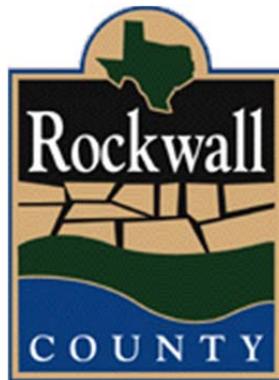


ROCKWALL COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**For Fiscal Year
September 30, 2012**



ROCKWALL COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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ROCKWALL COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

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ROCKWALL COUNTY, TEXAS

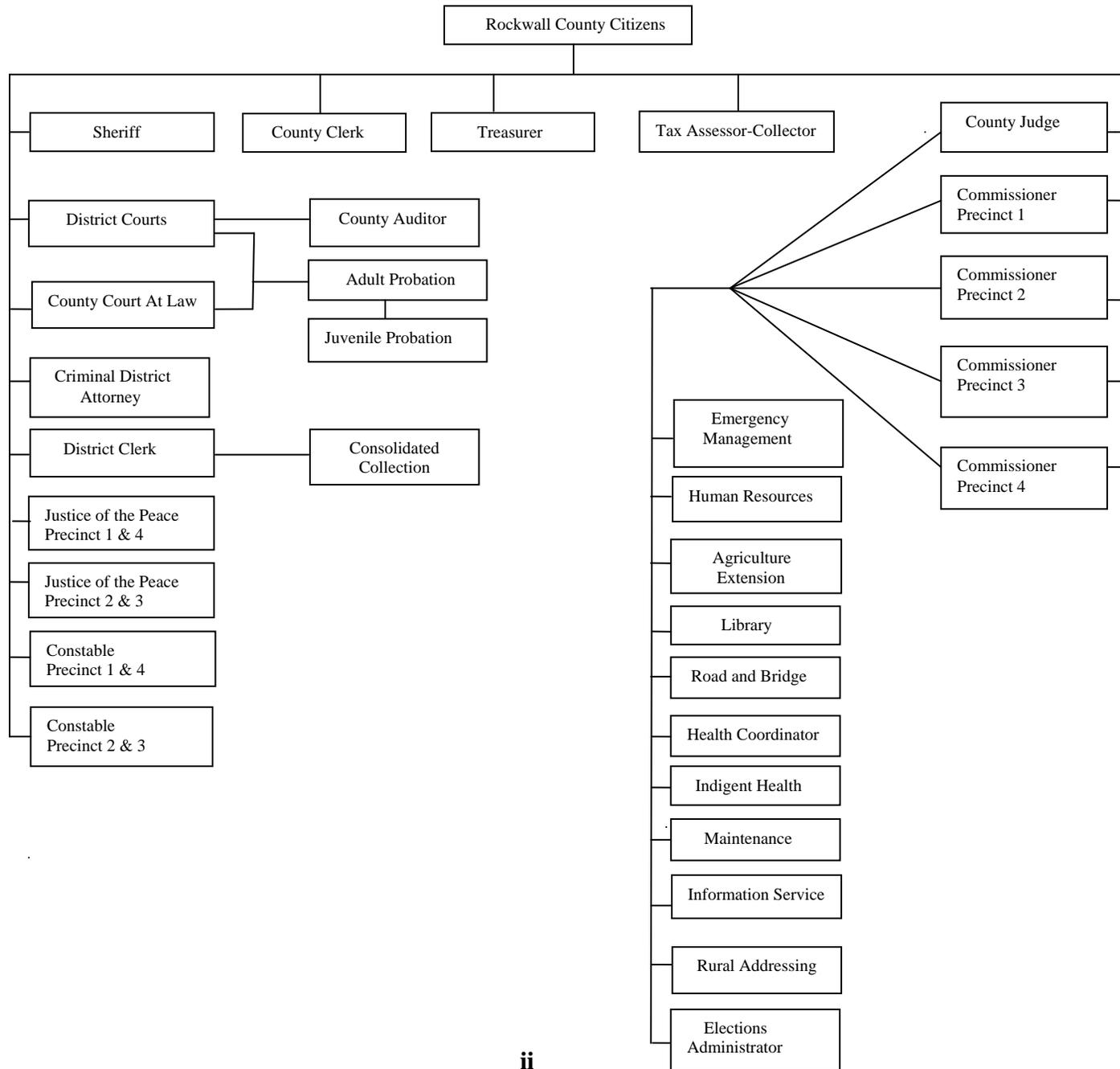
PRINCIPAL OFFICIALS

SEPTEMBER 30, 2012

<u>Name</u>	<u>Title</u>
<u>Commissioners' Court:</u>	
Jerry Hogan	County Judge
Cliff Sevier	Commissioner, Precinct 1
Lorie Grinnan	Commissioner, Precinct 2
Dennis Bailey	Commissioner, Precinct 3
David Magness	Commissioner, Precinct 4
<u>Board of District Judges:</u>	
Brett Hall	382nd District Court
David Rakow	439th District Court
<u>County Judges:</u>	
Brian Williams	County Court at Law
Jack James	Justice of the Peace, Precinct 1
Nancy Beaty	Justice of the Peace, Precinct 2
Mark Russo	Justice of the Peace, Precinct 3
Liana Bell Whitten	Justice of the Peace, Precinct 4
<u>Law Enforcement:</u>	
Harold Eavenson	Sheriff
Kenda Culpepper	District Attorney
Angie Scalf	Director, Juvenile Probation
Brett Gilbert	Director, Adult Probation
John Benedeho	Constable, Precinct 1
Trey Chaney	Constable, Precinct 2
Tom Egan	Constable, Precinct 3
Randy Parks	Constable, Precinct 4
<u>Administrative Officials:</u>	
Lisa Constant	County Auditor
Kim Sweet	Tax Assessor-Collector
Brian Crenshaw	Information Systems
David Peek	Treasurer
Randy Jennings	Director, Human Resources
Ron Meritt	Health Coordinator
Donna Mussotter	Director, Indigent Health
Pat Nesmith	Road and Bridge Administrator
Luis Guzman	Maintenance Administrator
<u>Recording Officials:</u>	
Shelli Miller	County Clerk
Kay McDaniel	District Clerk



Rockwall County Organizational Chart – 2012



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge
and Honorable Commissioners' Court
Rockwall County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rockwall 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 the County's management. Our responsibility is to express opinions on these financial statements based on our audits.

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 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 Rockwall County, Texas as of September 30, 2012, and the respective changes in financial position, where applicable, and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2013, on our consideration of Rockwall 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 50 through 52, and the schedules of funding progress for participation in the Texas County and District Retirement System and Post-retirement Health Care Benefit Plan on pages 53 – 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rockwall County, Texas' basic financial statements. The introductory section and combining and individual nonmajor fund financial statements and schedules 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.

April 19, 2013

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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ROCKWALL COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Management's Discussion and Analysis* of the County of Rockwall, Texas' (the "County") Annual Financial Report presents a discussion and analysis of the County's financial performance during the fiscal year that ended September 30, 2012. Readers should consider the information in this section when reading the overall report, including the transmittal letter, financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

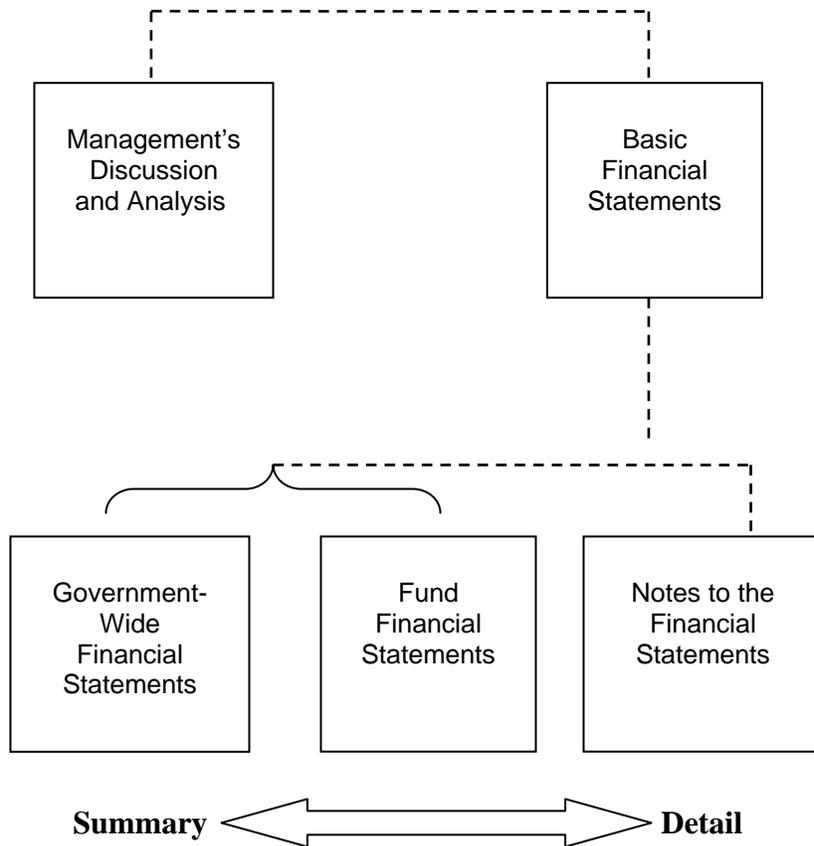
As illustrated in Figure A-1, the government-wide financial statements provide information about the County as a whole using the economic resources measurement focus and accrual basis of accounting.

- The assets of Rockwall County exceeded its liabilities at the close of the fiscal year by \$40,980,480 (net assets).
- The County's total net assets decreased by \$(12,989,426).
- As of the close of the current fiscal year, Rockwall County's governmental funds reported combined ending fund balances of \$37,432,950, an increase of \$6,371,488, in comparison with the prior year. Of this amount, \$14,815,899 is available for spending at the County's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$14,815,699, or 62% of 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 are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Rockwall County.

**Figure A-1
Required Components of
Rockwall County's Annual Financial Report**



Basic Financial Statements

The first two statements (pages 13 and 14) in the basic financial statements are the *government-wide financial statements*. They provide both short and long-term information about the County's financial status.

The next statements (pages 15 through 23) are *fund financial statements*. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. After the notes, *supplemental information* is provided to show details about the County's individual funds. Budgetary information required by the general statutes also can be found in this part of the statements.

Government-wide Financial Statements – The government-wide financial statements, which begin on page 13 of this report, are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

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 fiscal year. All changes in net assets are reported when 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 the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both the government-wide financial statements distinguish functions of Rockwall County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business activities). The governmental activities of the County include general government, public safety, judicial, and community services.

Fund Financial Statements – The fund financial statements provide a more detailed look at the County's most significant activities. 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 of Rockwall, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the general statutes or the County's budget ordinance. All of the funds of the County can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The County of Rockwall, Texas adopts an annual budget for its General Fund, as required by the general statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Commissioners' Court about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows three columns: (1) the final budget as amended by the Commissioners; 2) the actual resources, variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – are used to report the same functions presented as business-type activities in the government-wide financial statements. Rockwall County uses proprietary funds to account for its internal service activity. These funds are the same as those functions shown in the business-type activities in the in the Statement of Net Assets and the Statement of Activities.

Fiduciary Funds – are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Rockwall County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 22 and 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 to 49 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and budget to actual schedule for the General Fund. Required supplementary information can be found beginning on page 50 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 55 to 66 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

The government-wide financial statements for the fiscal year ended September 30, 2012, continue the implementation of a new standard of financial reporting for Rockwall County, and many other units of government across the United States.

Figure A-2
ROCKWALL COUNTY'S NET ASSETS

	Governmental Activities	
	2012	2011
Current and other assets	\$ 49,457,385	\$ 43,972,283
Capital assets	<u>67,422,855</u>	<u>73,086,320</u>
Total assets	<u>116,880,240</u>	<u>117,058,603</u>
Long-term liabilities	72,579,149	57,993,530
Other liabilities	<u>3,320,611</u>	<u>5,095,167</u>
Total liabilities	<u>75,899,760</u>	<u>63,088,697</u>
Net assets:		
Invested in capital assets, net of related debt	26,066,075	18,127,429
Restricted	7,200,204	9,784,038
Unrestricted	<u>7,714,201</u>	<u>26,058,439</u>
Total net assets	<u>\$ 40,980,480</u>	<u>\$ 53,969,906</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition; Figure A-2 provides a one-year comparison. The total assets of Rockwall County exceeded liabilities by \$40,980,480 as of September 30, 2012. The County's net assets decreased by \$(12,989,426) for the fiscal year ended September 30, 2012. However, a large portion, (63.6%) reflects the County's investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. Rockwall County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Rockwall County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

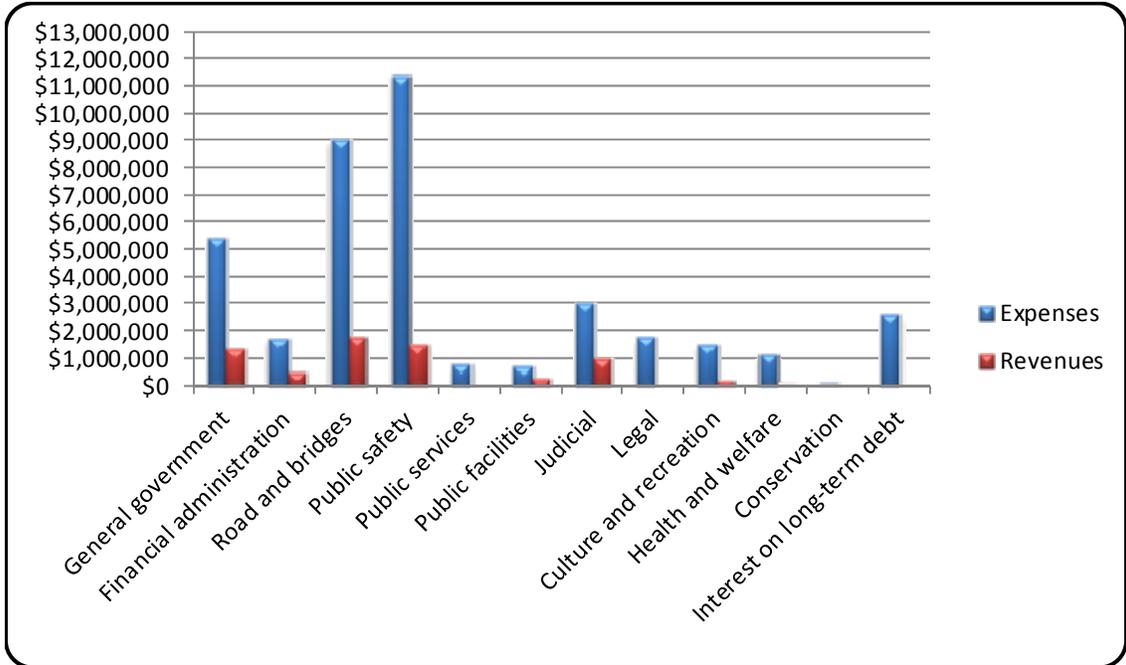
Analysis of the County’s Operations – Figure A-3 provides a summary of the County’s operations for the year ended September 30, 2012, and comparative data from 2011.

**Figure A-3
ROCKWALL COUNTY’S NET ASSETS**

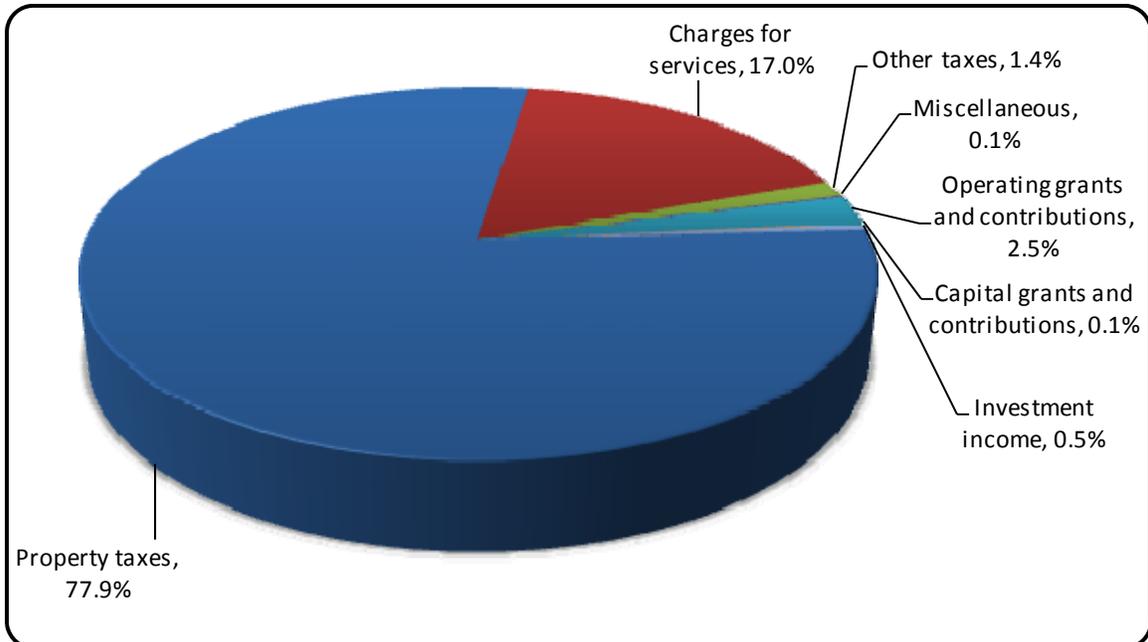
	Governmental Activities	
	2012	2011
REVENUES		
Program revenues:		
Charges for services	\$ 5,879,306	\$ 5,381,944
Operating grants and contributions	858,739	569,213
Capital grants and contributions	29,600	108,580
General revenues:		
Property taxes	26,849,646	26,765,968
Mixed drink taxes	202,896	220,068
Sales tax	269,863	215,543
Investment earnings	160,606	273,489
Gain on sale of assets	194,210	42,983
Miscellaneous	39,748	7,371
Total revenues	34,484,614	33,585,159
EXPENSES		
General government	5,423,438	3,720,438
Financial administration	1,752,080	1,750,938
Roads and bridges	9,061,497	1,872,573
Public safety	11,462,939	11,064,731
Public services	763,569	842,284
Public facilities	706,107	789,944
Judicial	2,994,833	2,926,106
Legal	1,776,835	1,660,659
Culture and recreation	1,520,272	1,505,035
Health and welfare	1,143,843	897,011
Conservation	107,024	136,423
Interest on long-term debt	2,579,739	2,422,078
Total expenditures	39,292,177	29,588,220
INCREASE IN NET ASSETS	(4,807,563)	3,996,939
NET ASSETS, BEGINNING	53,969,906	49,972,967
PRIOR PERIOD ADJUSTMENT	(8,181,863)	-
NET ASSETS, ENDING	\$ 40,980,480	\$ 53,969,906

Governmental-type Activities – Governmental-type activities decreased the County’s net assets \$(12,989,426). The key factors in the decrease were two major items. The first was a prior period adjustment that decreased net assets by \$(8,181,863). This was mainly due to construction projects funded by the County that are going to be maintained by other governments. These items were being capitalized by the County and should not have been. Removing these items from capital assets caused the decrease in net assets. The other item was an increase in expenditures for these road projects in FY 2012. The amount of road and bridge expenses increased more than \$7 million over FY 2011.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds – The focus of the Rockwall 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. Specifically, 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.

The General Fund is the chief operating fund of Rockwall County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$14,815,699. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 62% of total General Fund expenditures.

The County maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the:

- General Fund
- Courthouse Construction Fund
- Road Improvement Bond 2008 Fund
- Debt Service Fund

Each of these funds is considered to be a major fund. Financial results from the other government funds are combined into a single, aggregated presentation and included in the total. Individual fund data for each of these nonmajor governmental funds are provided in the combining and individual fund statements and schedules.

A budgetary comparison statement is provided for County governmental funds, where a budget is adopted, to demonstrate compliance with the approved budget. Budgetary comparison statements for major governmental funds are presented as required supplementary information in the basic financial statements.

General Fund Budgetary Highlights – During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were slightly more than the budgeted amounts mainly in the areas of fees and commissions, and property taxes. However, expenditures were generally in line with budgeted amounts.

Proprietary Funds – Currently, the County has only one type of proprietary fund – Internal Service. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County’s various functions. The services provided benefit the various government functions they support, which is why they have been included within governmental activities in the government-wide financial statements. The County uses Internal Service funds to account for the following activities:

- Insurance Claims
- Employee Benefits Paid

Proprietary funds provide the same type of information as the government-wide financial statements, but with more detail. Internal Service Funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the Internal Service Funds are provided in the combining and individual fund statements and schedules.

Fiduciary Funds – The County’s fiduciary fund consists of one trust fund and several agency funds. Agency funds are separate accounts and transactions related to money received that is collected for and remitted to another entity. For example, the County collects traffic fines; a portion of the fines belong to the state. After collection, the monies owed to the other entities are remitted to those entities on a periodic basis.

Notes to the Financial Statements – The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes disclose other pertinent information that, when taken in whole with the financial statements, provide a more detailed picture of the state of the finances of the County.

Other Information – In addition to the basic financial statements accompanying notes to those financial statements, also presented in this report are certain required supplementary information schedules with additional information regarding the results of the County's financial activities.

The combining statements and individual fund schedules are presented immediately following the required supplementary information.

CAPITAL ASSETS

Rockwall County’s investment in capital assets for its governmental activities as of September 30, 2012, totals \$67,422,855 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- The County continued work and completed the County library;
- The County continued construction on its new Courthouse and Veteran’s Memorial to be constructed adjacent to the Courthouse.

ROCKWALL COUNTY’S CAPITAL ASSETS AT YEAR-END

	Governmental Activities	
	2012	2011
Land and improvements	\$ 6,371,813	\$ 6,371,813
Machinery and equipment	7,933,307	7,116,619
Buildings	24,129,704	12,414,764
Infrastructure	5,232,656	5,232,656
Construction in progress	36,819,378	53,751,271
Less: accumulated depreciation	(13,064,003)	(11,800,803)
 Total	 <u>\$ 67,422,855</u>	 <u>\$ 73,086,320</u>

Additional information on the County’s capital assets can be found in Note C on pages 37 – 38.

DEBT ADMINISTRATION

Long-term Debt – As of September 30, 2012, Rockwall County had total bonded debt outstanding of \$69,920,000.

**ROCKWALL COUNTY’S OUTSTANDING BONDS
AS OF SEPTEMBER 30, 2012**

	Beginning Balance	Additions	Reductions	Ending Balance
Certificates of obligation and tax notes	\$ <u>56,500,000</u>	\$ <u>16,010,000</u>	\$ <u>2,590,000</u>	\$ <u>69,920,000</u>

Rockwall County’s bonded debt increased by \$13,420,000, or 24%, during the current fiscal year.

GENERAL FUND BUDGET HIGHLIGHTS FOR FISCAL YEAR ENDING SEPTEMBER 30, 2013

Governmental Activities – In preparation for the fiscal year 2013 budget, the County maintained the ad valorem tax rate to \$0.3864 per \$100 assessed value. The total forecasted revenue for the year is \$25,437,955. This is consistent with the 2012 projected revenue of \$25,125,137. Budgeted expenditures of \$26,937,955 reflect an increase from fiscal year 2012. The \$1.5 million dollar deficit is being funded by a one-time use of available County resources.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the County’s finances for those with an interest in this area. Questions concerning the information found in this report or requests for additional information should be directed to the Treasurer, or County Auditor, in Rockwall County, Texas.

**BASIC
FINANCIAL STATEMENTS**

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ROCKWALL COUNTY, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

ASSETS

Cash and investments	\$ 40,053,494
Receivables (net of allowance for uncollectibles)	2,957,897
Prepaid expense	107,119
Interest receivable	281
Deferred charges	1,043,663
Net pension asset	5,294,931
Capital assets:	
Non-depreciable	43,191,191
Depreciable (net)	<u>24,231,664</u>
Total assets	<u>116,880,240</u>

LIABILITIES

Accounts payable	1,925,198
Claims payable	224,905
Accrued liabilities	578,393
Due to others	738
Interest payable	591,377
Noncurrent liabilities:	
Due within one year:	
Tax notes	2,603,546
Compensated absences	107,597
Due in more than one year:	
Tax notes	68,253,601
Compensated absences	430,387
Net OPEB obligation	<u>1,184,018</u>
Total liabilities	<u>75,899,760</u>

NET ASSETS

Invested in capital assets, net of related debt	26,066,075
Restricted for:	
Capital acquisition and construction	196,169
Debt service	1,520,358
Records preservation and management	1,468,521
Court security and technology	118,495
Legal	531,947
Public safety	377,793
Judicial	364,748
Culture and recreation	310,232
Roads and bridges	2,212,883
Elections assistance and administration	99,058
Unrestricted	<u>7,714,201</u>
Total net assets	<u>\$ 40,980,480</u>

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

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ROCKWALL COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Charges for Services	Program Revenue Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets Governmental Activities
Primary government					
Governmental activities:					
General government	\$ 5,423,438	\$ 1,256,007	\$ 117,002	\$ -	\$(4,050,429)
Financial administration	1,752,080	486,116	-	-	(1,265,964)
Roads and bridges	9,061,497	1,318,523	500,000	-	(7,242,974)
Public safety	11,462,939	1,429,601	51,206	-	(9,982,132)
Public services	763,569	-	-	-	(763,569)
Public facilities	706,107	206,898	69,930	-	(429,279)
Judicial	2,994,833	933,154	36,077	-	(2,025,602)
Legal	1,776,835	17,770	25,654	-	(1,733,411)
Culture and recreation	1,520,272	148,095	10,000	29,600	(1,332,577)
Health and welfare	1,143,843	83,142	48,870	-	(1,011,831)
Conservation	107,024	-	-	-	(107,024)
Interest on long-term debt	<u>2,579,739</u>	-	-	-	<u>(2,579,739)</u>
Total governmental activities	<u>39,292,177</u>	<u>5,879,306</u>	<u>858,739</u>	<u>29,600</u>	<u>(32,524,532)</u>
 Total primary government	 <u>\$ 39,292,177</u>	 <u>\$ 5,879,306</u>	 <u>\$ 858,739</u>	 <u>\$ 29,600</u>	 <u>(32,524,532)</u>
General revenues:					
Taxes:					
Property					26,849,646
Beverage					202,896
Other					269,863
Investment earnings					160,606
Miscellaneous					39,748
Gain on sale of assets					<u>194,210</u>
Total general revenues					<u>27,716,969</u>
 Change in net assets					 (4,807,563)
 Net assets - beginning					 53,969,906
 Prior period adjustment					 <u>(8,181,863)</u>
 Net assets - ending					 <u>\$ 40,980,480</u>

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

ROCKWALL COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

AS OF SEPTEMBER 30, 2012

	General	Courthouse Construction	Road Improvements Bond 2008	Debt Service	Other Governmental Funds	Total
ASSETS						
Cash and investments	\$ 17,450,066	\$ 234	\$ 14,115,934	\$ 1,746,327	\$ 5,987,260	\$ 39,299,821
Receivables (net of allowances for uncollectibles):						
Taxes	565,195	-	-	136,487	52,408	754,090
Accounts	1,693,527	-	-	-	293,765	1,987,292
Interest	-	-	-	-	281	281
Due from other funds	41,279	-	-	-	-	41,279
Prepaid expenditures	107,119	-	-	-	-	107,119
Total assets	<u>\$ 19,857,186</u>	<u>\$ 234</u>	<u>\$ 14,115,934</u>	<u>\$ 1,882,814</u>	<u>\$ 6,333,714</u>	<u>\$ 42,189,882</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,015,483	\$ 234	\$ 503,330	\$ 1	\$ 350,118	\$ 1,869,166
Accrued liabilities	478,342	-	-	-	33,349	511,691
Accrued interest payable	-	-	-	51,631	-	51,631
Due to others	738	-	-	-	-	738
Deferred revenue	1,939,805	-	-	113,546	229,076	2,282,427
Due to other funds	-	-	-	-	41,279	41,279
Total liabilities	<u>3,434,368</u>	<u>234</u>	<u>503,330</u>	<u>165,178</u>	<u>653,822</u>	<u>4,756,932</u>
Fund balances:						
Nonspendable:						
Prepays	107,119	-	-	-	-	107,119
Assigned:						
Future budget offset	1,500,000	-	-	-	-	1,500,000
Restricted:						
Capital acquisition and construction	-	-	-	-	196,169	196,169
Debt service	-	-	-	1,717,636	-	1,717,636
Records preservation and management	-	-	-	-	1,468,521	1,468,521
Court security and technology	-	-	-	-	118,495	118,495
Legal	-	-	-	-	531,947	531,947
Public safety	-	-	-	-	377,793	377,793
Judicial	-	-	-	-	364,748	364,748
Culture and recreation	-	-	-	-	310,232	310,232
Roads and bridges	-	-	13,612,604	-	2,212,729	15,825,333
Elections assistance and administration	-	-	-	-	99,058	99,058
Unassigned	14,815,699	-	-	-	200	14,815,899
Total fund balances	<u>16,422,818</u>	<u>-</u>	<u>13,612,604</u>	<u>1,717,636</u>	<u>5,679,892</u>	<u>37,432,950</u>
Total liabilities and fund balances	<u>\$ 19,857,186</u>	<u>\$ 234</u>	<u>\$ 14,115,934</u>	<u>\$ 1,882,814</u>	<u>\$ 6,333,714</u>	<u>\$ 42,189,882</u>

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

ROCKWALL COUNTY, TEXAS

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

AS OF SEPTEMBER 30, 2012

Total fund balances - governmental funds balance sheet	\$ 37,432,950
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	67,422,855
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	2,282,427
Long-term liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, NPO, and bonds payable), are not due and payable in the current period and are therefore not reported in the funds.	(72,075,232)
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.	5,294,931
Internal Service Funds are used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	<u>622,549</u>
Net assets of governmental activities in the Statement of Net Assets	<u>\$ 40,980,480</u>

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

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

	General	Courthouse Construction	Road Improvements Bond 2008	Debt Service	Other Governmental Funds	Total Governmental
REVENUES						
Property taxes	\$ 21,280,941	\$ -	\$ -	\$ 5,421,963	\$ 290,043	\$ 26,992,947
Beverage taxes	202,896	-	-	-	-	202,896
Fines and forfeitures	888,895	-	-	-	197,912	1,086,807
Other taxes	-	-	-	-	269,863	269,863
Fees and commissions	2,875,236	-	-	-	1,877,434	4,752,670
Intergovernmental	234,165	-	500,000	-	59,570	793,735
Election	-	-	-	-	148,419	148,419
Investment earnings	119,415	1,457	26,887	4,929	6,025	158,713
Donations	-	-	-	-	39,600	39,600
Miscellaneous	61,700	-	-	-	21,758	83,458
Total revenues	<u>25,663,248</u>	<u>1,457</u>	<u>526,887</u>	<u>5,426,892</u>	<u>2,910,624</u>	<u>34,529,108</u>
EXPENDITURES						
Current:						
General government	3,318,286	7,932	-	-	292,093	3,618,311
Financial administration	1,705,512	-	-	-	-	1,705,512
Commissioner expenses	382,036	-	-	-	-	382,036
Roads and bridges	-	-	6,847,748	-	1,762,568	8,610,316
Public safety	10,132,017	-	-	-	1,036,511	11,168,528
Public facilities	541,702	-	-	-	-	541,702
Public services	458,514	-	-	-	194,651	653,165
Judicial	2,890,028	-	-	-	45,323	2,935,351
Legal	1,717,598	-	-	-	23,036	1,740,634
Culture and recreation	988,905	-	-	-	187,117	1,176,022
Health and welfare	1,118,437	-	-	-	100	1,118,537
Conservation	104,996	-	-	-	-	104,996
Capital outlay	497,436	4,985,971	-	-	670,728	6,154,135
Debt service:						
Principal	-	-	-	2,590,000	-	2,590,000
Interest and fiscal charges	-	-	-	2,373,052	-	2,373,052
Bond issuance cost and fees	-	-	257,195	2,400	-	259,595
Total expenditures	<u>23,855,467</u>	<u>4,993,903</u>	<u>7,104,943</u>	<u>4,965,452</u>	<u>4,212,127</u>	<u>45,131,892</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES						
	<u>1,807,781</u>	<u>(4,992,446)</u>	<u>(6,578,056)</u>	<u>461,440</u>	<u>(1,301,503)</u>	<u>(10,602,784)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of long-term debt	-	-	16,010,000	-	-	16,010,000
Transfers in	-	4,992,211	-	-	410,000	5,402,211
Transfers out	(5,402,211)	-	-	-	-	(5,402,211)
Premium on issuance of bonds	-	-	717,562	-	-	717,562
Sale of capital assets	230,425	-	-	-	16,285	246,710
Total other financing sources and uses	<u>(5,171,786)</u>	<u>4,992,211</u>	<u>16,727,562</u>	<u>-</u>	<u>426,285</u>	<u>16,974,272</u>
NET CHANGE IN FUND BALANCES	<u>(3,364,005)</u>	<u>(235)</u>	<u>10,149,506</u>	<u>461,440</u>	<u>(875,218)</u>	<u>6,371,488</u>
FUND BALANCES, BEGINNING	<u>19,786,823</u>	<u>235</u>	<u>3,463,098</u>	<u>1,256,196</u>	<u>6,555,110</u>	<u>31,061,462</u>
FUND BALANCES, ENDING	<u>\$ 16,422,818</u>	<u>\$ -</u>	<u>\$ 13,612,604</u>	<u>\$ 1,717,636</u>	<u>\$ 5,679,892</u>	<u>\$ 37,432,950</u>

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

ROCKWALL COUNTY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balances - total governmental funds	\$ 6,371,488
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,790,747
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(240,597)
The issuance of long-term debt (e.g. bonds, leases) 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, discounts, 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 and related items.	(14,544,458)
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.	415,859
Internal service funds are used by management to charge the costs of health insurance to individual funds.	(600,602)
Change in net assets of governmental activities	<u><u>\$ (4,807,563)</u></u>

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

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ROCKWALL COUNTY, TEXAS

STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS

SEPTEMBER 30, 2012

	<u>Governmental Activities Internal Service</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 753,673
Receivables (net of allowances for uncollectibles)	<u>216,515</u>
Total assets	<u>970,188</u>
LIABILITIES	
Current liabilities:	
Accounts payable	56,032
Claims payable	224,905
Accrued liabilities	<u>66,702</u>
Total liabilities	<u>347,639</u>
NET ASSETS	
Restricted	<u>622,549</u>
Total net assets	<u>\$ 622,549</u>

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

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ROCKWALL COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Governmental Activities Internal Service</u>
OPERATING REVENUES	
Charges for services	\$ 2,738,997
Total operating revenues	<u>2,738,997</u>
OPERATING EXPENSES	
Insurance claims	2,489,115
Stop-loss insurance premiums	545,805
Administrative and other	<u>306,572</u>
Total operating expenses	<u>3,341,492</u>
OPERATING LOSS	<u>(602,495)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	<u>1,893</u>
Total nonoperating revenues (expenses)	<u>1,893</u>
NET LOSS	<u>(600,602)</u>
NET ASSETS, BEGINNING	<u>1,223,151</u>
NET ASSETS, ENDING	<u>\$ 622,549</u>

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

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ROCKWALL COUNTY, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Governmental Activities Internal Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 2,581,939
Cash paid to employees	(278,877)
Cash paid to suppliers	(2,996,738)
Net cash used by operating activities	<u>(693,676)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>229,529</u>
Net cash provided by investing activities	<u>229,529</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(464,147)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,217,820</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 753,673</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$(602,495)
Change in assets and liabilities:	
Decrease (increase) in receivables	(157,058)
Increase (decrease) in accounts payable	2,362
Increase (decrease) in claims payable	35,820
Increase (decrease) in accrued liabilities	<u>27,695</u>
Total adjustments	<u>(91,181)</u>
Net cash used by operating activities	<u>\$(693,676)</u>

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

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ROCKWALL COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

SEPTEMBER 30, 2012

	Indigent Health Care Private-Purpose Trust	<u>Agency Funds</u>
ASSETS		
Cash and investments	\$ 77,206	\$ 4,408,822
Receivables	<u>210</u>	<u>-</u>
Total assets	<u>77,416</u>	<u>4,408,822</u>
LIABILITIES		
Accounts payable	2,293	-
Due to others	-	2,428,988
Due to other governments	<u>-</u>	<u>1,979,834</u>
Total liabilities	<u>2,293</u>	<u>4,408,822</u>
NET ASSETS		
Held in trust	<u>75,123</u>	<u>-</u>
Total net assets	<u>\$ 75,123</u>	<u>\$ -</u>

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

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ROCKWALL COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Indigent Health Care Private-Purpose Trust
ADDITIONS	
County contributions	\$ 400,000
Interest earnings	<u>27</u>
Total additions	<u>400,027</u>
DEDUCTIONS	
Administrative expenses	<u>355,396</u>
Total deductions	<u>355,396</u>
CHANGES IN NET ASSETS	44,631
NET ASSETS, BEGINNING	<u>30,492</u>
NET ASSETS, ENDING	<u>\$ 75,123</u>

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

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ROCKWALL COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Rockwall County (the “County”) reflected in the accompanying financial statements conform to Generally Accepted Accounting Principles (GAAP). The County’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The most significant accounting and reporting policies of the County are described in the notes to the financial statements.

A. Reporting Entity

Rockwall County (the “County”) was founded in 1873 and operates under the laws of the State of Texas and subsequent court orders providing the following services: public safety (law enforcement and detention facilities, contracts for fire and ambulance service), public welfare (social services, public health), highways and streets, judicial administration and records, library, public improvements, and general administrative services.

The accompanying financial statements present the County and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the County’s operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. We have adopted the provisions of Statement No. 39 of the Governmental Accounting Standards Board, *Determining Whether Certain Organizations are Component Units*, an amendment of Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, as of September 30, 2011. There are no organizations that meet the requirements of GASB 39 which require inclusion in the basic financial statements.

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, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. The County has no business-type activities.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. 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 revenue.

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, proprietary, and fiduciary fund 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. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The primary revenue sources susceptible to accrual are property taxes, which are recognized as deferred revenue until cash is received, and grant income, which is accrued when the legal and contractual requirements of the individual programs are met. Expenditures are recorded when incurred. However, expenditures for principal and interest on general long-term debt, compensated absences, and claims and judgments are recorded when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The **Courthouse Construction Fund** accounts for the design, construction and equipping of the new Rockwall County Courthouse. Tax notes were issued to finance this project.

The **Road Improvements Bond 2008 Fund** accounts for the planning, engineering and construction of roads within Rockwall County. Bonds will be issued to finance this project.

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the County reports the following fund types:

Internal Service Funds account for the County's self-insurance program and employees benefit fund.

The **Private-purpose Trust Fund** is used to account for resources legally held in trust by a not-for-profit organization devoted to providing indigent health care. All resources of the fund may be used for the organization's activities.

Agency Funds are used to report resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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.

Amounts reported as *program* revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenue includes all taxes.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

For purposes of the statement of cash flows for the proprietary fund types, the County considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are reported at fair value, and the changes in the fair value of investments are recognized as investment revenue.

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 "due to/from other funds." The effect of interfund activity has been eliminated from the government-wide financial statements. All trade and property tax receivables are shown net of an allowance for uncollectable.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at their historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are recorded at estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Improvements which extend asset lives are capitalized and depreciated over the useful lives of the related assets, as applicable. Capital assets are capitalized if they have an original cost of \$5,000 or more and an expected useful life of over one year. When property or equipment is retired from service or otherwise disposed of, the cost and related accumulated depreciation are removed and any resulting gain or loss is reported in the statement of activities.

Infrastructure capital assets, such as streets, built and/or acquired since fiscal year 1960 are included.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

<u>Assets</u>	<u>Years</u>
Infrastructure	10 - 40
Buildings	10 - 40
Improvements	5 - 40
Equipment	5 - 10

Long-term Obligations

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 Issuance Costs

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period in the fund financial statements. Bond proceeds are reported as an “other financing source.” Bond issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. In the government-wide financial statements, issuance cost are reported as deferred charges and amortized over the life of the related debt. Bonds payable are reported net of the applicable bond premium or discount.

Compensated Absences

A liability for unused paid time off and compensatory time for all fulltime employees is calculated and reported in the government-wide financial statements. For financial reporting, the following criteria must be met to be considered as compensated absences: a) leave or compensation is attributable to services already rendered, and b) leave or compensation is not contingent on a specific event (such as illness).

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences (Continued)

County employees earn annual leave up to a maximum of 20 days per year based on months of service. Fulltime regular employees earn 10 days of sick leave per year. 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. Employees who have been employed for a year or more are eligible to be paid for all unused annual leave at their regular rate of pay upon termination of employment. Vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

Use of 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.

Property Taxes

Property subject to taxation is real property and certain personal property situated in the County. Certain properties of religious, educational and charitable organizations are exempt from taxation. In addition, other special exemptions are allowed by the Commissioners' Court of the County.

The County's ad valorem taxes are levied and become a legal enforceable claim, on October 1 on 100% of assessed valuation at a rate of \$.3864 (\$.3080 for the maintenance and operations and \$.0784 for interest and sinking fund) per \$100 valuation as of the preceding January 1. These taxes are due and payable from October 1 of the year in which levied until January 31 of the following year without interest or penalty. Taxes paid after February 1 of each year are subject to interest and penalty charges.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property Taxes (Continued)

The County's taxes on real property are a lien (as of the date of levy) against such property until paid. The County may foreclose on real property upon which it has a lien for unpaid taxes. Delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title to the property.

Any liens and subsequent suits against the taxpayer for payment of delinquent personal property taxes are barred unless instituted within four years from the time such taxes became delinquent. Unlike real property, the sale or transfer of most personal property does not require any evidence that taxes thereon are paid.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists 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. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance (Continued)

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by 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 can be expressed by the County Auditor.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When 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.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The County Judge serves as the budget officer for the Commissioners' Court and submits the annual budget for approval where the legal level of control is by category. Amendments to the budget and additional appropriations must be approved by Commissioners' Court. Following is a summary of the budget calendar:

- The proposed budget is filed with the County Clerk and made available for public inspection.
- The Commissioners' Court holds a public hearing on the proposed budget and subsequently makes changes and approves the budget including the adoption of a property tax levy which is effective on October 1 preceding the beginning of the fiscal year.

(continued)

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

- The approved budget is filed with the County Clerk.
- During the course of the budget year, it may be necessary to amend the budget. The Commissioners’ Court may, by order, authorize an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonable diligent thought and attention. The Commissioners’ Court may issue an order to amend the budget by transferring an amount budgeted for one line item to another budgeted line item without authorizing an emergency expenditure.

III. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains, “Some liabilities, (such as notes payable, capital lease contract payable, long-term compensated absences, and bond payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.” The details of this \$(72,075,232) difference are as follows:

Tax notes	\$ (69,920,000)
Premium on bonds	(937,147)
Accrued interest payable	(539,746)
Compensated absences	(537,984)
Deferred charge for bond issuance costs	1,043,663
Net OPEB obligation	<u>(1,184,018)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ <u>(72,075,232)</u>

(continued)

III. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
 (Continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental fund and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$3,790,747 difference are as follows:

Capital outlay	\$ 5,235,147
Capital asset retirements	(52,500)
Depreciation expense	<u>(1,391,900)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 3,790,747</u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$(240,597) difference are as follows:

Property taxes	\$(143,301)
Other	(9,047)
Adjudicated fines	<u>(88,249)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(240,597)</u>

(continued)

III. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states, “The issuance of long-term debt (e.g. bonds, leases) 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, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$(14,544,458) difference are as follows:

Principal repayments	\$ 2,590,000
Interest payable	(159,272)
Limited tax notes proceeds	(15,750,405)
Bond discount/premium	(705,815)
Deferred charges	(59,162)
Compensated absences	(13,474)
OPEB obligation	<u>(446,330)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(14,544,458)</u>

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

State statutes authorize the County to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or (b) secured by obligations that are described by (1) – (4); (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1), pledged with a third party selected or approved the County, and placed through a primary government securities dealer.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and Investments (Continued)

Following are the County's investments at September 30, 2012:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 8,858,066	41
MBIA Class	14,138,282	30
TexStar	522,358	49
LOGIC	<u>14,249,828</u>	46
Total investments	<u>\$ 37,768,534</u>	

Investment pools are not categorized as to investment risk since specific securities relating to the government cannot be identified. Investments in 2a7-like pools are valued based upon the value of pool shares. No investments are reported at amortized cost. The County currently invests in three 2a7-like pools, the Texas Local Government Investment Pool (TexPool), Texas Short Term Asset Reserve Program (TexStar), and the Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS).

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool.

MBIA CLASS was created under the Texas Government Code Ch. 2256. Municipal Investors Service Corporation (MBIA) is the plan administrator. The Custodian and the Board of Trustees shall conduct the trust's activities. The Board of Trustees shall be made up of all the Trustees elected by the participants. The fair value of the County's position in these pools is the same as the value of the pool shares.

J. P. Morgan Fleming Asset Management (USA), Inc. ("JPMFAM") and First Southwest Asset Management, Inc. ("FSAM") serve as co-administrators for TexStar under an agreement with the TexStar board of directors. JPMFAM provides investment service and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by J. P. Morgan Chase Bank and/or its subsidiary, J. P. Morgan Investor Services Co. TexStar bylaws provide for a five-member board of directors consisting of three representatives of participants and one member designated by each of the co-administrators.

Interest Rate Risk. As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that the maximum allowable stated maturity of any individual investment held in the General Fund shall not exceed 60 months nor shall the invested amount in such securities exceed 15% of the General Fund operating reserve. The maximum allowable stated maturity of any individual investment held in all other funds shall not exceed 24 months.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and Investments (Continued)

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2012, the County's deposit balance was fully collateralized with securities held by the pledging financial institution in the County's name or by FDIC insurance.

Credit Risk. State law and county policy limit investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The County's investments as of September 30, 2012, were rated as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>
TexPool	AAAm	Standard & Poor's
MBIA Class	AAAm	Standard & Poor's
TexStar	AAAm	Standard & Poor's
LOGIC	AAAm	Standard & Poor's

B. Receivables and Deferred Revenues

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

	<u>Governmental Funds</u>			
	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 672,852	\$ 160,134	\$ 52,443	\$ 885,429
Adjudicated fines	14,647,312	-	-	14,647,312
Accounts	228,796	-	293,765	522,561
Interest	-	-	281	281
Gross receivables	15,548,960	160,134	346,489	16,055,583
Less: allowance for uncollectibles	<u>13,290,238</u>	<u>23,647</u>	<u>35</u>	<u>13,313,920</u>
Net total receivables	<u>\$ 2,258,722</u>	<u>\$ 136,487</u>	<u>\$ 346,454</u>	<u>\$ 2,741,663</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables and Deferred Revenues (Continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are 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:

	<u>Unavailable</u>	<u>Unearned</u>
General fund:		
Delinquent property taxes receivable	\$ 474,893	\$ -
Adjudicated fines receivable	1,464,731	-
Other	<u>181</u>	<u>-</u>
Total general fund	<u>1,939,805</u>	<u>-</u>
Debt service:		
Delinquent property taxes receivable	<u>113,546</u>	<u>-</u>
Total debt service	<u>113,546</u>	<u>-</u>
Other governmental funds:		
Delinquent property taxes receivable	154	-
Lien assessments	<u>228,922</u>	<u>-</u>
Total other governmental funds	<u>229,076</u>	<u>-</u>
Total governmental funds	<u>\$ 2,282,427</u>	<u>\$ -</u>

C. Capital Assets

Capital assets are recorded at cost or, if donated, at fair value at the date of receipt. In accordance with GASB 34, depreciation policies were adopted to include useful lives and classification by function. Infrastructure assets are valued in two ways: either actual historical cost where the amount can be determined from existing records or using current cost deflated to the year of construction. Once the historical cost is determined, regardless of how it is determined, the asset is then depreciated over its useful life.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

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

	Beginning Balance	Increases	Decreases	Prior Period Adjustment	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 6,371,813	\$ -	\$ -	\$ -	\$ 6,371,813
Construction in progress	<u>53,751,271</u>	<u>4,104,684</u>	<u>(11,582,365)</u>	<u>(9,454,212)</u>	<u>36,819,378</u>
Total assets not being depreciated	<u>60,123,084</u>	<u>4,104,684</u>	<u>(11,582,365)</u>	<u>(9,454,212)</u>	<u>43,191,191</u>
Capital assets, being depreciated:					
Buildings and improvements	12,414,764	11,864,940	(150,000)	-	24,129,704
Infrastructure	5,232,656	-	-	-	5,232,656
Machinery and equipment	<u>7,116,619</u>	<u>847,888</u>	<u>(31,200)</u>	<u>-</u>	<u>7,933,307</u>
Total capital assets being depreciated	<u>24,764,039</u>	<u>12,712,828</u>	<u>(181,200)</u>	<u>-</u>	<u>37,295,667</u>
Less accumulated depreciation:					
Buildings and improvements	(4,817,110)	(680,066)	97,500	-	(5,399,676)
Infrastructure	(2,323,383)	(130,831)	-	-	(2,454,214)
Machinery and equipment	<u>(4,660,310)</u>	<u>(581,003)</u>	<u>31,200</u>	<u>-</u>	<u>(5,210,113)</u>
Total accumulated depreciation	<u>(11,800,803)</u>	<u>(1,391,900)</u>	<u>128,700</u>	<u>-</u>	<u>(13,064,003)</u>
Total capital assets being depreciated, net	<u>12,963,236</u>	<u>11,320,928</u>	<u>(52,500)</u>	<u>-</u>	<u>24,231,664</u>
Governmental activities capital assets, net	<u>\$ 73,086,320</u>	<u>\$ 15,425,612</u>	<u>\$(11,634,865)</u>	<u>\$(9,454,212)</u>	<u>\$ 67,422,855</u>

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

Governmental activities:	
General government	\$ 426,719
Financial administration	12,973
Roads and bridges	292,934
Public safety	285,065
Public facilities	1,893
Public services	40,685
Judicial	3,555
Legal	2,076
Culture and recreation	321,666
Health and welfare	<u>4,334</u>
Total depreciation expense - governmental activities	<u>\$ 1,391,900</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables/Payables and Transfers

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ <u>41,279</u>
		\$ <u>41,279</u>

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made; and unsettled overdrafts of pooled cash which will be removed by rebalancing the funds' share of pooled cash and investments.

The following schedule briefly summarizes the County's transfer activity:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
Nonmajor governmental	General	\$ 410,000
Courthouse construction	General	<u>4,992,211</u>
		\$ <u>5,402,211</u>

Transfers are used to: 1) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and 2) move unrestricted revenues collected in Special Revenue Funds to the General Fund.

E. Long-term Liabilities

The County issues general obligation bonds and tax notes to finance major capital projects. General obligations debt, certificates of obligation and contractual obligations are generally payable from property tax revenues. All other obligations, including capital leases and compensated absences, are payable from revenues of the General Fund.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Liabilities (Continued)

Tax Notes

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Principal Balance</u>	<u>Due Within One Year</u>
\$11,500,000 limited tax notes Series 2007	06/18/07	4.0% - 4.037%	\$ 9,655,000	\$ 455,000
\$1,250,000 limited tax notes Series 2007	09/18/07	3.75% - 4.03%	390,000	190,000
\$2,000,000 limited tax notes Series 2008A	09/25/08	4.09%	920,000	295,000
\$24,705,000 tax refunding note Series 2009	02/01/09	2.00%-5.00%	22,955,000	670,000
\$10,620,000 limited tax note Series 2009	02/01/09	2.75%-5.25%	9,885,000	285,000
\$2,460,000 unlimited tax Series 2010	06/08/10	4.15%	2,340,000	75,000
\$8,815,000 limited tax refunding Series 2010	06/08/10	3.65%	7,765,000	585,000
\$16,010,000 unlimited tax Series 2012	01/01/12	2.75%-4.50%	<u>16,010,000</u>	<u>-</u>
			<u>\$ 69,920,000</u>	<u>\$ 2,555,000</u>

The \$11,500,000 Permanent Improvement Limited Tax Notes, Series 2007, were issued for the purpose of designing constructing and equipping of a new 52,000 square foot library. Principal maturities will occur annually beginning in February 2008. Interest payments will occur semi-annually in February and August with a range of 4.0% - 4.375%. The final principal and interest payment is due February 2027.

The \$1,250,000 Limited Tax Notes, Series 2007, were issued for the purpose of purchasing computer equipment and software, audio/video equipment, security equipment, information systems, courtroom equipment, technology upgrades, office equipment, furniture and furnishing for County offices, voter election management system, voting registration card imaging, vehicles for Public Safety Departments, vehicles and equipment for road and bridge, construction of holding cells for County Court at Law and District Court, and acquisition of land and improvements for expansion for the jail and other county facilities. Principal maturities will occur annually beginning in February 2008. Interest payments will occur semi-annually in February and August with a range of 3.75% - 4.03%. The final principal and interest payment is due February 2014.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Liabilities (Continued)

Tax Notes (Continued)

The \$2,000,000 Limited Tax Notes, Series 2008A, were issued for the purpose of paying contractual obligations to be incurred in connection with acquiring, remodeling, improving, and equipping the Rockwall County Services Building located at 915 Whitmore Drive in Rockwall, Texas including the payment of the costs of issuance of the notes. The notes shall mature annually on February 1 beginning in the year 2009 and ending in the year 2015. Interest payments will occur semi-annually on February 1 and August 1 beginning in the year 2009 and ending February 1, 2015, at an annual rate of 4.09%.

The \$24,705,000 Limited Tax Refunding Bonds – Series 2009, were issued to liquidate all but \$5,000,000 of the \$30,000,000 Tax Notes Series 2008 for the purpose of extending the amortization period to 25 years instead of the shorter seven-year period associated with the \$30M Tax Notes 2008 bonds. This action had the effect of reducing the annual debt service associated with the liability and did not affect the original purpose of the funds, which is to pay for the construction of a new courthouse for the County.

\$10,620,000 Unlimited Tax Road Bonds – Series 2009, were issued for the purpose of funding road improvement projects authorized by the voters in the 2004 \$17.250M Road Bond Authorization and the 2008 \$100M Road Bond Authorization. The proceeds were split with \$8.120M allocated to projects authorized by the 2004 bond issue and \$2.500M was allocated to projects authorized by the 2008 bond issue.

The \$2,460,000 Unlimited Tax Series 2010, were issued for the purpose of providing funds for (i) permanent public improvements, to-wit: construction, maintenance and operation of macadamized, graveled or paved roads and highways, or in the aid thereof, throughout the County, including participating in the cost of joint projects with various state, city and regional council of government entities, and (ii) paying certain costs of issuing bonds. Principal maturities will occur annually beginning in February 2011. Interest payments will occur semi-annually in February and August at 4.146%. The final principal and interest payment is due February 2034.

The \$8,815,000 Limited Tax Refunding Series 2010, were issued for the purpose of (i) refunding the refunded obligations and (ii) paying the costs of issuing the bonds. Principal maturities will occur annually beginning in February 2011. Interest payments will occur semi-annually in February and August at 3.653%. The final principal and interest payment is due February 2034.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Liabilities (Continued)

Tax Notes (Continued)

The \$16,010,000 Unlimited Tax Series 2012, were issued for (i) the purpose of providing funds for permanent public improvements, to-wit: construction, maintenance and operation of macadamized, graveled or paved roads and highways, or in the aid thereof, throughout the County, including participating in the cost of joint projects with various state, city and regional council of government entities, and (ii) paying certain costs of issuing the bonds. Principal maturities will occur annually beginning in February 2015. Interest payments will occur semi-annually in February and August with a range of 2.75%-4.50%. The final principal and interest payment is due February 2032.

The requirements to amortize all tax notes outstanding, as of September 30, 2012, are summarized as follows:

Fiscal Year Ending September 30,	Tax Notes		
	Principal	Interest	Total
2013	\$ 2,555,000	\$ 3,185,884	\$ 5,740,884
2014	2,660,000	2,759,083	5,419,083
2015	2,990,000	2,653,137	5,643,137
2016	3,005,000	2,540,812	5,545,812
2017	3,115,000	2,424,446	5,539,446
2018-2022	15,740,000	10,279,314	26,019,314
2023-2027	17,615,000	6,940,872	24,555,872
2028-2032	16,870,000	3,313,050	20,183,050
2033-2034	<u>5,370,000</u>	<u>271,294</u>	<u>5,641,294</u>
Total	\$ <u>69,920,000</u>	\$ <u>34,367,892</u>	\$ <u>104,287,892</u>

F. Changes in Long-term Debt

The following is a summary of long-term debt transactions of the County for the fiscal year ended September 30, 2012:

Description	Amounts Outstanding October 1,	Issued	Retired	Amounts Outstanding September 30,	Due Within One Year
	2011			2012	
Tax notes	\$ 56,500,000	\$ 16,010,000	\$ 2,590,000	\$ 69,920,000	\$ 2,555,000
Bond premiums/discounts	231,332	717,562	11,747	937,147	48,546
Compensated absences	524,510	557,537	544,063	537,984	107,597
Net OPEB obligation	<u>737,688</u>	<u>446,330</u>	<u>-</u>	<u>1,184,018</u>	<u>-</u>
	\$ <u>57,993,530</u>	\$ <u>17,731,429</u>	\$ <u>3,145,810</u>	\$ <u>72,579,149</u>	\$ <u>2,711,143</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Pension Plans

Defined Benefit Plan – Texas County and District Retirement System (TCDRS)

Plan Description

Rockwall County provides retirement, disability, and death benefits for all of its regular fulltime and part-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 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 Commissioners' Court of the County, 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 eight 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 county-financed monetary credits. The level of these credits is adopted by the Commissioners' Court of the County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the County's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the county-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 required contribution rate of the employer is actuarially determined annually. The employer may contribute at an elected contribution rate that is higher. For the months of January-September in 2012, the employer contributed at an elected rate of 9% versus the required rate of 6.62%. For 2011, the employer contributed the 9% required rate.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Pension Plans (Continued)

Defined Benefit Plan – Texas County and District Retirement System (TCDRS) (Continued)

Funding Policy (Continued)

The deposit rate payable by the employee members for calendar year 2012 is the rate of 7% as adopted by the Commissioners’ Court of the County. The employee deposit rate and the employer deposit rate may be changed by the Commissioners’ Court of the County within the options available in the TCDRS Act.

Annual Pension Cost

For the employer’s accounting year ended September 30, 2012, the annual required contribution for the TCDRS plan was \$911,794, and the actual contributions were \$1,241,157. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2010 and December 31, 2009, the basis for determining the contribution rates for calendar years 2011 and 2010. The December 31, 2011, actuarial valuation is the most recent valuation.

Actuarial Liabilities and Funding Progress

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, open	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period	30	30	30
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	8.00%	8.00%	8.00%
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%

¹ Includes inflation at the state rate

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Pension Plans (Continued)

Defined Benefit Plan – Texas County and District Retirement System (TCDRS) (Continued)

Annual Pension Cost (Continued)

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

Fiscal year	2010	2011	2012
Annual required contribution (ARC)	\$ 1,065,073	\$ 969,960	\$ 911,794
Interest on net pension obligation	(162,836)	(345,538)	(390,326)
Adjustment to ARC	474,565	268,967	303,829
Annual pension cost	1,376,802	893,389	825,297
Contributions made	(3,660,569)	(1,453,238)	(1,241,157)
Net pension obligation (asset), beginning of year	(2,035,456)	(4,319,223)	(4,879,072)
Change in net pension obligation (asset)	(2,283,767)	(559,849)	(415,860)
Net pension obligation (asset), end of year	<u>\$(4,319,223)</u>	<u>\$(4,879,072)</u>	<u>\$(5,294,932)</u>
Percentage of APC contributed	265.9%	162.7%	150.4%

Schedule of Funding Progress for the Retirement Plan For the Employees of Rockwall County

Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	\$ 30,629,673	\$ 30,748,744	\$ 119,071	99.61%	\$ 13,509,564	0.88%

- 1) The annual covered payroll is based on the employee contributions received by TCERS for the year ended with the valuation date.
- 2) Revised economic and demographic assumptions due to an experience review were reflected in this valuation.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Post-retirement Health Care Benefits

The County provides certain health care and life insurance benefits, under county policy, for all active employees upon retirement that meet one of the following requirements: age 60 with 8 or more years of service, at least 30 years of service at any age, or a combined age plus service of at least 75.

A retiree may choose to receive health care coverage through the County’s self-insured plan if retiring prior to age 65 or the retiree may choose to obtain coverage through the CountyChoice Silver plan offered by Texas Association of Counties if retiring at age 65 or older. As noted, it is the retiree’s option to choose either based upon age and other qualifying requirements when retirement occurs. The retiree is free to choose an independent plan for coverage. To offset the cost of health care coverage, the County provides a \$200 monthly stipend to qualified retirees. Spouses are not eligible for the stipend unless they are also qualified County retirees. The stipend applies to both pre-65 and post-65 retirees. The stipend benefit is subject to approval by the Commissioners’ Court on an annual basis. The stipend benefit has been offered to qualified retirees since 2002, although amounts have changed over time.

Expenses for post-retirement health care benefits are recognized on a pay-as-you-go basis. During the year, post-retirement health care benefits paid by the County were \$93,866. The County does not produce separately issued financial statements for the benefit plan.

I. Post-retirement Health Care Benefits

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution (ARC)	\$ 520,000
Interest on Net OPEB Obligation	33,196
Adjustment to the ARC	(13,000)
Annual OPEB Cost	540,196
Employer Contributions with Interest	(93,866)
Increase (Decrease) in Net OPEB Obligation	446,330
Net OPEB Obligation, beginning of year	<u>737,688</u>
Net OPEB Obligation, end of year	<u>\$ 1,184,018</u>

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Post-retirement Health Care Benefits (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year (4.5% discount rate, and level percent of pay amortization).

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
09/30/10	\$ 280,209	\$ 68,965	25%	\$ 345,417
09/30/11	524,271	132,000	25%	737,688
09/30/12	540,196	93,866	17%	1,184,018

Funding Status and Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
09/30/10	\$ -	\$ 3,719,000	\$ 3,719,000	- %	\$ 13,369,310	27.82%

The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the County and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Post-retirement Health Care Benefits (Continued)

Actuarial Methods and Assumptions

The actuarial methods and significant assumptions used are as follows:

Actuarial Valuation Date	10/01/10
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percent of payroll
Remaining Amortization Period	30 years; open
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Payroll Growth Rate	3%
Projected Salary Increases	3.5%
General Inflation Rate	3%
Healthcare cost trend rate	10%
The number of active members is assumed to remain constant in the future	

J. Health Care Coverage (Self-insured Plan)

During the year ended September 30, 2012, employees of the County were covered by a health insurance plan (the "Plan"). The County contributed \$10,531 per year per employee. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid into the County's Insurance Trust Fund. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

K. Self-insurance Coverage

The County is exposed to various risks of loss in its normal daily operations. These risks include tort claims, theft/damage of county assets, errors and omissions, and natural disasters. The County has established a separate self-insurance fund (Internal Service) to account for these operations.

L. 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 and natural disasters for which the County carries commercial insurance. The County participates in a risk management program through Texas Association of Counties for workers' compensation coverage. The County currently provides health benefits for its employees.

(continued)

IV. DETAILED NOTES ON ALL FUNDS (Continued)

L. Risk Management (Continued)

The County has not had any significant reductions in insurance coverage from coverage in the prior year. The amount of settlements has not exceeded insurance coverage in any of the previous three years.

M. Commitments and Contingencies

The County is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and, accordingly, no provision for losses has been recorded.

The County participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2012, may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

N. Subsequent Event

On November 1, 2012 the County issued \$24,205,000 Unlimited Tax Road Bonds, Series 2012A. The bonds carry interest rates of 2.125-5.00% and mature in fiscal year 2033. The proceeds are for construction, maintenance and operation of various road projects within the County.

O. Prior Period Adjustment

The County is partially funding several road projects with TxDOT that will result in TxDOT owning and maintaining the road. The projects had been included with the County's construction in progress. Since the County does not own these roads, a prior period adjustment is required to remove these projects from the construction in progress ledger. This prior period adjustment resulted in a \$9,454,212 decrease to the County's net assets.

The County had been reporting court fines receivable with a date range of the fiscal year rather than as of the year-end date. This prior period adjustment resulted in an increase of \$1,272,349 to the County's net assets.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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ROCKWALL COUNTY, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 21,150,327	\$ 21,150,327	\$ 21,280,941	\$ 130,614
Beverage taxes	225,000	225,000	202,896	(22,104)
Fines and forfeitures	1,100,000	1,100,000	888,895	(211,105)
Other taxes	30,000	30,000	-	(30,000)
Fees and commissions	2,312,174	2,312,174	2,875,236	563,062
Intergovernmental	235,720	235,720	234,165	(1,555)
Investment earnings	110,850	110,850	119,415	8,565
Miscellaneous	26,300	26,300	61,700	35,400
Total revenues	<u>25,190,371</u>	<u>25,190,371</u>	<u>25,663,248</u>	<u>472,877</u>
EXPENDITURES				
Current:				
General government:				
County judge	117,290	117,290	102,327	14,963
County clerk	786,905	786,905	755,894	31,011
Information services	371,628	409,628	370,424	39,204
Nondepartmental	2,480,103	2,173,360	1,854,688	318,672
Human resources	45,478	45,478	42,382	3,096
Centralized collections	124,909	124,909	65,693	59,216
Commissioners' court	100,793	141,515	126,878	14,637
Total general government	<u>4,027,106</u>	<u>3,799,085</u>	<u>3,318,286</u>	<u>480,799</u>
Financial administration:				
Tax assessor/collector	620,367	620,367	607,328	13,039
County treasurer	349,308	349,093	333,541	15,552
County auditor	475,268	479,268	454,908	24,360
Noncapital equipment	205,575	205,575	205,575	-
Human Resources	108,764	108,764	104,160	4,604
Total financial administration	<u>1,759,282</u>	<u>1,763,067</u>	<u>1,705,512</u>	<u>57,555</u>
Commissioner expenses:				
County commissioner, precinct #1	97,758	98,401	97,911	490
County commissioner, precinct #2	94,806	94,806	93,094	1,712
County commissioner, precinct #3	97,806	97,806	94,613	3,193
County commissioner, precinct #4	96,931	96,931	96,418	513
Total commissioner expenses	<u>387,301</u>	<u>387,944</u>	<u>382,036</u>	<u>5,908</u>
Public safety:				
Sheriff's department	4,281,026	4,276,375	4,151,739	124,636
County jail	5,394,796	5,383,752	5,315,764	67,988
Other law enforcement	492,064	500,664	498,237	2,427
Constable #1	87,616	87,616	86,911	705
Constable #2	83,288	83,288	79,366	3,922
Total public safety	<u>10,338,790</u>	<u>10,331,695</u>	<u>10,132,017</u>	<u>199,678</u>

(continued)

ROCKWALL COUNTY, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (Continued)				
Public facilities				
Maintenance and operations	\$ 442,038	\$ 541,705	\$ 541,702	\$ 3
Total public facilities	<u>442,038</u>	<u>541,705</u>	<u>541,702</u>	<u>3</u>
Public services:				
Election administrator	360,906	395,406	403,610	(8,204)
VINE program	18,285	18,285	18,283	2
TCEQ grant	36,621	36,621	36,621	-
Total public services	<u>415,812</u>	<u>450,312</u>	<u>458,514</u>	<u>(8,202)</u>
Judicial:				
District clerk	772,968	772,968	758,289	14,679
District judge	1,265,896	1,265,896	1,019,057	246,839
Justice of the peace, precinct #1	267,181	267,181	262,631	4,550
Justice of the peace, precinct #2	270,214	271,044	261,400	9,644
Court at law	594,568	594,568	588,651	5,917
Total judicial	<u>3,170,827</u>	<u>3,171,657</u>	<u>2,890,028</u>	<u>281,629</u>
Legal:				
District attorney	1,774,190	1,783,022	1,717,598	65,424
Total legal	<u>1,774,190</u>	<u>1,783,022</u>	<u>1,717,598</u>	<u>65,424</u>
Culture and recreation:				
County library	1,007,533	1,007,533	988,905	18,628
Total culture and recreation	<u>1,007,533</u>	<u>1,007,533</u>	<u>988,905</u>	<u>18,628</u>
Health and welfare:				
County health coordinator	146,414	146,414	142,968	3,446
Welfare	253,303	313,303	289,353	23,950
Ambulance	227,717	227,717	226,315	1,402
911 services	65,283	65,283	59,801	5,482
Indigent health care	580,000	580,000	400,000	180,000
Total health and welfare	<u>1,272,717</u>	<u>1,332,717</u>	<u>1,118,437</u>	<u>214,280</u>
Conservation:				
County agent	98,571	107,571	104,996	2,575
Total conservation	<u>98,571</u>	<u>107,571</u>	<u>104,996</u>	<u>2,575</u>
Total current expenditures	<u>24,694,167</u>	<u>24,676,308</u>	<u>23,358,031</u>	<u>1,318,277</u>

(continued)

ROCKWALL COUNTY, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (Continued)				
Noncurrent:				
Capital outlay:				
Capital equipment	\$ 224,713	\$ 338,186	\$ 247,944	\$ 90,242
Capital improvements	<u>650,000</u>	<u>549,386</u>	<u>249,492</u>	<u>299,894</u>
Total capital outlay	<u>874,713</u>	<u>887,572</u>	<u>497,436</u>	<u>390,136</u>
Total expenditures	<u>25,568,880</u>	<u>25,563,880</u>	<u>23,855,467</u>	<u>1,708,413</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(378,509)	(373,509)	1,807,781	2,181,290
OTHER FINANCING SOURCES (USES)				
Transfers out	(5,405,000)	(5,410,000)	(5,402,211)	7,789
Proceeds from sale of assets	<u>5,000</u>	<u>5,000</u>	<u>230,425</u>	<u>225,425</u>
Total other financing sources (uses)	<u>(5,400,000)</u>	<u>(5,405,000)</u>	<u>(5,171,786)</u>	<u>233,214</u>
NET CHANGE IN FUND BALANCE	(5,778,509)	(5,778,509)	(3,364,005)	2,414,504
FUND BALANCES, BEGINNING	<u>19,786,823</u>	<u>19,786,823</u>	<u>19,786,823</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 14,008,314</u>	<u>\$ 14,008,314</u>	<u>\$ 16,422,818</u>	<u>\$ 2,414,504</u>

ROCKWALL COUNTY, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2012

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Funded Ratio (a/b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of of Covered Payroll (b-a)/(c)</u>
12/31/2009	\$ 25,243,417	\$ 25,254,555	100.0%	\$ 11,138	\$ 13,275,117	0.08%
12/31/2010	27,463,296	27,519,567	99.8%	56,271	12,967,683	0.43%
12/31/2011	30,629,673	30,748,744	99.6%	119,071	13,509,564	0.88%

ROCKWALL COUNTY, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
POST-RETIREMENT HEALTH CARE BENEFIT PLAN**

FOR THE YEAR ENDED SEPTEMBER 30, 2012

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Funded Ratio (a/b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of of Covered Payroll (b-a)/(c)</u>
09/30/2008	\$ -	\$ 1,593,000	0.0%	\$ 1,593,000	\$ 13,275,117	12.00%
09/30/2010	-	3,719,000	0.0%	3,719,000	13,369,310	27.82%

Note: This is the third year of implementation of GASB 45. Accordingly, only two years of funding progress are available as GASB 45 only requires the County to have actuarial evaluations performed every two years. Additional years of funding progress will be presented in future years, as they become available.

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**COMBINING FUND
FINANCIAL STATEMENTS**

ROCKWALL COUNTY, TEXAS

COMBINING BALANCE SHEET

GOVERNMENT FUNDS

SEPTEMBER 30, 2012

	Special Revenue		
	Emergency Management	Fire Code Enforcement	Court Record Preservation
ASSETS			
Cash and investments	\$ 31,196	\$ 109,084	\$ 43,499
Receivables (net of allowance for uncollectibles)			
Taxes	-	-	-
Accounts	-	-	-
Interest	-	-	-
	-	-	-
Total assets	\$ 31,196	\$ 109,084	\$ 43,499
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,078	\$ -	\$ 9,000
Accrued expenses	5,994	-	-
Deferred revenue	-	-	-
Due to other funds	-	-	-
	-	-	-
Total liabilities	9,072	-	9,000
Fund balances:			
Restricted for:			
Records preservation and management	-	-	34,499
Court security and technology	-	-	-
Legal	-	-	-
Public safety	22,124	109,084	-
Judicial	-	-	-
Capital acquisition and construction	-	-	-
Culture and recreation	-	-	-
Roads and bridges	-	-	-
Elections assistance and administration	-	-	-
Unassigned	-	-	-
	-	-	-
Total fund balances	22,124	109,084	34,499
Total liabilities and fund balances	\$ 31,196	\$ 109,084	\$ 43,499

Special Revenue

<u>District Court Records Technology</u>	<u>Law Library</u>	<u>County/ District Court Technology</u>	<u>Justice Court Building Security</u>	<u>D. A. State</u>	<u>D. A. Forfeiture</u>	<u>Cities Readiness Initiative</u>
\$ 16,384	\$ 191,250	\$ 6,468	\$ 38,482	\$ 18,398	\$ 97,394	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	52
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 16,384</u>	<u>\$ 191,250</u>	<u>\$ 6,468</u>	<u>\$ 38,482</u>	<u>\$ 18,398</u>	<u>\$ 97,394</u>	<u>\$ 52</u>
\$ -	\$ 6,852	\$ -	\$ -	\$ 45	\$ 49	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52</u>
<u>-</u>	<u>6,852</u>	<u>-</u>	<u>-</u>	<u>45</u>	<u>49</u>	<u>52</u>
-	-	-	-	-	-	-
16,384	-	6,468	38,482	-	-	-
-	184,398	-	-	18,353	97,345	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>16,384</u>	<u>184,398</u>	<u>6,468</u>	<u>38,482</u>	<u>18,353</u>	<u>97,345</u>	<u>-</u>
<u>\$ 16,384</u>	<u>\$ 191,250</u>	<u>\$ 6,468</u>	<u>\$ 38,482</u>	<u>\$ 18,398</u>	<u>\$ 97,394</u>	<u>\$ 52</u>

(continued)

ROCKWALL COUNTY, TEXAS

COMBINING BALANCE SHEET

GOVERNMENT FUNDS

(Continued)

SEPTEMBER 30, 2012

	Special Revenue		
	Help America Vote Grant	Sheriff's Abandoned Property	Errors and Omissions Insurance
ASSETS			
Cash and investments	\$ -	\$ 5,447	\$ 134,532
Receivables (net of allowance for uncollectibles)			
Taxes	-	-	-
Accounts	-	-	-
Interest	-	-	-
	-	-	-
Total assets	\$ -	\$ 5,447	\$ 134,532
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued expenses	-	-	-
Deferred revenue	-	-	-
Due to other funds	-	-	-
	-	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted for:			
Records preservation and management	-	-	-
Court security and technology	-	-	-
Legal	-	-	-
Public safety	-	5,447	-
Judicial	-	-	134,532
Capital acquisition and construction	-	-	-
Culture and recreation	-	-	-
Roads and bridges	-	-	-
Elections assistance and administration	-	-	-
Unassigned	-	-	-
	-	5,447	134,532
Total fund balances	-	5,447	134,532
Total liabilities and fund balances	\$ -	\$ 5,447	\$ 134,532

Special Revenue

Public Safety Sales Tax	Child Abuse Prevention	District Clerk Records Management	Court Reporter Service	Appellate Justice System	Justice Court Technology	CC Records Management and Preservation	Records Management and Preservation	Courthouse Security
\$ 150,608	\$ 200	\$ 19,127	\$ 193,191	\$ 22,126	\$ 217,250	\$ 1,519,039	\$ 85,862	\$ 67,671
52,224	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 202,832</u>	<u>\$ 200</u>	<u>\$ 19,127</u>	<u>\$ 193,191</u>	<u>\$ 22,126</u>	<u>\$ 217,250</u>	<u>\$ 1,519,039</u>	<u>\$ 85,862</u>	<u>\$ 67,671</u>
\$ 1,500	\$ -	\$ 11	\$ 1,200	\$ 7,871	\$ 1,289	\$ 188,927	\$ -	\$ 3,719
-	-	166	-	-	-	902	-	6,791
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>1,500</u>	<u>-</u>	<u>177</u>	<u>1,200</u>	<u>7,871</u>	<u>1,289</u>	<u>189,829</u>	<u>-</u>	<u>10,510</u>
-	-	18,950	-	-	-	1,329,210	85,862	-
-	-	-	-	-	-	-	-	57,161
-	-	-	191,991	-	-	-	-	-
201,332	-	-	-	-	-	-	-	-
-	-	-	-	14,255	215,961	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	200	-	-	-	-	-	-	-
<u>201,332</u>	<u>200</u>	<u>18,950</u>	<u>191,991</u>	<u>14,255</u>	<u>215,961</u>	<u>1,329,210</u>	<u>85,862</u>	<u>57,161</u>
<u>\$ 202,832</u>	<u>\$ 200</u>	<u>\$ 19,127</u>	<u>\$ 193,191</u>	<u>\$ 22,126</u>	<u>\$ 217,250</u>	<u>\$ 1,519,039</u>	<u>\$ 85,862</u>	<u>\$ 67,671</u>

(continued)

ROCKWALL COUNTY, TEXAS

COMBINING BALANCE SHEET

GOVERNMENT FUNDS

(Continued)

SEPTEMBER 30, 2012

	Special Revenue		
	Election Services	Library Building	Sheriff
ASSETS			
Cash and investments	\$ 76,152	\$ 108,361	\$ 39,756
Receivables (net of allowance for uncollectibles)			
Taxes	-	-	-
Accounts	23,691	-	-
Interest	-	-	-
Total assets	\$ 99,843	\$ 108,361	\$ 39,756
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 785	\$ 6,725	\$ -
Accrued expenses	-	-	-
Deferred revenue	-	-	-
Due to other funds	-	-	-
Total liabilities	785	6,725	-
Fund balances:			
Restricted for:			
Records preservation and management	-	-	-
Court security and technology	-	-	-
Legal	-	-	-
Public safety	-	-	39,756
Judicial	-	-	-
Capital acquisition and construction	-	-	-
Culture and recreation	-	101,636	-
Roads and bridges	-	-	-
Elections assistance and administration	99,058	-	-
Unassigned	-	-	-
Total fund balances	99,058	101,636	39,756
Total liabilities and fund balances	\$ 99,843	\$ 108,361	\$ 39,756

Special Revenue					Capital Projects					
Library	D. A. Hot Check Fees	Road and Bridge	Energy Efficiency Grant	Juvenile Delinquency Prevention	Library Construction Bond	Historic Courthouse	Library Renovation	Veterans Memorial	Total	
\$ 208,596	\$ 39,860	\$ 2,348,792	\$ -	\$ 50	\$ 187,397	\$ 4,092	\$ 548	\$ 6,448	\$ 5,987,260	
-	-	184	-	-	-	-	-	-	52,408	
-	-	228,795	41,227	-	-	-	-	-	293,765	
-	-	281	-	-	-	-	-	-	281	
<u>\$ 208,596</u>	<u>\$ 39,860</u>	<u>\$ 2,578,052</u>	<u>\$ 41,227</u>	<u>\$ 50</u>	<u>\$ 187,397</u>	<u>\$ 4,092</u>	<u>\$ 548</u>	<u>\$ 6,448</u>	<u>\$ 6,333,714</u>	
\$ -	\$ -	\$ 116,751	\$ -	\$ -	\$ 2,316	\$ -	\$ -	\$ -	\$ 350,118	
-	-	19,496	-	-	-	-	-	-	33,349	
-	-	229,076	-	-	-	-	-	-	229,076	
-	-	-	41,227	-	-	-	-	-	41,279	
-	-	365,323	41,227	-	2,316	-	-	-	653,822	
-	-	-	-	-	-	-	-	-	1,468,521	
-	-	-	-	-	-	-	-	-	118,495	
-	39,860	-	-	-	-	-	-	-	531,947	
-	-	-	-	50	-	-	-	-	377,793	
-	-	-	-	-	-	-	-	-	364,748	
-	-	-	-	-	185,081	4,092	548	6,448	196,169	
208,596	-	-	-	-	-	-	-	-	310,232	
-	-	2,212,729	-	-	-	-	-	-	2,212,729	
-	-	-	-	-	-	-	-	-	99,058	
-	-	-	-	-	-	-	-	-	200	
<u>208,596</u>	<u>39,860</u>	<u>2,212,729</u>	<u>-</u>	<u>50</u>	<u>185,081</u>	<u>4,092</u>	<u>548</u>	<u>6,448</u>	<u>5,679,892</u>	
<u>\$ 208,596</u>	<u>\$ 39,860</u>	<u>\$ 2,578,052</u>	<u>\$ 41,227</u>	<u>\$ 50</u>	<u>\$ 187,397</u>	<u>\$ 4,092</u>	<u>\$ 548</u>	<u>\$ 6,448</u>	<u>\$ 6,333,714</u>	

ROCKWALL COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENT FUNDS
SEPTEMBER 30, 2012

	Special Revenue		
	Emergency Management	Fire Code Enforcement	Court Record Preservation
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-
Other taxes	-	-	-
Fees and commissions	154,753	25,677	16,810
Intergovernmental	-	-	-
Election	-	-	-
Investment earnings	35	-	-
Donations	-	-	-
Miscellaneous	-	-	-
Total revenues	154,788	25,677	16,810
EXPENDITURES			
Current:			
General government	-	-	-
Roads and bridges	-	-	-
Public safety	183,401	8,835	-
Public service	-	-	-
Judicial	-	-	-
Legal	-	-	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Capital outlay	717	-	14,873
Total expenditures	184,118	8,835	14,873
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(29,330)	16,842	1,937
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Proceeds from sale of assets	-	-	-
Total other revenues and financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	(29,330)	16,842	1,937
FUND BALANCES/EQUITY, BEGINNING	51,454	92,242	32,562
FUND BALANCES/EQUITY, ENDING	\$ 22,124	\$ 109,084	\$ 34,499

Special Revenue

District Court Records Technology	Law Library	County/ District Court Technology	Justice Court Building Security	D. A. State	D. A. Forfeiture	Cities Readiness Initiative
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	25,654	-
-	-	-	-	-	-	-
8,845	57,840	3,112	515	-	-	-
-	-	-	-	-	-	13,343
-	-	-	-	-	-	-
-	192	-	35	-	160	-
-	-	-	-	-	-	-
-	-	-	-	1,683	45	-
<u>8,845</u>	<u>58,032</u>	<u>3,112</u>	<u>550</u>	<u>1,683</u>	<u>25,859</u>	<u>13,343</u>
1,990	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	13,343
-	-	-	-	-	-	-
-	-	-	-	928	9,243	-
-	71,689	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,036</u>	<u>20,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,640</u>	<u>-</u>
<u>3,026</u>	<u>91,714</u>	<u>-</u>	<u>-</u>	<u>928</u>	<u>10,883</u>	<u>13,343</u>
<u>5,819</u>	<u>(33,682)</u>	<u>3,112</u>	<u>550</u>	<u>755</u>	<u>14,976</u>	<u>-</u>
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
5,819	(33,682)	3,112	550	755	14,976	-
<u>10,565</u>	<u>218,080</u>	<u>3,356</u>	<u>37,932</u>	<u>17,598</u>	<u>82,369</u>	<u>-</u>
<u>\$ 16,384</u>	<u>\$ 184,398</u>	<u>\$ 6,468</u>	<u>\$ 38,482</u>	<u>\$ 18,353</u>	<u>\$ 97,345</u>	<u>\$ -</u>

(continued)

ROCKWALL COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENT FUNDS
(Continued)
SEPTEMBER 30, 2012

	Special Revenue		
	Help America Vote Grant	Sheriff's Abandoned Property	Errors and Omissions Insurance
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-
Other taxes	-	-	-
Fees and commissions	-	1,387	8,730
Intergovernmental	-	-	-
Election	-	-	-
Investment earnings	-	4	130
Donations	-	-	-
Miscellaneous	-	-	-
Total revenues	-	1,391	8,860
EXPENDITURES			
Current:			
General government	-	-	-
Roads and bridges	-	-	-
Public safety	-	-	-
Public service	16,849	-	-
Judicial	-	-	-
Legal	-	-	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Capital outlay	12,720	-	-
Total expenditures	29,569	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(29,569)	1,391	8,860
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Proceeds from sale of assets	-	-	-
Total other revenues and financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	(29,569)	1,391	8,860
FUND BALANCES/EQUITY, BEGINNING	29,569	4,056	125,672
FUND BALANCES/EQUITY, ENDING	\$ -	\$ 5,447	\$ 134,532

Special Revenue

Public Safety Sales Tax	Child Abuse Prevention	District Clerk Records Management	Court Reporter Service	Appellate Justice System	Justice Court Technology	CC Records Management and Preservation	Records Management and Preservation	Courthouse Security
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	300	-	-	-	-	-	-	-
269,863	-	-	-	-	-	-	-	-
-	-	9,162	24,780	8,730	16,547	210,510	30,969	49,057
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
75	-	1	173	15	245	1,539	77	27
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>269,938</u>	<u>300</u>	<u>9,163</u>	<u>24,953</u>	<u>8,745</u>	<u>16,792</u>	<u>212,049</u>	<u>31,046</u>	<u>49,084</u>
-	-	-	-	-	-	214,081	34,795	-
-	-	-	-	-	-	-	-	-
549,778	-	-	-	-	-	-	-	198,706
-	-	-	-	-	-	-	-	-
-	-	9,831	9,002	7,871	18,619	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	100	-	-	-	-	-	-	-
-	-	-	511	-	12,321	95,425	1,556	1,714
<u>549,778</u>	<u>100</u>	<u>9,831</u>	<u>9,513</u>	<u>7,871</u>	<u>30,940</u>	<u>309,506</u>	<u>36,351</u>	<u>200,420</u>
(279,840)	200	(668)	15,440	874	(14,148)	(97,457)	(5,305)	(151,336)
245,000	-	-	-	-	-	-	-	160,000
-	-	-	-	-	-	-	-	-
<u>245,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,000</u>
(34,840)	200	(668)	15,440	874	(14,148)	(97,457)	(5,305)	8,664
<u>236,172</u>	<u>-</u>	<u>19,618</u>	<u>176,551</u>	<u>13,381</u>	<u>230,109</u>	<u>1,426,667</u>	<u>91,167</u>	<u>48,497</u>
<u>\$ 201,332</u>	<u>\$ 200</u>	<u>\$ 18,950</u>	<u>\$ 191,991</u>	<u>\$ 14,255</u>	<u>\$ 215,961</u>	<u>\$ 1,329,210</u>	<u>\$ 85,862</u>	<u>\$ 57,161</u>

(continued)

ROCKWALL COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENT FUNDS
(Continued)
SEPTEMBER 30, 2012

	Special Revenue		
	Election Services	Library Building	Sheriff
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-
Other taxes	-	-	-
Fees and commissions	-	-	-
Intergovernmental	-	-	-
Election	148,419	-	-
Investment earnings	-	-	-
Donations	-	29,600	-
Miscellaneous	-	-	19,830
Total revenues	148,419	29,600	19,830
EXPENDITURES			
Current:			
General government	-	-	-
Roads and bridges	-	-	-
Public safety	-	-	95,791
Public service	164,459	-	-
Judicial	-	-	-
Legal	-	-	-
Culture and recreation	-	30,556	-
Health and welfare	-	-	-
Capital outlay	26,426	16,804	-
Total expenditures	190,885	47,360	95,791
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(42,466)	(17,760)	(75,961)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Proceeds from sale of assets	-	-	-
Total other revenues and financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	(42,466)	(17,760)	(75,961)
FUND BALANCES/EQUITY, BEGINNING	141,524	119,396	115,717
FUND BALANCES/EQUITY, ENDING	\$ 99,058	\$ 101,636	\$ 39,756

Special Revenue					Capital Projects					
Library	D. A. Hot Check Fees	Road and Bridge	Energy Efficiency Grant	Juvenile Delinquency Prevention	Library Construction Bond	Historic Courthouse	Library Renovation	Veterans Memorial	Total	
\$ -	\$ -	\$ 290,043	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 290,043	
65,025	9,093	97,840	-	-	-	-	-	-	197,912	
-	-	-	-	-	-	-	-	-	269,863	
25,230	-	1,224,730	-	50	-	-	-	-	1,877,434	
-	-	5,000	41,227	-	-	-	-	-	59,570	
-	-	-	-	-	-	-	-	-	148,419	
-	-	3,009	-	-	262	10	-	36	6,025	
-	-	-	-	-	-	-	-	10,000	39,600	
-	-	200	-	-	-	-	-	-	21,758	
<u>90,255</u>	<u>9,093</u>	<u>1,620,822</u>	<u>41,227</u>	<u>50</u>	<u>262</u>	<u>10</u>	<u>-</u>	<u>10,036</u>	<u>2,910,624</u>	
-	-	-	41,227	-	-	-	-	-	292,093	
-	-	1,762,568	-	-	-	-	-	-	1,762,568	
-	-	-	-	-	-	-	-	-	1,036,511	
-	-	-	-	-	-	-	-	-	194,651	
-	-	-	-	-	-	-	-	-	45,323	
-	12,865	-	-	-	-	-	-	-	23,036	
64,278	-	-	-	-	20,594	-	-	-	187,117	
-	-	-	-	-	-	-	-	-	100	
-	-	371,900	-	-	65,876	529	-	26,655	670,728	
<u>64,278</u>	<u>12,865</u>	<u>2,134,468</u>	<u>41,227</u>	<u>-</u>	<u>86,470</u>	<u>529</u>	<u>-</u>	<u>26,655</u>	<u>4,212,127</u>	
<u>25,977</u>	<u>(3,772)</u>	<u>(513,646)</u>	<u>-</u>	<u>50</u>	<u>(86,208)</u>	<u>(519)</u>	<u>-</u>	<u>(16,619)</u>	<u>(1,301,503)</u>	
-	-	-	-	-	-	-	-	5,000	410,000	
-	-	16,285	-	-	-	-	-	-	16,285	
-	-	16,285	-	-	-	-	-	5,000	426,285	
25,977	(3,772)	(497,361)	-	50	(86,208)	(519)	-	(11,619)	(875,218)	
<u>182,619</u>	<u>43,632</u>	<u>2,710,090</u>	<u>-</u>	<u>-</u>	<u>271,289</u>	<u>4,611</u>	<u>548</u>	<u>18,067</u>	<u>6,555,110</u>	
<u>\$ 208,596</u>	<u>\$ 39,860</u>	<u>\$ 2,212,729</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 185,081</u>	<u>\$ 4,092</u>	<u>\$ 548</u>	<u>\$ 6,448</u>	<u>\$ 5,679,892</u>	

ROCKWALL COUNTY, TEXAS

**TRUST AND AGENCY FUNDS
COMBINING BALANCE SHEET**

SEPTEMBER 30, 2012

	<u>Tax Assessor/ Collector</u>	<u>County Clerk</u>	<u>District Attorney</u>	<u>District Clerk</u>	<u>Sheriff</u>	<u>Bail Bond Board</u>	<u>Totals</u>
ASSETS							
Cash and investments	\$ <u>1,979,834</u>	\$ <u>285,275</u>	\$ <u>394,063</u>	\$ <u>785,684</u>	\$ <u>122,224</u>	\$ <u>841,742</u>	\$ <u>4,408,822</u>
Total assets	\$ <u>1,979,834</u>	\$ <u>285,275</u>	\$ <u>394,063</u>	\$ <u>785,684</u>	\$ <u>122,224</u>	\$ <u>841,742</u>	\$ <u>4,408,822</u>
LIABILITIES							
Due to others	\$ -	\$ 285,275	\$ 394,063	\$ 785,684	\$ 122,224	\$ 841,742	\$ 2,428,988
Due to other governments	<u>1,979,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,979,834</u>
Total liabilities	\$ <u>1,979,834</u>	\$ <u>285,275</u>	\$ <u>394,063</u>	\$ <u>785,684</u>	\$ <u>122,224</u>	\$ <u>841,742</u>	\$ <u>4,408,822</u>



**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
Commissioners Court of
Rockwall County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rockwall County, Texas, as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 19, 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 Rockwall County, Texas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Rockwall County, Texas' 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 Rockwall County, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rockwall County, Texas' 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 Rockwall County, Texas' 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 and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

April 19, 2013