

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

---

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2010**

# COUNTY OF GAINES

## TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	2-9
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements:	
Statement of Net Assets-Modified Cash Basis .....	10
Statement of Activities-Modified Cash Basis .....	11
Fund Financial Statements:	
Balance Sheet-Modified Cash Basis-Governmental Funds .....	12-14
Statement of Revenues, Expenditures and Changes in Fund Balance-Modified Cash Basis-Governmental Funds .....	15-17
Statement of Fiduciary Net Assets-Modified Cash Basis-Fiduciary Funds .....	18
Notes to Financial Statements .....	19-33
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Budgetary Comparison Schedules .....	35-41

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 309, 2100 Hobbs Hwy.  
Seminole, Texas 79360  
(432) 758-3226

INDEPENDENT AUDITOR'S REPORT

January 7, 2011

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Gaines, Seminole, Texas, as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

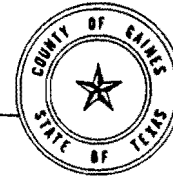
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Gaines, as of September 30, 2010, and the respective changes in financial position—modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note I.

The management's discussion and analysis and budgetary comparison information on pages 2 through 9 and 35 through 41, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Davis, Ray & Co.*

Davis, Ray & Co., PC  
Certified Public Accountants

# COUNTY OF GAINES



RICK DOLLAHAN, County Auditor

P. O. Box 847

Seminole, Texas 79360

January 7, 2011

Honorable Carter T. Schildknecht, District Judge, 106<sup>th</sup> Judicial District

Honorable Commissioners Court:

Lance Celander County Judge

Danny Yocom Commissioner, PCT 1

Blair Tharp Commissioner, PCT 3

Craig Belt

Charlie Lopez

Commissioner, PCT 2

Commissioner, PCT 4

In accordance with Chapter 114.025(c) VTCA, I submit herewith my report of the financial position of County of Gaines, Texas as of September 30, 2010 together with the results of the operations for the fiscal year of 2010.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Audited Financial Report, the management of County of Gaines, Texas, discusses and analyzes the County's financial performance for the fiscal year ended September 30, 2010. Please read it in conjunction with the independent auditors' report and the County's basic financial statements which begin on page 10.

## FINANCIAL HIGHLIGHTS

- At the close of the most recent fiscal year, County of Gaines's net assets were \$33,301,014 an increase of 4.4 million dollars from the prior year. Of this amount, \$19,242,558 was unrestricted net assets.
- The County's net assets increased approximately 13% as a result of this year's operation.
- During the year, the County had expenses of \$16,029,146 which were \$4,482,829 less than the \$20,511,975 generated in tax and other revenues for governmental programs. This compares to last year when revenues exceeded expenses by \$6,634,222.
- The General Fund ended the year with a fund balance of \$5,765,075 as compared to last year's fund balance of \$5,803,161.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

The fund financial statements begin on page 12 and provide detailed information about the most significant funds—not the County as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Laws and contracts require the County to establish some funds. The County's administration can establish many other funds to help it control and manage money for particular purposes (e.g. capital projects). All of the funds of the County can be

divided into two categories: governmental funds and fiduciary funds. Each category uses a different accounting approach.

*Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. These funds use modified cash basis of accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) to reflect that focus. The governmental fund statements provide a detailed near-term view of the County's general operations and the basic services it provides.*

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net assets of the County's governmental activities increased from \$28,856,175 to \$33,301,014. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements were \$19,242,558 at September 30, 2010.

Table I  
County of Gaines, Texas  
NET ASSETS

	Governmental Activities 2010	Governmental Activities 2009
<b>Assets:</b>		
Current and Other Assets	19,204,538	15,474,557
Capital Assets	14,096,476	13,584,806
<b>Total Assets</b>	<b>33,301,014</b>	<b>29,059,363</b>
<b>Liabilities:</b>		
Accounts Payable		96,476
Noncurrent Liabilities		
Due in More Than One Year		106,712
<b>Total Liabilities</b>		<b>203,188</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	14,096,476	13,584,806
Prior period adjustment	(38,020)	
Unrestricted Net Assets	19,242,558	15,271,369
<b>Total Net Assets</b>	<b>33,301,014</b>	<b>28,856,175</b>

Table II  
County of Gaines, Texas  
CHANGES IN NET ASSETS

	Governmental Activities 2010	Governmental Activities 2009
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services	1,614,502	1,722,247
Operating Grants and Contributions	177,780	452,004
<b>General Revenues:</b>		
<b>Taxes</b>		
Property taxes, Levied for General Purposes	18,648,105	20,092,444
Investment Earnings	33,768	104,841
Miscellaneous Revenue	17,885	2,844
Gain on disposal of Asset	19,965	291,172
<b>Total General Revenue and Special Items</b>	<b>20,512,005</b>	<b>22,665,552</b>

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

	Governmental Activities 2010	Governmental Activities 2009
Expenses:		
General administration	870,744	1,168,751
Judicial	1,462,221	1,482,631
Elections	60,705	29,936
Financial Administration	481,594	487,329
Tax Administration	486,798	475,399
Facilities Management	1,334,395	1,208,683
Law Enforcement	1,561,180	1,769,697
Fire Protection	145,631	132,732
Corrections	1,473,696	1,278,896
Civil Defense	87,912	63,569
Road and Bridge	5,603,009	5,161,013
Sanitation	22,519	22,520
Airport	70,471	79,742
Loop Water System	3,500	296,945
Health	516,440	513,470
Human Services	61,690	62,506
Golf Course	632,267	673,267
Parks	322,852	311,809
Museums	106,722	108,335
County Extension Service	165,477	165,537
Libraries	332,332	323,902
Senior Citizens	226,991	214,661
<b>Total Expenses</b>	<b>16,029,146</b>	<b>16,031,330</b>
<b>Change in Net Assets</b>	<b>4,482,859</b>	<b>6,634,222</b>
<b>Net Assets at Beginning of Year</b>	<b>28,856,175</b>	<b>22,221,953</b>
Prior period adjustments	(38,020)	
<b>Net Assets at End of Year</b>	<b>33,301,014</b>	<b>28,856,175</b>

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

1. Mineral and related taxable values decreased, local property taxable values were up, but there was an extraordinary decline in the way that mineral values are calculated called the "market condition factor" and that caused an overall 1.1 Billion dollar decline, and 18.45% decrease.
2. The ad valorem property tax revenue levy was down by 7.1% compared to the prior year.
3. There were two new positions added. These were a new Treasurer's Assistant and one more person for the maintenance department. In addition, there are expenses associated with these new hires that have been included in the appropriate budgets.

The cost of all governmental activities this year was \$16,029,146 which was nearly the same as the prior year. However, as shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities was \$14,236,864 because some of the costs were paid with charges for services of \$1,614,502 a 7% decrease from the year before and operating grants and contributions of \$177,780 a 254% decrease.



## THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as reported on the balance sheet on page 12-13) reported a combined fund balance of \$18,957,723 which is \$3,743,098 more than last year's total of \$15,214,625. Included in this year's total change in fund balance is a decrease of \$38,086 in the County's General Fund.

For fiscal year 2010, actual expenditures on a budgetary basis for the General Fund were \$10,306,247 compared to the original budget expenditures of \$11,949,326. Actual revenue on a budgetary basis was \$13,035,572 compared to the original budget of \$12,732,942. Reasons for the actual numbers varying from the budget follow:

- The various categories of revenues were mixed and down from the prior year budget by approximately 4.3%.
- Property tax was higher than budgeted because the Court only budgets 97% of the levy.
- Interest earnings received were substantially lower than budgeted, a reflection of the slowing economy.
- Total disbursements were less than budgeted as the Reserve Line was minimally used with the express idea of transferring left over amounts to a Capital Projects Fund to set aside money to pay cash for future Courthouse renovation projects.
- General government including fuel, utility and road repair costs were less than budgeted amounts.
- Judicial expenses were less than budgeted
- Corrections expenses were more than originally budgeted. Prisoner housing, prisoner medical care, and capital costs for fleet replacements vehicles were the driving factors in this.

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

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

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At the end of fiscal year 2010, the County had \$14,096,476 invested in a broad range of capital assets, including land, buildings and equipment.

The County's fiscal year 2010 capital outlays called for expenditures of around \$1,974,330. This includes the following:

- The majority of Phase One funding of the Noresco Courthouse renovation project was paid for using the Capital Projects Line in the General Fund
- One fairway mower for the Golf Course and a utility cart.
- Two Cat 140M motorgraders.

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

Debt – At year end, the County had \$161,058 in commitments under operating leases.

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County Judge and Commissioners' Court members considered many factors when setting the FY 2011 budget and tax rates. Some key items that should be noted are as follows:

1. Mineral and related taxable values rebounded significantly for FY2011. Additionally, local property tax values increased slightly. This effectively shifted a portion of the burden of the tax levy back from private property to minerals. Overall, there was an approximate 13.95 % increase in valuations from last year's figures.
2. I spoke to you last year about a dramatic change in the way the Court funded their expenditure budget. As can be seen from these financial statements, the Court continues to develop true undesignated reserves, while still keeping the tax rate low and funding all of the necessary things that take place each day. I would encourage the Court to not deviate from the "zero based budgeting concepts" ensuring that they have sufficient revenues to fully fund the expenditure budget that they want to adopt or cut the expenditure budget to match the projected revenues.
3. The need for true reserves was especially apparent in FY 2010. If the old process was still in place, exhausting prior year reserves to balance the proposed budget, the Court would have been faced with catastrophic decisions in FY 2010. Fortunately, they had changed and weathered the storm and now face a rebound of valuations. The Court again decided to fully fund a capital projects line in the General Fund to allow necessary capital upgrades to County facilities. In the end, the Court adopted a tax rate of \$0.367048, some 2.79 cents below the adopted tax rate for FY2010.
4. The intent of setting aside capital projects money is to allow the costly process of modernizing the courthouse and other County facilities without incurring costly debt. The facility study that I told you about last year is over, the plan adopted, and Phase One of the Project has already replaced all of the Courthouse windows and foyers with energy savings windows and doors.
5. Phase Two begins in FY2011. That will see the entire Courthouse emptied and all infrastructure in that facility brought up to current standards. The nearly 7 million dollar project is expected to be finished by November 2011 with all County offices back in the Courthouse before the end of the year.
6. Elected official/employee base pay raised by 3% and the Court did allow longevity increases for the employees. There were no changes to the retirement system or other employee benefits.
7. Most of the other special revenue funds are projecting no major changes with the exception of the Capital Project fund. This fund has all of the money set aside for the Courthouse renovation and will see substantial depletion in FY2011 as the court pays for the Phase 2 of the Noresco Project.
8. The oil and agriculture industries in our area have had successful years but continue to be very unpredictable. These two industries remain the largest parts of our local business activity, and the uncertainty that goes along with them makes it a challenge to accurately predict long-term economic and population numbers for County of Gaines. Possibilities that will help strengthen and expand existing business and industry remain a focal point for economic development, along with seeking and pursuing opportunities not directly linked to oil and agriculture to help create stability and diversification for our local economy.

## REQUEST FOR INFORMATION

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

## ACKNOWLEDGMENTS

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

I would especially like to thank my First Assistant, Esmeralda Felan and the rest of my staff for their hard work, knowledge and willingness to help the great folks serving the County of Gaines. Please let me remind you that the County Auditor's Office is here to help, and I look forward to the opportunity of working with each of you.

Respectfully submitted,

*Rick Dollahan*

County of Gaines Auditor

**BASIC FINANCIAL STATEMENTS**

**COUNTY OF GAINES**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**SEPTEMBER 30, 2010**

	Governmental Activities
<b><u>ASSETS</u></b>	
Current Assets:	
Cash and cash equivalents	\$ 18,954,856
Due from agency funds	2,867
Inventory	246,815
Capital assets:	
Land	116,298
Infrastructure, net	7,720,479
Buildings, net	1,838,529
Machinery and equipment, net	4,421,170
<b><i>Total Assets</i></b>	<b>33,301,014</b>
<b><u>NET ASSETS</u></b>	
Investments in capital assets, net of related debt	14,096,476
Prior period adjustment	(38,020)
Unrestricted	19,242,558
<b><i>Net Assets</i></b>	<b>\$ 33,301,014</b>

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

**COUNTY OF GAINES**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental
<b>Governmental Activities:</b>				
General administration	\$ 870,744	\$ 1,408	\$ 171	\$ (869,165)
Judicial	1,462,221	512,929	112,988	(836,304)
Elections	60,705	27,733	-	(32,972)
Financial administration	481,594	-	-	(481,594)
Tax administration	486,798	73,428	-	(413,370)
Facilities management	1,334,395	-	-	(1,334,395)
Law enforcement	1,561,180	53,381	-	(1,507,799)
Fire protection	145,631	-	-	(145,631)
Corrections	1,473,696	86,857	-	(1,386,839)
Civil defense	87,912	-	-	(87,912)
Road and bridge	5,603,009	542,950	36,635	(5,023,424)
Sanitation	22,519	-	-	(22,519)
Airport	70,471	2,114	-	(68,357)
Loop water system	3,500	-	3,500	-
Health	516,440	-	-	(516,440)
Human services	61,690	-	500	(61,190)
Golf course	632,267	260,893	15,677	(355,697)
Parks	322,852	34,303	-	(288,549)
Museums	106,722	162	-	(106,560)
County extension	165,477	-	-	(165,477)
Libraries	332,332	18,344	8,309	(305,679)
Senior citizens	226,991	-	-	(226,991)
<b>Total Primary Government</b>	<b>\$ 16,029,146</b>	<b>\$ 1,614,502</b>	<b>\$ 177,780</b>	<b>\$ (14,236,864)</b>
<b>General Revenues:</b>				
Property taxes				\$ 18,648,105
Interest income				33,768
Miscellaneous income				17,885
Gain on disposal of assets				19,965
<b>Total General Revenues</b>				<b>18,719,723</b>
<b>Changes in Net Assets</b>				4,482,859
Net Assets - Beginning				28,856,175
Prior Period Adjustment				(38,020)
Net Assets - Ending				<b>\$ 33,301,014</b>

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

**COUNTY OF GAINES**  
**BALANCE SHEET**  
**MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2010**

	General Fund	Road & Bridge Fund	Precinct #1
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 5,765,075	\$ 65,632	\$ 2,226,977
Due from agency funds	-	-	-
<b>Total Assets</b>	<b><u>\$ 5,765,075</u></b>	<b><u>\$ 65,632</u></b>	<b><u>\$ 2,226,977</u></b>
<b>Fund Balances:</b>			
Unreserved designated for:			
Capital projects	\$ -	\$ -	\$ -
Unreserved and undesignated, reported in:			
General fund	5,765,075	-	-
Special revenue fund	-	65,632	2,226,977
<b>Total Fund Balances</b>	<b><u>5,765,075</u></b>	<b><u>65,632</u></b>	<b><u>2,226,977</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 5,765,075</u></b>	<b><u>\$ 65,632</u></b>	<b><u>\$ 2,226,977</u></b>

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

Precinct #2	Precinct #3	Precinct #4	Farm to Market Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,738,660	\$ 1,620,649	\$ 2,536,063	\$ -	\$ 4,562,106	\$ 439,694 2,867	\$ 18,954,856 2,867
\$ 1,738,660	\$ 1,620,649	\$ 2,536,063	\$ -	\$ 4,562,106	\$ 442,561	\$ 18,957,723
\$ -	\$ -	\$ -	\$ -	\$ 4,562,106	\$ -	\$ 4,562,106
-	-	-	-	-	-	5,765,075
1,738,660	1,620,649	2,536,063	-	-	442,561	8,630,542
1,738,660	1,620,649	2,536,063	-	4,562,106	442,561	18,957,723
\$ 1,738,660	\$ 1,620,649	\$ 2,536,063	\$ -	\$ 4,562,106	\$ 442,561	\$ 18,957,723



**COUNTY OF GAINES**  
RECONCILIATION OF THE GOVERNMENTAL  
FUNDS BALANCE SHEET - MODIFIED CASH BASIS  
SEPTEMBER 30, 2010

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

Governmental Fund Balances	\$ 18,957,723
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	14,096,476
Inventory items used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>246,815</u>
Net Assets of Governmental Activities	<u><u>\$ 33,301,014</u></u>

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

## COUNTY OF GAINES

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund	Road & Bridge Fund	Precinct #1
<b><u>REVENUES</u></b>			
Property taxes	\$ 12,290,130	\$ -	\$ -
Intergovernmental revenue and grants	-	-	-
Charges for services	491,833	415,201	-
Fines	166,243	127,750	-
Investment income	21,034	-	-
Contributions & donations from private sources	-	-	-
Miscellaneous revenue	66,332	-	-
	<b>13,035,572</b>	<b>542,951</b>	<b>-</b>
<b><u>EXPENDITURES</u></b>			
General administration	866,542	-	-
Judicial	1,398,699	-	-
Elections	52,251	-	-
Financial administration	469,120	-	-
Tax administration	486,798	-	-
Facilities management	1,178,116	-	-
Public safety:			
Law enforcement	1,430,799	-	-
Fire protection	145,631	-	-
Corrections	1,448,493	-	-
Civil defense	81,788	-	-
Road and bridge	68,106	54,913	1,105,864
Sanitation	22,519	-	-
Airport	-	-	-
Loop water system	-	-	-
Health	464,828	-	-
Human services	61,690	-	-
Culture and recreation:			
Golf course	-	-	-
Parks	248,726	-	-
Museums	106,722	-	-
County extension	143,266	-	-
Libraries	325,667	-	-
Senior citizens	221,939	-	-
Capital Outlay	1,084,547	-	223,442
	<b>10,306,247</b>	<b>54,913</b>	<b>1,329,306</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Sale of real and personal property	35,962	-	54
Transfers in(out)	(2,819,230)	(488,038)	1,817,385
Insurance recovery	-	-	-
Total Other Financing Sources (Uses)	<b>(2,783,268)</b>	<b>(488,038)</b>	<b>1,817,439</b>
Net Change in Fund Balance	(53,943)	-	488,133
Fund Balances - Beginning	5,803,161	65,632	1,738,844
Prior Period Adjustment	15,857	-	-
Fund Balances - Ending	<b>\$ 5,765,075</b>	<b>\$ 65,632</b>	<b>\$ 2,226,977</b>

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

Precinct #2	Precinct #3	Precinct #4	Farm to Market Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 6,357,975	\$ -	\$ -	\$ 18,648,105
-	-	-	36,635	-	113,310	149,945
-	-	-	-	-	338,558	1,245,592
-	-	-	-	-	8,585	302,578
-	-	-	12,682	-	52	33,768
-	-	-	-	-	27,835	27,835
-	-	-	-	-	-	66,332
-	-	-	6,407,292	-	488,340	20,474,155
-	-	-	-	-	17,576	884,118
-	-	-	-	-	59,086	1,457,785
-	-	-	-	-	7,197	59,448
-	-	-	-	-	-	469,120
-	-	-	-	-	-	486,798
-	-	-	-	-	104,682	1,282,798
-	-	-	-	-	11,369	1,442,168
-	-	-	-	-	-	145,631
-	-	-	-	-	2,828	1,451,321
-	-	-	-	-	-	81,788
1,179,722	1,371,787	1,014,544	-	-	-	4,794,936
-	-	-	-	-	-	22,519
-	-	-	-	-	58,805	58,805
-	-	-	-	-	3,500	3,500
-	-	-	-	-	51,612	516,440
-	-	-	-	-	-	61,690
-	-	-	-	-	587,078	587,078
-	-	-	-	-	-	248,726
-	-	-	-	-	-	106,722
-	-	-	-	-	-	143,266
-	-	-	-	-	2,465	328,132
-	-	-	-	-	-	221,939
241,747	138,761	171,535	-	-	114,298	1,974,330
1,421,469	1,510,548	1,186,079	-	-	1,020,496	16,829,058
10,206	13,200	1,970	-	-	-	61,392
1,753,989	1,652,180	1,703,808	(6,407,292)	2,200,000	587,198	-
-	-	-	-	-	17,885	17,885
1,764,195	1,665,380	1,705,778	(6,407,292)	2,200,000	605,083	79,277
342,726	154,832	519,699	-	2,200,000	72,927	3,724,374
1,395,934	1,465,817	2,016,364	-	2,362,106	366,767	15,214,625
-	-	-	-	-	2,867	18,724
\$ 1,738,660	\$ 1,620,649	\$ 2,536,063	\$ -	\$ 4,562,106	\$ 442,561	\$ 18,957,723

**COUNTY OF GAINES**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT**  
**OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**SEPTEMBER 30, 2010**

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

Net changes in Governmental Fund Balances	\$	3,724,374
Governmental funds report all supplies as expenditures while governmental activities report remaining supplies as inventory		246,815
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		1,974,330
Depreciation expense		(1,421,233)
Decrease in basis on sale of assets is not reported in governmental funds		(41,427)
		(41,427)
Change in Net Assets of Governmental Activities	\$	4,482,859

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

**COUNTY OF GAINES**  
**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS -**  
**FIDUCIARY FUND**  
**SEPTEMBER 30, 2010**

<u><b>ASSETS</b></u>	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
Cash and cash equivalents	\$ 16,560	\$ 741,946
Total Assets	<u>\$ 16,560</u>	<u>\$ 741,946</u>
 <u><b>LIABILITIES</b></u>		
Current Liabilities:		
Intergovernmental payable	\$ -	\$ 254,475
Due to other funds	-	2,867
Due to others	-	484,604
Total Liabilities	<u>-</u>	<u>741,946</u>
 <u><b>NET ASSETS</b></u>		
Restricted for cemetery use	<u>16,560</u>	<u>-</u>
Total Net Assets	<u>\$ 16,560</u>	<u>\$ -</u>

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

**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

**B. BASIS OF PRESENTATION**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS

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

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

The funds of the financial reporting entity are described below:

**Governmental Funds**

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

**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. BASIS OF PRESENTATION (CONTINUED)**

**Governmental Funds (Continued)**

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

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

**Fiduciary Funds**

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

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

**Proprietary Funds**

The County has no proprietary funds at this time.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

MEASUREMENT FOCUS

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

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

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

**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

MEASUREMENT FOCUS (CONTINUED)

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

BASIS OF ACCOUNTING

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

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

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

**D. ASSETS, LIABILITIES, AND EQUITY**

CASH AND CASH EQUIVALENTS

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

DUE FROM (TO) OTHER FUNDS

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

CONSUMABLE MATERIAL AND SUPPLIES/INVENTORY

Disbursements for the purchase of consumable materials and supplies are recorded as expenditures in the governmental funds. Items still on hand at year end are recorded as inventory in the Statement of Net Assets.



**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)**

CAPITAL ASSETS

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

**Government-Wide Statements**

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

Depreciation on all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided on the assets' estimated useful lives using the straight-line method of depreciation. The County defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. The range of estimated useful lives by type of asset is as follows:

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

**Fund Financial Statements**

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

EQUITY CLASSIFICATION

**Government-Wide Statements**

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

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

**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. ASSETS, LIABILITIES, AND EQUITY (CONTINUED)**

EQUITY CLASSIFICATION (CONTINUED)

**Fund Financial Statements**

In the fund financial statement, governmental funds report fund balances as either a reserved fund balance or an unreserved fund balance.

- a. Reserved Fund balance—The portion of fund balance, which is not available for appropriation or which has been legally segregated for a specific purpose. The County does not have a reserved fund balance.
- b. Unreserved Fund Balance—This balance is composed of designated and undesignated portions. An amount of \$4,562,106 of the unreserved fund balance has been designated for capital projects. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting of future operations.

**E. REVENUES, EXPENDITURES, AND EXPENSES**

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

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

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

**F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES**

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

**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES (CONTINUED)**

FUND FINANCIAL STATEMENTS

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

**G. USE OF ESTIMATES**

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

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY COMPLIANCE**

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

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

- a. In July, the County Judge, with the assistance of the County Auditor, prepares a budget for the succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.

**COUNTY OF GAINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED SEPTEMBER 30, 2010**

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

**A. BUDGETARY NONCOMPLIANCE (CONTINUED)**

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

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

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

General Fund	\$	38,086
Sheriff Forfeiture Fund		6,791
Wal-Mart Grant Fund		1,049
Seminole Museum Fund		36
4-H Sheep Facility		2,828
Disaster Recovery Fund		20
Sheriff Commissary Fund		416

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

Sheriff Forfeiture Fund	\$	9,312
Crime Victims Fund		6
Lone Star Library Grant		3,467
Wal-Mart Grant Fund		2,042
Unclaimed Property Fund		1,084
Seminole Museum Fund		26
4-H Sheep Facility		3,000
Appellate Judicial Fund		120
Disaster Recovery Fund		17,900
Sheriff Commissary Fund		413

**COUNTY OF GAINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED SEPTEMBER 30, 2010**

**III. NOTES ON FUNDS AND ACCOUNTS**

**A. DEPOSITS AND INVESTMENTS**

County Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits (cash and savings accounts)-The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository banks place approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks' dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The County's depository during the year was Commercial State Bank. The District's largest balance of \$6,021,965 occurred in November 2009, and the value of collateral pledged and FDIC insurance was \$6,646,341.

At September 30, 2010, the carrying amount of the County's deposits (cash, certificates of deposits and interest-bearing savings accounts) was \$3,317,211, and the bank balance was \$4,126,345. The County's cash deposits as of September 30, 2010 were fully covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

A Summary of the County's cash and cash equivalents and investments at September 30, 2010 is shown below:

	Checking and Savings Accounts	Certificate of Deposit	Investment Pools	Total
General	\$ 2,551,401	\$ -	\$ 3,213,674	\$ 5,765,075
Road & Bridge	-	-	65,632	65,632
Precinct #1	-	-	2,226,977	2,226,977
Precinct #2	-	-	1,738,660	1,738,660
Precinct #3	-	-	1,620,649	1,620,649
Precinct #4	-	-	2,536,063	2,536,063
Capital Projects	-	-	4,562,106	4,562,106
Other Governmental Funds	23,864	-	415,830	439,694
Total Governmental Funds	<u>\$ 2,575,265</u>	<u>\$ -</u>	<u>\$ 16,379,591</u>	<u>\$ 18,954,856</u>
Fiduciary Fund	-	16,560	-	16,560
Agency Funds	741,946	-	-	741,946
Total	<u><u>\$ 3,317,211</u></u>	<u><u>\$ 16,560</u></u>	<u><u>\$ 16,379,591</u></u>	<u><u>\$ 19,713,362</u></u>

**COUNTY OF GAINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED SEPTEMBER 30, 2010**

**III. NOTES ON FUNDS AND ACCOUNTS (CONTINUED)**

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

Legal and Contractual Provisions Governing Investments

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

The County's investments at September 30, 2010, are shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Yield</u>	<u>Days until Maturity</u>
Certificate of Deposit-			
Commercial State Bank	\$ 16,560	1.24%	53
Tex Pool Investment Pool	8,689,996	0.22%	On demand
Tex Star Investment Pool	<u>7,689,595</u>	0.21%	On demand
Total	<u>\$ 16,396,151</u>		

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

Policies Governing Deposits and Investments

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

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

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

**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2010

**III. NOTES ON FUNDS AND ACCOUNTS (CONTINUED)**

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

Policies Governing Deposits and Investments (Continued)

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

The public fund investment pool invests only in securities issued or backed by the U.S. Government or its agencies. An investment in these securities is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the issuer seeks to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in the security. At September 30, 2010, the County had approximately \$8,689,996 uninsured with Tex Pool Investment Pool and \$7,689,595 uninsured with Tex Star Investment Pool.

**B. PROPERTY TAXES**

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

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

The tax rate for the fiscal year ended September 30, 2010, (2009 tax levy) was \$.26 per \$100 assessed value for County General Fund operations and \$.135 for Farm-Market Lateral Road maintenance and operations for a total rate of \$.395. The County is subject to tax rate rollback if the total amount of the property taxes imposed in any year, as defined by statute, exceeds the total amount of property taxes imposed in the preceded year by 8 percent.

**COUNTY OF GAINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED SEPTEMBER 30, 2010**

**III. NOTES ON FUNDS AND ACCOUNTS (CONTINUED)**

**C. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at September 30, 2010 consisted of the following individual fund balances:

	Due from Other Funds	Due to Other Funds
General Fund:		
Agency Fund	\$ 2,867	\$ -
Total General Fund	<u>2,867</u>	<u>-</u>
Agency Fund	<u>-</u>	<u>2,867</u>
Total	<u>\$ 2,867</u>	<u>\$ 2,867</u>

The interfund transfers reflected on the Statements of Revenues and Expenditures were for routine purposes except for a specific transfer of \$2,200,000 from the General Fund to the Capital Projects Fund. Transfers from the Road and Bridge and the Farm to Market funds were to the corresponding precinct funds for precinct operations. Transfers from the General Fund were for operations of the Special Revenue Fund for indigent health care, airport operations, cemetery maintenance, golf course operations, elections expenses, fire protection and law publications.

**D. CAPITAL ASSET ACTIVITY**

Capital asset activity for the County for the year ended September 30, 2010, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Land	\$ 107,598	\$ 8,700	\$ -	\$ 116,298
Infrastructure	13,988,864	-	-	13,988,864
Buildings and Improvements	9,833,634	1,027,021	-	10,860,655
Furniture and Equipment	13,143,733	1,035,315	(361,972)	13,817,076
Construction in Progress	89,553	-	(89,553)	-
Totals at Historic Cost	<u>\$ 37,163,382</u>	<u>\$ 2,071,036</u>	<u>\$ (451,525)</u>	<u>\$ 38,782,893</u>
Less Accumulated Depreciation for:				
Infrastructure	\$ (5,918,664)	\$ (349,721)	\$ -	\$ (6,268,385)
Buildings and Improvements	(8,955,891)	(66,235)	-	(9,022,126)
Furniture and Equipment	(8,704,019)	(1,005,277)	313,390	(9,395,906)
Total Accumulated Depreciation	<u>\$ (23,578,574)</u>	<u>\$ (1,421,233)</u>	<u>\$ 313,390</u>	<u>\$ (24,686,417)</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,584,808</u>	<u>\$ 649,803</u>	<u>\$ (138,135)</u>	<u>\$ 14,096,476</u>



**COUNTY OF GAINES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED SEPTEMBER 30, 2010**

**III. NOTES ON FUNDS AND ACCOUNTS (CONTINUED)**

**E. CAPITAL ASSET ACTIVITY (CONTINUED)**

The capitalized Construction in Progress is related to the courthouse remodeling project Phase I, which was completed in the current year. Subsequent to September 30, 2010 commitments in the amount of \$6,989,147 have been issued toward Phase II of the courthouse project.

Depreciation expense was charged to governmental functions as follows:

General Government	\$	9,451
Justice System		4,436
Elections		1,257
Financial Administration		12,474
Facilities Management		28,772
Law Enforcement		119,012
Fire Protection		-
Corrections		22,375
Civil Defense		6,124
Roads and Bridges		1,054,888
Airport		11,666
Golf Course		45,189
Parks and Recreation		74,126
County Extension Service		22,211
Libraries		4,200
Senior Citizens		5,052
Total Depreciation Expense	\$	<u>1,421,233</u>

**F. COMMITMENTS UNDER OPERATING LEASES**

Commitments under operating (noncapitalized) lease agreements for several copiers, a postage machine and indigent software provide for minimum future rental payments as of September 30, 2010, as follows:

2011	\$	79,185
2012		31,275
2013		29,340
2014		18,570
2015		2,688
Total Minimum Rentals	\$	<u>161,058</u>

**IV. OTHER NOTES**

**A. PRIOR PERIOD ADJUSTMENT**

Due to improper presentation of the prior year government-wide financial statements on the accrual basis of accounting, a reduction in Net Assets was made to remove certain receivables and liabilities. The total prior period Net Asset reduction totaled \$38,020. An adjustment of \$18,724 was also made to the governmental fund financial statements Fund Balance to present it in conformity with the modified cash basis of accounting. Going forward, all financial statements will be presented on the modified cash basis of accounting.

**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2010

**IV. OTHER NOTES (CONTINUED)**

**B. HEALTH CARE COVERAGE**

During the current fiscal year, the employees of Gaines County were covered by a health insurance plan. The coverage is purchased through Blue Cross Blue Shield. The County's cost per employee per month was \$530. The employees, at their option, authorized payroll withholdings to pay contributions for dependents.

**C. CAFETERIA PLAN**

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

**D. EMPLOYEE RETIREMENT BENEFITS**

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

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PLAN

**Plan Description.** Gaines County, Texas provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 559 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees, P.O. Box 2034, Austin, Texas 78768-0234.

The plan provisions are adopted by the governing body of the employer within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

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

**Funding Policy.** The employer has elected the annually determined contribution rate (variable-rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. It was 10.73% for the year ending September 30, 2010. The deposit rate payable by the employee members is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2010

**IV. OTHER NOTES (CONTINUED)**

**E. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)**

**Annual Pension Cost.** The annual pension cost for the TCDRS plan for its employees was \$662,587 and the actual contributions were \$662,587 for the employer's accounting year ending September 30, 2010.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2007, December 31, 2008 and December 31, 2009 as the basis for determining the contribution rates for calendar year 2008, 2009 and 2010. The December 31, 2009 actuarial valuation is the most recent valuation.

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
September 30, 2008	474,712	100%	0.00
September 30, 2009	649,394	100%	0.00
September 30, 2010	662,587	100%	1.00

**DEFERRED COMPENSATION PLAN**

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

**F. RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts, thefts, damage or destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2010, the County purchased commercial insurance to cover these risks. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**G. JOINT VENTURE ARRANGEMENTS**

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

**H. CONTINGENCY**

In 2007, the County suffered significant damage due to hail storms. The County has received proceeds of \$17,885 in the current year for the Loop Community building. The County expects to receive additional proceeds in the amount of \$367,042 in 2011 to repair the remaining damage.

**COUNTY OF GAINES**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED SEPTEMBER 30, 2010

**IV. OTHER NOTES (CONTINUED)**

**I. SUBSEQUENT EVENTS**

In May 2009, the Financial Accounting Standards Board issued new guidance on subsequent events, included in ASC 855, *Subsequent Events*. This guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Management has evaluated subsequent events through January 7, 2011, the date the financial statements were issued.

**J. LITIGATION**

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

REQUIRED SUPPLEMENTARY INFORMATION

**COUNTY OF GAINES**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
<b>RECEIPTS:</b>				
Taxes-property	\$ 11,987,787	\$ 11,987,787	\$ 12,290,130	\$ 302,343
Charges for services	391,850	391,855	491,833	99,978
Fines	178,480	178,480	166,243	(12,237)
Investment income	130,000	130,000	21,034	(108,966)
Miscellaneous	44,820	44,820	66,332	21,512
<i>Total receipts</i>	<u>12,732,937</u>	<u>12,732,942</u>	<u>13,035,572</u>	<u>302,630</u>
<b>DISBURSEMENTS:</b>				
Current:				
General government-administrative	2,021,032	1,638,927	866,542	772,385
Judicial	1,587,439	1,588,815	1,398,699	190,116
Elections	40,205	55,008	52,251	2,757
Financial administration	514,324	514,324	469,120	45,204
Tax administration	500,393	500,393	486,798	13,595
Facilities management	1,284,054	1,276,898	1,178,116	98,782
Public safety:				
Law enforcement	1,541,370	1,569,925	1,430,799	139,126
Fire protection	145,631	145,631	145,631	-
Corrections	1,439,865	1,571,139	1,448,493	122,646
Civil defense	79,772	90,025	81,788	8,237
Road and bridge	59,029	69,024	68,106	918
Sanitation	22,519	22,519	22,519	-
Health	466,906	468,333	464,828	3,505
Human services	62,220	62,873	61,690	1,183
Culture and recreation:				
Parks	294,787	326,194	248,726	77,468
Museums	108,545	110,069	106,722	3,347
County extension	225,426	225,539	143,266	82,273
Libraries	326,056	333,288	325,667	7,621
Senior citizens	219,688	239,729	221,939	17,790
Capital Outlay	1,010,065	1,145,354	1,084,547	60,807
<i>Total disbursements</i>	<u>11,949,326</u>	<u>11,954,007</u>	<u>10,306,247</u>	<u>1,647,760</u>
Excess (deficiency) of receipts over (under) disbursements	<u>783,611</u>	<u>778,935</u>	<u>2,729,325</u>	<u>1,950,390</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of real and personal property	5	5	35,962	35,957
Transfers out (use)	(783,616)	(3,047,316)	(2,819,230)	228,086
<i>Total other financing sources (uses)</i>	<u>(783,611)</u>	<u>(3,047,311)</u>	<u>(2,783,268)</u>	<u>264,043</u>
Net change in fund balance	-	(2,268,376)	(53,943)	2,214,433
<i>Fund balance, beginning of year</i>	5,803,161	5,803,161	5,803,161	-
<i>Prior period adjustment</i>	-	-	15,857	15,857
<b><i>Fund balance, end of year</i></b>	<u><u>\$ 5,803,161</u></u>	<u><u>\$ 3,534,785</u></u>	<u><u>\$ 5,765,075</u></u>	<u><u>\$ 2,230,290</u></u>

**COUNTY OF GAINES**  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 ROAD & BRIDGE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>RECEIPTS:</b>				
Charges for services	\$ 407,741	\$ 407,741	\$ 415,201	\$ 7,460
Fines	84,216	84,216	127,750	43,534
Investment income	5	5	-	(5)
<i>Total receipts</i>	<u>491,962</u>	<u>491,962</u>	<u>542,951</u>	<u>50,989</u>
<b>DISBURSEMENTS:</b>				
Current:				
Road and bridge	65,632	65,632	54,913	10,719
<i>Total disbursements</i>	<u>65,632</u>	<u>65,632</u>	<u>54,913</u>	<u>10,719</u>
Excess (deficiency) of receipts over (under) disbursements	<u>426,330</u>	<u>426,330</u>	<u>488,038</u>	<u>61,708</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out (use)	(426,330)	(488,038)	(488,038)	-
<i>Total other financing sources (uses)</i>	<u>(426,330)</u>	<u>(488,038)</u>	<u>(488,038)</u>	<u>-</u>
Net change in fund balance	-	(61,708)	-	61,708
<i>Fund balance, beginning of year</i>	<u>65,632</u>	<u>65,632</u>	<u>65,632</u>	<u>-</u>
<i>Fund balance, end of year</i>	<u>\$ 65,632</u>	<u>\$ 3,924</u>	<u>\$ 65,632</u>	<u>\$ 61,708</u>

**COUNTY OF GAINES**  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 PRECINCT #1  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>DISBURSEMENTS:</b>				
Current:				
Road and bridge	\$ 1,786,499	\$ 1,786,499	\$ 1,329,306	\$ 457,193
<i>Total disbursements</i>	<u>1,786,499</u>	<u>1,786,499</u>	<u>1,329,306</u>	<u>457,193</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,786,499)</u>	<u>(1,786,499)</u>	<u>(1,329,306)</u>	<u>457,193</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of real and personal property	5	5	54	49
Transfers out (use)	1,786,494	1,786,494	1,817,385	30,891
<i>Total other financing sources (uses)</i>	<u>1,786,499</u>	<u>1,786,499</u>	<u>1,817,439</u>	<u>30,940</u>
Net change in fund balance	-	-	488,133	488,133
<i>Fund balance, beginning of year</i>	<u>1,738,844</u>	<u>1,738,844</u>	<u>1,738,844</u>	<u>-</u>
<i>Fund balance, end of year</i>	<u>\$ 1,738,844</u>	<u>\$ 1,738,844</u>	<u>\$ 2,226,977</u>	<u>\$ 488,133</u>



**COUNTY OF GAINES**  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 PRECINCT #2  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>DISBURSEMENTS:</b>				
Current:				
Road and bridge	\$ 1,702,674	\$ 1,702,674	\$ 1,421,469	\$ 281,205
<i>Total disbursements</i>	<u>1,702,674</u>	<u>1,702,674</u>	<u>1,421,469</u>	<u>281,205</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,702,674)</u>	<u>(1,702,674)</u>	<u>(1,421,469)</u>	<u>281,205</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of real and personal property	5	5	10,206	10,201
Transfers out (use)	1,702,669	1,702,669	1,753,989	51,320
<i>Total other financing sources (uses)</i>	<u>1,702,674</u>	<u>1,702,674</u>	<u>1,764,195</u>	<u>61,521</u>
Net change in fund balance	-	-	342,726	342,726
<b>Fund balance, beginning of year</b>	<u>1,395,934</u>	<u>1,395,934</u>	<u>1,395,934</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,395,934</u>	<u>\$ 1,395,934</u>	<u>\$ 1,738,660</u>	<u>\$ 342,726</u>

**COUNTY OF GAINES**  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 PRECINCT #3  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>DISBURSEMENTS:</b>				
Current:				
Road and bridge	\$ 1,603,464	\$ 1,603,463	\$ 1,510,548	\$ 92,915
<i>Total disbursements</i>	<u>1,603,464</u>	<u>1,603,463</u>	<u>1,510,548</u>	<u>92,915</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,603,464)</u>	<u>(1,603,463)</u>	<u>(1,510,548)</u>	<u>92,915</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of real and personal property	5	5	13,200	13,195
Transfers out (use)	<u>1,603,459</u>	<u>1,603,458</u>	<u>1,652,180</u>	<u>48,722</u>
<i>Total other financing sources (uses)</i>	<u>1,603,464</u>	<u>1,603,463</u>	<u>1,665,380</u>	<u>61,917</u>
Net change in fund balance	-	-	154,832	154,832
<b>Fund balance, beginning of year</b>	<u>1,465,817</u>	<u>1,465,817</u>	<u>1,465,817</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,465,817</u>	<u>\$ 1,465,817</u>	<u>\$ 1,620,649</u>	<u>\$ 154,832</u>

**COUNTY OF GAINES**  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 PRECINCT #4  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>DISBURSEMENTS:</b>				
Current:				
Road and bridge	\$ 1,653,777	\$ 1,653,777	\$ 1,186,079	\$ 467,698
<i>Total disbursements</i>	<u>1,653,777</u>	<u>1,653,777</u>	<u>1,186,079</u>	<u>467,698</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,653,777)</u>	<u>(1,653,777)</u>	<u>(1,186,079)</u>	<u>467,698</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of real and personal property	5	5	1,970	1,965
Transfers out (use)	1,653,772	1,653,772	1,703,808	50,036
<i>Total other financing sources (uses)</i>	<u>1,653,777</u>	<u>1,653,777</u>	<u>1,705,778</u>	<u>52,001</u>
Net change in fund balance	-	-	519,699	519,699
<b>Fund balance, beginning of year</b>	<u>2,016,364</u>	<u>2,016,364</u>	<u>2,016,364</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 2,016,364</u>	<u>\$ 2,016,364</u>	<u>\$ 2,536,063</u>	<u>\$ 519,699</u>

**COUNTY OF GAINES**  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 FARM TO MARKET FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>RECEIPTS:</b>				
Taxes:				
Property Taxes	\$ 6,261,280	\$ 6,261,280	\$ 6,357,975	\$ 96,695
Investment income	22,000	22,000	12,682	(9,318)
Other revenue	36,784	36,784	36,635	(149)
<i>Total receipts</i>	<u>6,320,064</u>	<u>6,320,064</u>	<u>6,407,292</u>	<u>87,228</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out (use)	<u>(6,320,064)</u>	<u>(6,320,064)</u>	<u>(6,407,292)</u>	<u>87,228</u>
<i>Total other financing sources (uses)</i>	<u>(6,320,064)</u>	<u>(6,320,064)</u>	<u>(6,407,292)</u>	<u>87,228</u>
Net change in fund balance	-	-	-	-
<i>Fund balance, beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>