendable:		
Prepaid items	-	4,272
Restricted:		
Records management and preservation	-	652,762
Judicial	24,029	671,880
Public safety	-	138,998
Culture and recreation	-	386,864
Committed:		
Capital projects	-	-
Total fund balances	24,029	1,854,776
Total liabilities and fund balances	\$ 24,029	\$ 2,092,415

<u>Capital Projects</u>		
<u>Office Equipment C & M</u>	<u>Courts Facility</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 3,884,765	\$ -	\$ 5,949,286
-	-	5,607
8,852	-	17,821
-	115,153	123,190
-	-	1,009
-	-	4,272
<u>\$ 3,893,617</u>	<u>\$ 115,153</u>	<u>\$ 6,101,185</u>
\$ 1,650	\$ -	\$ 158,886
724,536	-	724,536
-	115,153	195,556
<u>726,186</u>	<u>115,153</u>	<u>1,078,978</u>
-	-	4,272
-	-	652,762
-	-	671,880
-	-	138,998
-	-	386,864
<u>3,167,431</u>	<u>-</u>	<u>3,167,431</u>
<u>3,167,431</u>	<u>-</u>	<u>5,022,207</u>
<u>\$ 3,893,617</u>	<u>\$ 115,153</u>	<u>\$ 6,101,185</u>

HOOD COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue Funds		
	District Attorney	District Attorney Forfeiture	County Attorney Collection Fee
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	22,502	-	-
Charges for services	-	-	-
Fees of office	35,179	-	9,501
Forfeitures	-	4,271	-
Investment income	-	130	-
Miscellaneous	-	-	-
Total revenues	57,681	4,401	9,501
EXPENDITURES			
Current:			
General government	-	-	-
Judicial	66,000	4,606	8,061
Public safety	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Debt service:			
Interest and other charges	-	-	-
Capital outlay	-	-	-
Total expenditures	66,000	4,606	8,061
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,319)	(205)	1,440
OTHER FINANCING SOURCES (USES)			
Issuance of tax anticipation notes	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	(8,319)	(205)	1,440
FUND BALANCES, BEGINNING	27,051	76,263	76,735
FUND BALANCES, ENDING	\$ 18,732	\$ 76,058	\$ 78,175

Special Revenue Funds

Grants	Judges Education	Courthouse Security	Justice Court Technology	Records Management	Records Preservation	Time Payment Collection Fee
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
601,962	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	40,420	16,810	160,932	40,318	12,145
-	-	-	-	-	-	-
19	11	228	-	1,228	192	-
9,496	995	-	-	-	-	-
<u>611,477</u>	<u>1,006</u>	<u>40,648</u>	<u>16,810</u>	<u>162,160</u>	<u>40,510</u>	<u>12,145</u>
19,407	-	-	-	306,437	-	-
18,283	247	-	5,788	-	1,000	-
50,348	-	-	-	-	-	-
309,057	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>142,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>539,321</u>	<u>247</u>	<u>-</u>	<u>5,788</u>	<u>306,437</u>	<u>1,000</u>	<u>-</u>
<u>72,156</u>	<u>759</u>	<u>40,648</u>	<u>11,022</u>	<u>(144,277)</u>	<u>39,510</u>	<u>12,145</u>
-	-	-	-	-	-	-
6,084	-	-	-	-	-	-
-	-	(154,178)	-	-	-	-
<u>6,084</u>	<u>-</u>	<u>(154,178)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
78,240	759	(113,530)	11,022	(144,277)	39,510	12,145
(26,757)	5,510	217,671	67,450	706,932	84,831	47,475
<u>\$ 51,483</u>	<u>\$ 6,269</u>	<u>\$ 104,141</u>	<u>\$ 78,472</u>	<u>\$ 562,655</u>	<u>\$ 124,341</u>	<u>\$ 59,620</u>

(continued)

HOOD COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue Funds		
	Sheriff Forfeiture	Sheriff Commissary	Truant Officer
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	54,404
Charges for services	-	105,889	-
Fees of office	-	-	-
Forfeitures	6,049	-	-
Investment income	-	-	-
Miscellaneous	-	-	-
Total revenues	6,049	105,889	54,404
EXPENDITURES			
Current:			
General government	-	-	-
Judicial	-	-	-
Public safety	18,764	112,403	54,527
Health and welfare	-	-	-
Culture and recreation	-	-	-
Debt service:			
Interest and other charges	-	-	-
Capital outlay	-	-	-
Total expenditures	18,764	112,403	54,527
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,715)	(6,514)	(123)
OTHER FINANCING SOURCES (USES)			
Issuance of tax anticipation notes	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	(12,715)	(6,514)	(123)
FUND BALANCES, BEGINNING	27,008	20,089	9,282
FUND BALANCES, ENDING	\$ 14,293	\$ 13,575	\$ 9,159

Special Revenue Funds

Abandoned Vehicle	TJJD Juvenile Probation Programs	Law Library	County Library	Library Special	Alternative Dispute Resolution Fees
\$ -	\$ -	\$ -	\$ 520,751	\$ -	\$ -
-	341,868	-	-	-	-
-	-	-	-	-	-
-	-	38,054	-	-	2,269
-	-	-	-	-	-
150	221	82	915	14	-
<u>85,515</u>	<u>-</u>	<u>-</u>	<u>32,355</u>	<u>23,485</u>	<u>-</u>
<u>85,665</u>	<u>342,089</u>	<u>38,136</u>	<u>554,021</u>	<u>23,499</u>	<u>2,269</u>
-	-	-	-	-	-
-	-	43,360	-	-	-
50,097	348,576	-	-	-	-
-	-	-	-	-	-
-	-	-	511,364	7,924	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,962</u>	<u>-</u>
<u>50,097</u>	<u>348,576</u>	<u>43,360</u>	<u>511,364</u>	<u>19,886</u>	<u>-</u>
<u>35,568</u>	<u>(6,487)</u>	<u>(5,224)</u>	<u>42,657</u>	<u>3,613</u>	<u>2,269</u>
-	-	-	-	-	-
-	-	-	-	-	118,234
<u>(32,916)</u>	<u>-</u>	<u>-</u>	<u>(178)</u>	<u>-</u>	<u>-</u>
<u>(32,916)</u>	<u>-</u>	<u>-</u>	<u>(178)</u>	<u>-</u>	<u>118,234</u>
2,652	(6,487)	(5,224)	42,479	3,613	120,503
<u>74,229</u>	<u>8,030</u>	<u>49,611</u>	<u>340,091</u>	<u>4,277</u>	<u>-</u>
<u>\$ 76,881</u>	<u>\$ 1,543</u>	<u>\$ 44,387</u>	<u>\$ 382,570</u>	<u>\$ 7,890</u>	<u>\$ 120,503</u>

(continued)

HOOD COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue	
	County Attorney Forfeitures	Total Special Revenue Funds
REVENUES		
Taxes	\$ -	\$ 520,751
Intergovernmental	-	1,020,736
Charges for services	-	105,889
Fees of office	-	355,628
Forfeitures	24,029	34,349
Investment income	-	3,190
Miscellaneous	-	151,846
Total revenues	24,029	2,192,389
EXPENDITURES		
Current:		
General government	-	325,844
Judicial	-	147,345
Public safety	-	634,715
Health and welfare	-	309,057
Culture and recreation	-	519,288
Debt service:		
Interest and other charges	-	-
Capital outlay	-	154,188
Total expenditures	-	2,090,437
EXCESS (DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES	24,029	101,952
OTHER FINANCING SOURCES (USES)		
Issuance of tax anticipation notes	-	-
Transfers in	-	124,318
Transfers out	-	(187,272)
Total other financing sources (uses)	-	(62,954)
NET CHANGE IN FUND BALANCES	24,029	38,998
FUND BALANCES, BEGINNING	-	1,815,778
FUND BALANCES, ENDING	\$ 24,029	1,854,776

<u>Capital Projects</u>		
<u>Office Equipment C & M</u>	<u>Courts Facility</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 520,751
-	-	1,020,736
-	-	105,889
-	-	355,628
-	-	34,349
3,930	-	7,120
-	-	151,846
<u>3,930</u>	<u>-</u>	<u>2,196,319</u>
-	-	325,844
-	-	147,345
117,951	-	752,666
-	-	309,057
-	-	519,288
42,561	-	42,561
<u>339,552</u>	<u>-</u>	<u>493,740</u>
<u>500,064</u>	<u>-</u>	<u>2,590,501</u>
(496,134)	-	(394,182)
2,500,000	-	2,500,000
-	115,153	239,471
(724,536)	-	(911,808)
<u>1,775,464</u>	<u>115,153</u>	<u>1,827,663</u>
1,279,330	115,153	1,433,481
<u>1,888,101</u>	<u>(115,153)</u>	<u>3,588,726</u>
<u>\$ 3,167,431</u>	<u>\$ -</u>	<u>\$ 5,022,207</u>

HOOD COUNTY, TEXAS

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

DISTRICT ATTORNEY FORFEITURE - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Forfeitures	\$ 10,000	\$ 10,000	\$ 4,271	\$(5,729)
Investment income	-	-	130	130
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>4,401</u>	<u>(5,599)</u>
EXPENDITURES				
Current:				
Judicial and legal:				
District attorney	<u>10,000</u>	<u>22,000</u>	<u>4,606</u>	<u>17,394</u>
Total expenditures	<u>10,000</u>	<u>22,000</u>	<u>4,606</u>	<u>17,394</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(12,000)	(205)	11,795
FUND BALANCE, BEGINNING	<u>76,263</u>	<u>76,263</u>	<u>76,263</u>	-
FUND BALANCE, ENDING	<u>\$ 76,263</u>	<u>\$ 64,263</u>	<u>\$ 76,058</u>	<u>\$ 11,795</u>

HOOD COUNTY, TEXAS

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

GRANTS FUND - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 371,394	\$ 518,491	\$ 601,962	\$ 83,471
Investment income	3	3	19	16
Miscellaneous	<u>6,790</u>	<u>6,790</u>	<u>9,496</u>	<u>2,706</u>
Total revenues	<u>378,187</u>	<u>525,284</u>	<u>611,477</u>	<u>86,193</u>
EXPENDITURES				
Current:				
General government:				
Elections	15,000	26,200	19,407	6,793
Judicial:				
District attorney	20,000	20,000	18,283	1,717
County attorney	-	762	-	762
Public safety:				
Sheriff	7,500	17,249	11,719	5,530
Fire marshal	-	743	-	743
Constable precinct 1 and 2	-	1,951	-	1,951
Constable precinct 3 and 4	-	2,864	1,073	1,791
Victim coordinator	38,894	38,894	37,556	1,338
Health and welfare:				
Child protective services	1,906	18,899	14,480	4,419
County health	300,000	300,000	294,577	5,423
Capital outlay	<u>-</u>	<u>142,226</u>	<u>142,226</u>	<u>-</u>
Total expenditures	<u>383,300</u>	<u>569,788</u>	<u>539,321</u>	<u>30,467</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(5,113)</u>	<u>(44,504)</u>	<u>72,156</u>	<u>116,660</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>5,100</u>	<u>6,084</u>	<u>984</u>
Total other financing sources and uses	<u>-</u>	<u>5,100</u>	<u>6,084</u>	<u>984</u>
NET CHANGE IN FUND BALANCE	(5,113)	(39,404)	78,240	117,644
FUND BALANCE, BEGINNING	<u>(26,757)</u>	<u>(26,757)</u>	<u>(26,757)</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$(31,870)</u>	<u>\$(66,161)</u>	<u>\$ 51,483</u>	<u>\$ 117,644</u>

HOOD COUNTY, TEXAS

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

JUDGES EDUCATION - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ -	\$ -	\$ 11	\$ 11
Miscellaneous	<u>750</u>	<u>750</u>	<u>995</u>	<u>245</u>
Total revenues	<u>750</u>	<u>750</u>	<u>1,006</u>	<u>256</u>
EXPENDITURES				
Current:				
Judicial:				
District judge	<u>1,200</u>	<u>1,200</u>	<u>247</u>	<u>953</u>
Total expenditures	<u>1,200</u>	<u>1,200</u>	<u>247</u>	<u>953</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(450)	(450)	759	1,209
FUND BALANCE, BEGINNING	<u>5,510</u>	<u>5,510</u>	<u>5,510</u>	<u>-</u>
FUND BALANCE, ENDING	<u><u>\$ 5,060</u></u>	<u><u>\$ 5,060</u></u>	<u><u>\$ 6,269</u></u>	<u><u>\$ 1,209</u></u>

HOOD COUNTY, TEXAS

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

COURTHOUSE SECURITY - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fees of office	\$ 40,000	\$ 40,000	\$ 40,420	\$ 420
Investment income	-	-	228	228
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>40,648</u>	<u>648</u>
EXPENDITURES				
Current:				
Judicial:				
County court-at-law	40,000	35,800	-	35,800
Capital outlay	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>190,000</u>	<u>35,800</u>	<u>-</u>	<u>35,800</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(150,000)</u>	<u>4,200</u>	<u>40,648</u>	<u>36,448</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>(154,200)</u>	<u>(154,178)</u>	<u>22</u>
Total other financing sources and uses	<u>-</u>	<u>(154,200)</u>	<u>(154,178)</u>	<u>22</u>
NET CHANGE IN FUND BALANCE	(150,000)	(150,000)	(113,530)	36,470
FUND BALANCE, BEGINNING	<u>217,671</u>	<u>217,671</u>	<u>217,671</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 67,671</u>	<u>\$ 67,671</u>	<u>\$ 104,141</u>	<u>\$ 36,470</u>

HOOD COUNTY, TEXAS

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

JUSTICE COURT TECHNOLOGY - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fees of office	\$ 19,000	\$ 19,000	\$ 16,810	\$(2,190)
Total revenues	19,000	19,000	16,810	(2,190)
EXPENDITURES				
Current:				
Judicial:				
Justice of the peace, precincts 1 and 2	10,000	10,000	1,996	8,004
Justice of the peace, precinct 3	10,000	10,000	1,767	8,233
Justice of the peace, precinct 4	10,000	10,000	2,025	7,975
Total expenditures	30,000	30,000	5,788	24,212
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(11,000)	(11,000)	11,022	22,022
FUND BALANCE, BEGINNING				
	67,450	67,450	67,450	-
FUND BALANCE, ENDING				
	\$ 56,450	\$ 56,450	\$ 78,472	\$ 22,022

HOOD COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RECORDS MANAGEMENT - SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Fees of office	\$ 158,500	\$ 158,500	\$ 160,932	\$ 2,432
Investment income	<u>2,500</u>	<u>2,500</u>	<u>1,228</u>	<u>(1,272)</u>
Total revenues	<u>161,000</u>	<u>161,000</u>	<u>162,160</u>	<u>1,160</u>
EXPENDITURES				
Current:				
General government:				
County clerk	<u>483,050</u>	<u>483,050</u>	<u>306,437</u>	<u>176,613</u>
Total expenditures	<u>483,050</u>	<u>483,050</u>	<u>306,437</u>	<u>176,613</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(322,050)</u>	<u>(322,050)</u>	<u>(144,277)</u>	<u>177,773</u>
FUND BALANCE, BEGINNING	<u>706,932</u>	<u>706,932</u>	<u>706,932</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 384,882</u>	<u>\$ 384,882</u>	<u>\$ 562,655</u>	<u>\$ 177,773</u>

HOOD COUNTY, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RECORDS PRESERVATION - SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fees of office	\$ 32,000	\$ 32,000	\$ 40,318	\$ 8,318
Investment income	-	-	192	192
Total revenues	<u>32,000</u>	<u>32,000</u>	<u>40,510</u>	<u>8,510</u>
EXPENDITURES				
Current:				
Judicial:				
District clerk	<u>51,000</u>	<u>51,000</u>	<u>1,000</u>	<u>50,000</u>
Total expenditures	<u>51,000</u>	<u>51,000</u>	<u>1,000</u>	<u>50,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(19,000)	(19,000)	39,510	58,510
FUND BALANCE, BEGINNING	<u>84,831</u>	<u>84,831</u>	<u>84,831</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 65,831</u>	<u>\$ 65,831</u>	<u>\$ 124,341</u>	<u>\$ 58,510</u>

HOOD COUNTY, TEXAS

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

TIME PAYMENT COLLECTION FEE - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fees of office	\$ 6,000	\$ 6,000	\$ 12,145	\$ 6,145
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>12,145</u>	<u>6,145</u>
EXPENDITURES				
Current:				
General government:				
County clerk	3,500	3,500	-	3,500
Judicial:				
District clerk	500	500	-	500
Justice of the peace, precincts 1 and 2	1,000	1,000	-	1,000
Justice of the peace, precinct 3	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total expenditures	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	12,145	12,145
FUND BALANCE, BEGINNING	<u>47,475</u>	<u>47,475</u>	<u>47,475</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 47,475</u>	<u>\$ 47,475</u>	<u>\$ 59,620</u>	<u>\$ 12,145</u>

HOOD COUNTY, TEXAS

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

TRUANT OFFICER - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 54,404	\$ 54,404	\$ 54,404	\$ -
Total revenues	<u>54,404</u>	<u>54,404</u>	<u>54,404</u>	<u>-</u>
EXPENDITURES				
Current:				
Judicial:				
Constable 4	<u>54,404</u>	<u>55,404</u>	<u>54,527</u>	<u>877</u>
Total expenditures	<u>54,404</u>	<u>55,404</u>	<u>54,527</u>	<u>877</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(1,000)	(123)	877
FUND BALANCE, BEGINNING	<u>9,282</u>	<u>9,282</u>	<u>9,282</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 9,282</u>	<u>\$ 8,282</u>	<u>\$ 9,159</u>	<u>\$ 877</u>

HOOD COUNTY, TEXAS

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

ABANDONED VEHICLE - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ -	\$ -	\$ 150	\$ 150
Miscellaneous	<u>75,000</u>	<u>75,000</u>	<u>85,515</u>	<u>10,515</u>
Total revenues	<u>75,000</u>	<u>75,000</u>	<u>85,665</u>	<u>10,665</u>
EXPENDITURES				
Current:				
Public safety:				
Sheriff administration	<u>65,000</u>	<u>65,000</u>	<u>50,097</u>	<u>14,903</u>
Total expenditures	<u>65,000</u>	<u>65,000</u>	<u>50,097</u>	<u>14,903</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>10,000</u>	<u>10,000</u>	<u>35,568</u>	<u>25,568</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(32,916)</u>	<u>17,084</u>
Total other financing sources and uses	<u>(50,000)</u>	<u>(50,000)</u>	<u>(32,916)</u>	<u>17,084</u>
NET CHANGE IN FUND BALANCE	(40,000)	(40,000)	2,652	42,652
FUND BALANCE, BEGINNING	<u>74,229</u>	<u>74,229</u>	<u>74,229</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 34,229</u>	<u>\$ 34,229</u>	<u>\$ 76,881</u>	<u>\$ 42,652</u>

HOOD COUNTY, TEXAS

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

TJJJ JUVENILE PROBATION PROGRAMS - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 358,774	\$ 357,991	\$ 341,868	\$(16,123)
Investment income	<u>-</u>	<u>-</u>	<u>221</u>	<u>221</u>
Total revenues	<u>358,774</u>	<u>357,991</u>	<u>342,089</u>	<u>(15,902)</u>
EXPENDITURES				
Current:				
Public safety:				
Juvenile probation	<u>358,774</u>	<u>368,774</u>	<u>348,576</u>	<u>20,198</u>
Total expenditures	<u>358,774</u>	<u>368,774</u>	<u>348,576</u>	<u>20,198</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(10,783)</u>	<u>(6,487)</u>	<u>4,296</u>
FUND BALANCE, BEGINNING	<u>8,030</u>	<u>8,030</u>	<u>8,030</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 8,030</u>	<u>\$(2,753)</u>	<u>\$ 1,543</u>	<u>\$ 4,296</u>

HOOD COUNTY, TEXAS

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

LAW LIBRARY - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fees of office	\$ 45,000	\$ 45,000	\$ 38,054	\$(6,946)
Investment income	-	-	82	(82)
Total revenues	45,000	45,000	38,136	(6,864)
EXPENDITURES				
Current:				
Judicial:				
Law library	45,000	45,000	43,360	1,640
Total expenditures	45,000	45,000	43,360	1,640
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(5,224)	(5,224)
FUND BALANCE, BEGINNING	49,611	49,611	49,611	-
FUND BALANCE, ENDING	\$ 49,611	\$ 49,611	\$ 44,387	\$(5,224)

HOOD COUNTY, TEXAS

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

COUNTY LIBRARY - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 519,000	\$ 519,180	\$ 520,751	\$ 1,571
Investment income	2,000	2,000	915	(1,085)
Miscellaneous	<u>30,000</u>	<u>30,000</u>	<u>32,355</u>	<u>2,355</u>
Total revenues	<u>551,000</u>	<u>551,180</u>	<u>554,021</u>	<u>2,841</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Library	<u>570,937</u>	<u>570,937</u>	<u>511,364</u>	<u>59,573</u>
Total expenditures	<u>570,937</u>	<u>570,937</u>	<u>511,364</u>	<u>59,573</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(19,937)	(19,757)	<u>42,657</u>	<u>62,414</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	(180)	(178)	<u>2</u>
Total other financing sources and uses	<u>-</u>	(180)	(178)	<u>2</u>
NET CHANGE IN FUND BALANCE				
	(19,937)	(19,937)	42,479	62,416
FUND BALANCE, BEGINNING				
	<u>340,091</u>	<u>340,091</u>	<u>340,091</u>	<u>-</u>
FUND BALANCE, ENDING				
	<u>\$ 320,154</u>	<u>\$ 320,154</u>	<u>\$ 382,570</u>	<u>\$ 62,416</u>

HOOD COUNTY, TEXAS

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

LIBRARY SPECIAL - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ -	\$ 10	\$ 14	\$ 4
Miscellaneous	<u>1,000</u>	<u>17,015</u>	<u>23,485</u>	<u>6,470</u>
Total revenues	<u>1,000</u>	<u>17,025</u>	<u>23,499</u>	<u>6,474</u>
EXPENDITURES				
Current:				
Culture and recreation:				
Library	1,000	7,982	7,924	58
Capital outlay	<u>5,000</u>	<u>12,000</u>	<u>11,962</u>	<u>38</u>
Total expenditures	<u>6,000</u>	<u>19,982</u>	<u>19,886</u>	<u>96</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,000)</u>	<u>(2,957)</u>	<u>3,613</u>	<u>6,570</u>
FUND BALANCE, BEGINNING	<u>4,277</u>	<u>4,277</u>	<u>4,277</u>	<u>-</u>
FUND BALANCE, ENDING	<u><u>\$ (723)</u></u>	<u><u>\$ 1,320</u></u>	<u><u>\$ 7,890</u></u>	<u><u>\$ 6,570</u></u>

HOOD COUNTY, TEXAS

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

COUNTY ATTORNEY FORFEITURES - SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Forfeitures	\$ 30,000	\$ 30,000	\$ 24,029	\$(5,971)
Investment income	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Total revenues	<u>32,000</u>	<u>32,000</u>	<u>24,029</u>	<u>(7,971)</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>32,000</u>	<u>32,000</u>	<u>24,029</u>	<u>(7,971)</u>
FUND BALANCE, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 32,000</u>	<u>\$ 32,000</u>	<u>\$ 24,029</u>	<u>\$(7,971)</u>

HOOD COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,358,000	\$ 2,358,973	\$ 2,846,294	\$ 487,321
Investment income	<u>3,000</u>	<u>3,000</u>	<u>2,580</u>	<u>(420)</u>
Total revenues	<u>2,361,000</u>	<u>2,361,973</u>	<u>2,848,874</u>	<u>486,901</u>
EXPENDITURES				
Debt service:				
Principal on long-term debt	2,445,000	2,445,000	2,445,000	-
Interest on long-term debt	<u>657,912</u>	<u>657,912</u>	<u>646,318</u>	<u>11,594</u>
Total expenditures	<u>3,102,912</u>	<u>3,102,912</u>	<u>3,091,318</u>	<u>11,594</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	<u>(741,912)</u>	<u>(740,939)</u>	<u>(242,444)</u>	<u>498,495</u>
FUND BALANCE, BEGINNING	<u>1,438,489</u>	<u>1,438,489</u>	<u>1,438,489</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 696,577</u>	<u>\$ 697,550</u>	<u>\$ 1,196,045</u>	<u>\$ 498,495</u>

HOOD COUNTY, TEXAS
COMBINING BALANCE SHEET
AGENCY FUNDS
SEPTEMBER 30, 2012

	<u>County Clerk Bond</u>	<u>County Clerk Special</u>	<u>District Clerk Trust</u>	<u>District Clerk Special</u>
ASSETS				
Cash and investments	\$ <u>141,317</u>	\$ <u>227,190</u>	\$ <u>382,191</u>	\$ <u>36,915</u>
Total assets	\$ <u><u>141,317</u></u>	\$ <u><u>227,190</u></u>	\$ <u><u>382,191</u></u>	\$ <u><u>36,915</u></u>
LIABILITIES				
Amounts held for others	\$ <u>141,317</u>	\$ <u>227,190</u>	\$ <u>382,191</u>	\$ <u>36,915</u>
Total liabilities	\$ <u><u>141,317</u></u>	\$ <u><u>227,190</u></u>	\$ <u><u>382,191</u></u>	\$ <u><u>36,915</u></u>

<u>District Attorney Seizure</u>	<u>District Attorney Restitution</u>	<u>County Attorney Restitution</u>	<u>Sheriff Inmate Trust</u>	<u>Justice of the Peace Precincts 3 and 4</u>	<u>Unclaimed Property</u>	<u>Tax Assessor Auto Registration</u>
\$ <u>12,858</u>	\$ <u>10,063</u>	\$ <u>4,838</u>	\$ <u>43,887</u>	\$ <u>10,927</u>	\$ <u>15,052</u>	\$ <u>295,999</u>
\$ <u>12,858</u>	\$ <u>10,063</u>	\$ <u>4,838</u>	\$ <u>43,887</u>	\$ <u>10,927</u>	\$ <u>15,052</u>	\$ <u>295,999</u>
\$ <u>12,858</u>	\$ <u>10,063</u>	\$ <u>4,838</u>	\$ <u>43,887</u>	\$ <u>10,927</u>	\$ <u>15,052</u>	\$ <u>295,999</u>
\$ <u>12,858</u>	\$ <u>10,063</u>	\$ <u>4,838</u>	\$ <u>43,887</u>	\$ <u>10,927</u>	\$ <u>15,052</u>	\$ <u>295,999</u>

(continued)

HOOD COUNTY, TEXAS

COMBINING BALANCE SHEET

AGENCY FUNDS

(Continued)

SEPTEMBER 30, 2012

	<u>Bail Bond Board</u>	<u>CSCD Adult Supervision</u>	<u>CSCD CCP Court Officer</u>	<u>CSCD Adult Probation Restitution</u>
ASSETS				
Cash and investments	\$ <u>19,544</u>	\$ <u>169,117</u>	\$ <u>13,036</u>	\$ <u>41,636</u>
Total assets	\$ <u><u>19,544</u></u>	\$ <u><u>169,117</u></u>	\$ <u><u>13,036</u></u>	\$ <u><u>41,636</u></u>
LIABILITIES				
Amounts held for others	\$ <u>19,544</u>	\$ <u>169,117</u>	\$ <u>13,036</u>	\$ <u>41,636</u>
Total liabilities	\$ <u><u>19,544</u></u>	\$ <u><u>169,117</u></u>	\$ <u><u>13,036</u></u>	\$ <u><u>41,636</u></u>

<u>Sheriff Seizure I</u>	<u>VIT Escrow</u>	<u>Total Agency Funds</u>
\$ <u>14,295</u>	\$ <u>232,221</u>	\$ <u>1,671,086</u>
\$ <u>14,295</u>	\$ <u>232,221</u>	\$ <u>1,671,086</u>
\$ <u>14,295</u>	\$ <u>232,221</u>	\$ <u>1,671,086</u>
\$ <u>14,295</u>	\$ <u>232,221</u>	\$ <u>1,671,086</u>

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COMPLIANCE REPORT

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

To the Honorable County Judge
and County Commissioners
Hood County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hood County, Texas (the “County”) as of and for the year ended September 30, 2012, which collectively comprise the County’s basic financial statements and have issued our report thereon dated May 23, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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

May 23, 2013