

DENTON COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Prepared By the
DENTON COUNTY AUDITOR'S OFFICE
James A. Wells, CPA, County Auditor



**DENTON COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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DENTON COUNTY AUDITOR

JAMES A. WELLS, C.P.A.

January 15, 2005

The Honorable District Judges of Denton County and
The Honorable Members of the Denton County Commissioners Court:

Chapter 114.025 and chapter 115.045 of the Local Government Code of the State of Texas require that Denton County publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Denton County for the fiscal year ended September 30, 2004.

This report consists of management's representations concerning the finances of Denton County. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, Denton County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Denton County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, Denton County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We believe that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Denton County's financial statements have been audited by Pattillo, Brown and Hill, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Denton County for the fiscal year ended September 30, 2004 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that

there was a reasonable basis for rendering an unqualified opinion that Denton County's financial statements for the fiscal year ended September 30, 2004 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Denton County was part of the broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are included in the Single Audit section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Denton County's MD&A can be found immediately following the report of the independent auditors. The financial section also includes government-wide financial statements, fund financial statements, notes, required supplementary information and the combining and individual fund financial statements and schedules. The statistical section of this report includes selected financial and demographic information on a multi-year basis.

PROFILE OF DENTON COUNTY

The County of Denton, established in 1846, is located in the north central part of the state, which is considered to be a top growth area in the state, and one of the top growth areas in the country. The County of Denton currently occupies a land area of 911 square miles and serves a population of 528,950. The County of Denton is empowered to levy a property tax on both real and personal properties located within its boundaries.

Policy-making authority is vested in the Commissioners Court, consisting of the County Judge and four County Commissioners. The Commissioners Court is responsible, among other things, for adopting the budget and for setting county policies.

The County provides a full range of services authorized by statute. Such services include general governmental functions such as recording and licensing, maintaining the county and district court systems, maintaining public facilities, ensuring public safety, maintaining public health and welfare, aiding conservation, and maintaining county roads and bridges.

The annual budget serves as the foundation for Denton County's financial planning and control. All departments of the County are required to submit

budget requests to the budget officer during May each year. The budget officer uses these requests as the starting point for developing a proposed budget. The proposed budget is then presented to the Commissioners Court for review. The Commissioners Court is required to hold public hearings on the proposed budget. The County is required to adopt a final budget by first day of the new fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department. All transfers of appropriations, either between departments or within an individual department's budget, require the approval of the Commissioners Court. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Denton County operates.

Local economy. Denton County is located in the north central part of Texas. With nearly 530,000 citizens, it is the eighth most populous county in the state. Major cities in the County include Denton, the county seat, Lewisville, Flower Mound and Carrollton. Denton County's many advantages include climate, access to transportation centers, a young, skilled workforce, and its educational facilities.

While population growth has slowed somewhat from the extreme levels of the late 1980's, Denton County continues to experience strong growth in population and in its economic base. The population has grown by over 20% since the 2000 census and by almost 95% since the 1990 census. During the same period, the County's tax base increased from \$10.3 billion in 1990 to nearly \$33 billion in 2004.

Job additions have continued in the last year in both manufacturing and service industries. Our September 2004, unemployment rate of 3.6% compared favorably with the 5.4% statewide rate, and with the 5.1% national rate. During the 2004 year, the County had over \$1.86 billion in new property added to the tax rolls. This ranks with the highest amount of new construction in the County ever in one year. In 2004, over 5,000 new housing starts were recorded in the County. This represents a 6.2% growth in single family residences in one year.

The economic outlook for Denton County continues to remain very positive for the near future. Alliance Airport, which is the largest industrial airport in the world, continues to attract new transportation, distribution, and manufacturing tenants. A major Wal-Mart distribution center in Sanger is now in operation and adding to the growth of the northern portion of the County. Texas World Speedway, located near the airport, was opened during 1997. Its major events

continue to attract large crowds from all parts of the state and the nation. Robson Development is constructing one of the nation's largest new communities for retired citizens in the southern portion of the County. Other large housing developments in the county include Savannah, Lantana and Rayzor Ranch. Denton Regional Medical Center and Presbyterian Hospital of Denton announced major expansion projects in the County during the last year. Denton's two universities continue to turn out a large number of skilled graduates each year, and enrollment at both universities increased significantly this year. This labor supply, combined with air, rail and highway transportation centers, adds assurance to the County's continued economic growth.

Cash Management. Cash temporarily idle in the various funds of the County is invested in bank certificates of deposit or is invested in a money market account operated by the State Treasurer. Interest rates on bank deposits are governed by the County's depository contract, which is awarded for four-year periods to the best bidder. The interest rate on the current contract is equal to the yield of Treasury Bills of comparable maturity. Total interest earned on deposits and investments of County funds was \$641,877 for fiscal 2004.

The primary objectives of the County's investment policy are the safety of principal followed by liquidity and yield. Accordingly, deposits were either insured by federal depository insurance or collateralized with securities pledged to the County and held by an independent third-party financial institution.

Risk Management. Denton County provides for the management of risks through a combination of self-insurance and traditional insurance. In addition, the County has instituted a number of risk and loss control techniques such as the hiring of a risk manager, safety training, accident investigation and mandatory defensive training for employees who operate County vehicles. The County currently has traditional insurance for property damage, automobile liability, some professional liability and general liability. Other risks are either self-insured or uncovered.

Pension and Other Post Employment Benefits. Denton County provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (the TCDRS). Specific plan provisions are adopted by the County within the options available in the state statutes governing the TCDRS. Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed.

The County of Denton also provides postretirement health and dental care benefits for certain retirees and their dependents. As of the end of the current

fiscal year, there were 83 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the County of Denton's pension arrangements can be found in Note VI in the notes to the financial statements.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Denton County for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2003. This was the sixteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published as easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated October 1, 2003. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the County Auditor's office. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the County Treasurer, Budget Office, Purchasing Department and Human Resources Department for their support for maintaining the highest standards of professionalism in the management of the County's finances.

Respectfully submitted,



James A. Wells, CPA
Denton County Auditor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Denton County,
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



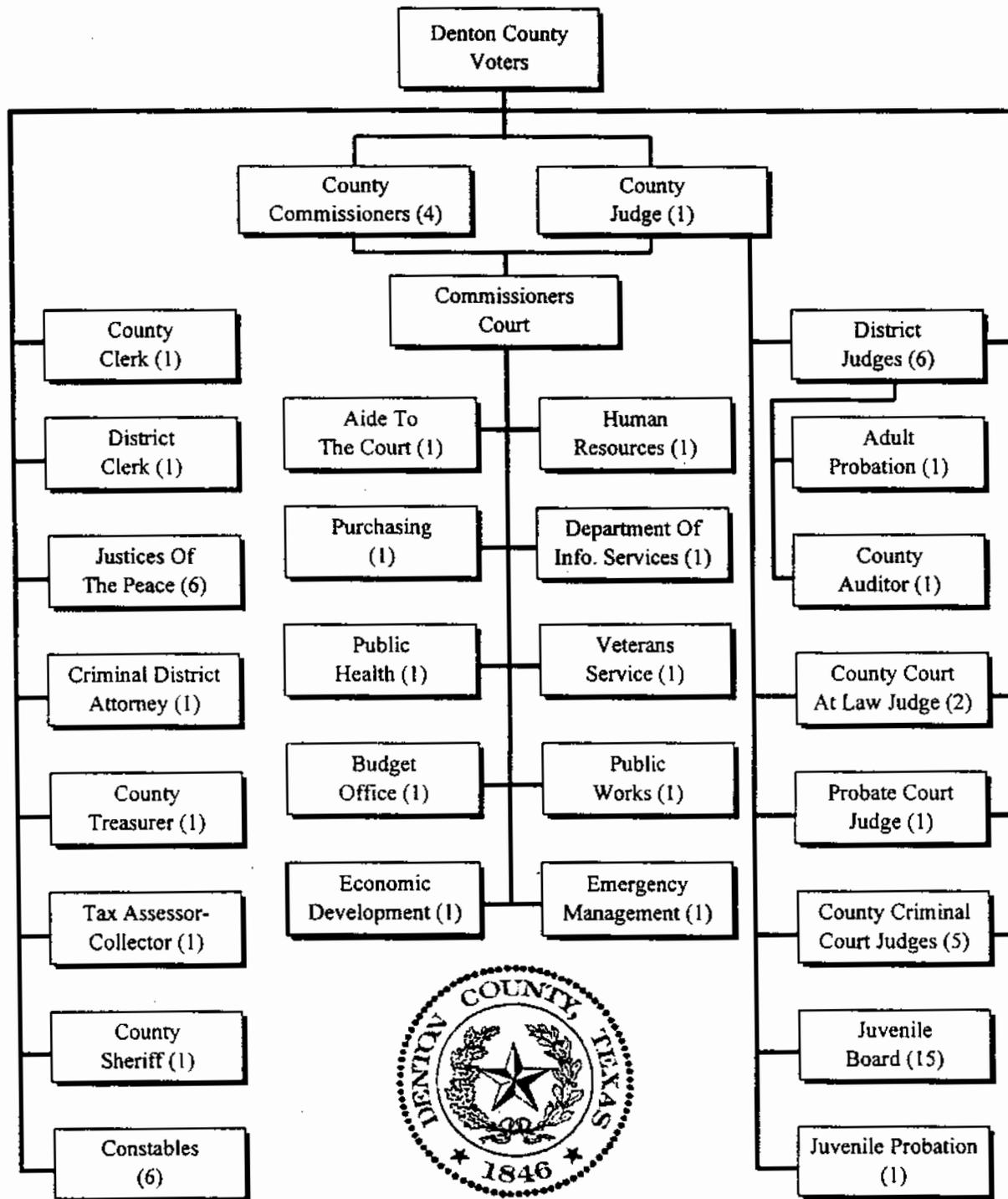
Nancy L. Zjella

President

Jeffrey R. Emer

Executive Director

DENTON COUNTY ORGANIZATIONAL CHART



DENTON COUNTY, TEXAS

PRINCIPAL OFFICIALS

September 30, 2004

Commissioners Court

Mary Horn	County Judge
Cynthia White	Commissioner, Pct. 1
Sandy Jacobs	Commissioner, Pct. 2
Bobbie J. Mitchell	Commissioner, Pct. 3
Jim Carter	Commissioner, Pct. 4

Judicial

Carmen Rivera-Worley	Judge, 16th District Court
Jake Collier	Judge, 158th District Court
L. Dee Shipman	Judge, 211th District Court
Bruce McFarling	Judge, 362nd District Court
Lee Gabriel	Judge, 367th District Court
Vicki Isaacks	Judge, 393rd District Court
Darlene Whitten	Judge, County Court-at-Law 1
Margaret Barnes	Judge, County Court-at-Law 2
Jim Crouch	Judge, County Criminal Court 1
Virgil Vahlenkamp	Judge, County Criminal Court 2
David Garcia	Judge, County Criminal Court 3
Joe Bridges	Judge, County Criminal Court 4
Richard Podgorski	Judge, County Criminal Court 5
Don Windle	Judge, Probate Court

Law Enforcement

Weldon Lucas	County Sheriff
Bruce Isaacks	Criminal District Attorney
Mitch Liles *	Community Supervision Director
Peggy Fox *	Juvenile Probation Director

Financial Administration

James Wells *	County Auditor
Cindy Brown	County Treasurer
Steve Mossman	Tax Assessor-Collector
Beth Fleming *	Director of Purchasing
Donna Stewart *	Budget Officer

Recording Officials

Sherri Adelstein	District Clerk
Cynthia Mitchell	County Clerk

* Designates appointed officials. All others listed are elected officials.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Denton County, Texas as of and for the year ended September 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Denton County, Texas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Denton County, Texas, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, 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 December 17, 2004, on our consideration of Denton County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 13 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denton County, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements of Denton County, Texas. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pattillo, Brown + Hill, L. L. P.

December 17, 2004

Denton County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Denton County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2004. The MD&A should be read in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets of Denton County exceeded its liabilities, at the close of the most recent fiscal year by \$35,782,157 (*net assets*). Of this amount \$18,969,657 is restricted for specific purposes. Unrestricted net assets are \$16,765,325
- As of the close of the current fiscal year, Denton County's governmental funds reported combined ending fund balances of \$35,696,456, an increase of \$262,411 in comparison with the prior year. Of this total amount, \$17,092,368 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$9,050,956 or 11.3 percent of the total general fund expenditures.
- Denton County's total bonded debt decreased by \$4,790,000 (3.5 percent) during the current fiscal year. Key factors in this decrease included the issuance of only \$4,125,000 in tax notes for property acquisition and for renovation of existing county buildings while retiring over \$7.5 million in previously issued debt. The County also refunded two existing debt issues in 2004 with an end result of lowering our amount of outstanding debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Denton County's finances, in a manner similar to a private-sector business. They present the financial picture of the County from an economic resources measurement

the financial picture of the County from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the County (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activity, payables and receivables.

The statement of net assets presents information on all of Denton 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 Denton County is improving or deteriorating.

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

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

The government-wide financial statements can be found on pages 14-15 of this report.

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

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

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

Denton County maintains thirty-six 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 and the debt service fund, both of which are considered to be major funds. Data from the other thirty-four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Denton County adopts an annual appropriated budget for the General Fund, the Debt Service Fund and for certain of the Special Revenue Funds. Budgetary comparison schedules have been provided for all budgeted funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-23 of this report.

Proprietary fund. Denton County maintains one type of proprietary fund. The *Internal service fund* is an accounting device used to accumulate and allocate costs internally among Denton County's various functions. Denton County uses an internal service fund to account for its self-insurance program for employee health and dental benefits. Because this program predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary funds. 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 Denton County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund statement can be found on page 27 of this report.

The notes to the financial statement can be found on pages 28-52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* such as the Debt Service Fund and the Special Revenue Fund budgetary schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Denton County, assets exceeded liabilities by \$35,782,157 at the close of the most recent fiscal year.

By far the largest portion of Denton County's total assets (38.5 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Denton County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Denton County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Denton County Net Assets

The County's net assets for the fiscal years ended September 30, 2004 and 2003 are summarized as follows:

	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 46,900,251	\$ 44,986,993
Capital assets (net of depreciation)	<u>134,901,615</u>	<u>136,606,878</u>
Total assets	<u>181,801,866</u>	<u>181,593,871</u>
Current and other liabilities	9,577,311	9,775,270
Long-term liabilities	<u>136,442,398</u>	<u>141,379,110</u>
Total liabilities	<u>146,019,709</u>	<u>151,154,380</u>
Net assets:		
Invested in capital assets, net of related debt	47,175	71,539,548

Restricted	18,969,657	22,665,179
Unrestricted	<u>16,765,325</u>	<u>(63,755,236)</u>
Total net assets	<u>\$ 35,782,157</u>	<u>\$ 30,439,491</u>

About 10.2% of Denton County's total assets represent resources that are subject to external restrictions on how they may be used. Restrictions include statutory requirements, bond covenants and granting conditions. Although unrestricted net assets are negative for government-wide net assets, it should be noted that the County's fund financial statements continue to reflect positive unreserved fund balances. In many instances, liabilities that have affected the County's net assets in a negative manner have financed non-County road projects and therefore have not resulted in a corresponding increase in County assets.

The County's net assets increased by \$5,342,666 during the current fiscal year. Key components of this increase include the following:

- An increase in governmental fund balances of \$262,411 resulting mainly from expenditures totally substantially less than budgeted and an increase in revenues due to a one time payment from the settlement of a law suit.
- A increase in net assets in the internal service fund \$627,875 due to increased plan premiums and an additional transfer of \$1,500,000 received by the fund.
- A reporting requirement for debt in government-wide statements. The principal debt payments of \$7,910,000 are expenditures in the traditional fund statements but a reduction of debt (which increases net assets) in the government-wide financial statements.
- The correction of certain accounting errors from the previous year resulted in a restatement of beginning net assets for 2004 totaling \$1,298,171.

Governmental activities. Governmental activities, which are the County's only activities, increased Denton County's net assets by \$4,044,495. Key elements of this increase are as follows:

	<u>2004</u>	<u>2003</u>
Revenues:		
Net Program Revenues:		
Charges for services	\$ 21,796,273	\$ 19,881,161
Operating grants and contributions	25,537,006	18,715,701
Capital grants and contributions	1,756,443	1,513,176
General Revenues:		
Property taxes	83,435,160	75,787,467
Grants and contributions not restricted	-	1,179,946
Unrestricted investment earnings	641,891	982,048
Total revenues	<u>133,166,773</u>	<u>118,059,499</u>
Expenses:		
General government	18,927,727	17,934,501
Judicial	13,224,021	11,228,446
Legal	8,701,903	8,755,827
Financial management	4,257,381	4,269,539
Public Facilities	7,109,603	5,958,066
Public Safety	42,228,993	41,332,498
Health and welfare	7,761,268	7,270,714
Conservation	328,000	340,075
Contractual	1,656,576	1,663,675
Roads	13,168,371	13,848,255
Intergovernmental	5,930,076	11,692,324
Interest on long-term debt	5,828,359	6,658,652
Total expenses	<u>129,122,278</u>	<u>130,952,572</u>
Changes in net assets	4,044,495	(12,893,073)
Net assets - beginning	<u>30,439,491</u>	<u>43,332,564</u>
Prior period adjustment	1,298,171	-
Net assets - ending	<u>\$ 35,782,157</u>	<u>\$ 30,439,491</u>

Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Property tax revenues increased by \$7,647,693 (10.1 percent) during the year. Most of this increase is the result of increases to the tax base that totaled \$3.1 billion.
- Charges for services increased by \$1,915,112, mostly as a result of an increase in demand for services by citizens, particularly in the District Clerk's office and by an increase in fines assessed by courts.

- Total expenses decreased by \$1,830,294 during the year. This increase reflects a government-wide 4% increase in salary expense, additional spending of over \$1.5 million (20%) for employee medical benefits, and a reduction of over \$5 million in capital project spending on intergovernmental projects.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental funds. The general governmental functions are reported in the General, Special Revenue, Debt Service and Capital Projects funds. The focus of Denton County's governmental funds is to provide information on a near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Denton County's annual financing and budgeting requirements. In particular, *unreserved fund balance* may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As the end of the current fiscal year, Denton County's governmental funds reported combined ending fund balances of \$35,696,456, a increase of \$262,411 in comparison with the prior year. Approximately 47.8 percent of this total amount (\$17.1 million) constitutes *unreserved fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$1,209,971), 2) to reflect inventories (\$97,859), and 3) to fund capital projects (\$17,296,258).

The general fund is the chief operating fund of Denton County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$9,050,956, while total fund balance reached \$9,148,815. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11.3 percent of total general fund expenditures, and total fund balance also represents 11.4 percent of that same amount.

The fund balance of Denton County's general fund increased by \$3,887,791 during the current fiscal year. Key factors in this growth are as follows:

- An increase in the property tax base of \$ 3.1 billion and a 3% increase over the effective tax rate increased tax revenues by \$7.2 million.
- The County received payment amounting to \$3.3 million in settlement of lawsuits claiming damages to the County.

- Revenues received exceeded budgeted amounts by \$4,796,284 and expenditures were \$1,992,239 under budget.

The debt service fund has a total fund balance of \$1,209,971, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was minimal (\$541,734).

GENERAL FUND BUDGETARY HIGHLIGHTS

The County budget is prepared in accordance with financial policies approved by the Commissioners Court, and in accordance with accounting principals generally accepted in the United States. The budget is prepared by the Budget Officer and approved by the Commissioners Court. The approved budget is used as a management control device during the year, and appropriations are set at the expenditure line item level. Budgetary transfers between departments must be approved by the Commissioners Court.

Differences between the original budget and the final amended budget were relatively minor (\$2 million increase in appropriations), and were primarily for the following:

- The re-appropriation of funds for prior year-end encumbrances (\$800,000),
- Appropriation of grant and contractual funds (\$1,000,000) received during the fiscal year, and,
- Additional appropriations for emergency building repairs (\$200,000).

During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates. Major variances include:

- Property tax revenue exceeded budget by 3% (\$1.87 million),
- Miscellaneous revenues exceeded budget by over 200% due to the receipt of a large lawsuit settlement (\$3.6 million), and,
- Total general fund expenditures were 97.5% of the amended budget, and no functional areas of expenditures varied over 5% from the amended budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Denton County's investment in capital assets for its governmental activities as of September 30, 2004 amounts to \$134,045,968 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, roads, and bridges.

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

- A major renovation of the historic Courthouse on the Square was completed. The final 22% of this \$3.7 million project was completed during 2004.
- A variety of transportation construction projects were initiated or continued at a cost of \$6.5 million, financed by road bonds.
- Two buildings were acquired through Tax Notes at a cost of \$1.51 million. These buildings will be used for offices and for storage of county assets. Renovation of the building with office space was begun during the year. An additional \$660,000 from Tax Notes is expected to be spent on this renovation.
- The renovation of a previously acquired facility was begun in 2004. The project will provide additional office space for various departments, including the Tax Assessor-Collector's office. This project is funded with over \$2.7 million from Tax Notes.

Denton County's Capital Assets

Governmental Activities:	<u>Cost</u>	Accumulated <u>Depreciation</u>	Net <u>Capital Assets</u>
Land	\$ 4,622,587	\$ -	\$ 4,622,587
Buildings and Improvements	84,302,056	(15,681,636)	68,620,420
Machinery & Equipment	28,043,140	(11,278,214)	16,764,926
Infrastructure	125,874,838	(86,284,367)	39,590,471
Construction in Progress	<u>4,447,564</u>	<u>-</u>	<u>4,447,564</u>
Total	<u>\$ 247,290,185</u>	<u>\$ (113,244,217)</u>	<u>\$ 134,045,968</u>

Additional information of Denton County's capital assets can be found in note IV.C of this report.

Long-term debt. At the end of the current fiscal year, Denton County had total bonded debt outstanding of \$130,777,570. Article 3, Section 52e of the Texas Constitution establishes the County's outstanding debt limit at an amount no greater than 25% of its real property valuation.

Denton County's total bonded debt decreased by \$4,790,000, (3.5 percent) during the current fiscal year. The key factor in this decrease was that a \$4.25 million tax note issuance for property acquisition and for renovation and repair to existing County facilities was more than offset by principal payments on existing

debt of \$7,655,000 during the fiscal year and by the refinancing of certain existing debt issues.

During the 2004 fiscal year, Denton County refinanced some of its existing debt to take advantage of favorable interest rates and reduce future debt service payments.

The County issued \$25.375 million of general obligation bonds to refinance previously outstanding general obligation bonds and tax notes. The result was to decrease future debt service payments by \$2.116 million.

Denton County maintains a "AA" rating from Standard & Poor's and a "Aa2" rating from Moody's for general obligation debt.

Additional information on Denton County's long-term debt can be found in note IV-F of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for Denton County is currently 3.6 percent, which is an increase from a rate of 5.0 percent a year ago. This compares favorably to the state's average unemployment rate of 5.4 percent and the national average rate of 5.1 percent.
- Salary increases averaging 4% for county employees were approved for the 2005 fiscal year.
- Continuing increased costs for health and dental care resulted in a \$78 per employee monthly increase in the County's funding to the employee benefit plan. The total additional funding for the benefit plan is approximately \$1.2 million.
- The partial opening of the new Pre-trial Center that was begun in 2004 will continue in 2005. New costs relating to the staffing and operation of the new facility that are included in the 2005 budget total \$2.7 million.
- In May 2004, the citizens of the County approved a \$206.87 million bond proposal. The successful election will provide nearly \$187 million for road improvements, \$17.9 million for facilities acquisition and improvements, and \$2 million for voting equipment purchases.

All of these factors were considered in preparing Denton County's budget for the 2005 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$9,050,956. Denton County has appropriated \$900,000 of this amount for spending in the 2005 fiscal year budget. It is intended that this use of available fund balance will lessen the need to raise taxes or charges during the 2005 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Denton County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor's Office, 401 W. Hickory, Suite 423, Denton, Texas, 76201.



BASIC FINANCIAL STATEMENTS

Denton County, Texas
STATEMENT OF NET ASSETS

September 30, 2004

Governmental
Activities

ASSETS

Cash	\$	6,793,017
Investments		32,382,265
Receivables:		
Taxes		2,676,211
Accrued Interest		5,801
Other Receivables		87,104
Fines Receivable		7,679,142
Less Allowance for Uncollectables		(3,781,137)
Due from Other Governments		1,519,636
Inventories		97,859
Deferred Charges		296,000
Capital Assets:		
Land		4,622,587
Buildings		84,302,056
Depreciation on Buildings		(15,681,636)
Equipment		28,043,140
Depreciation on Equipment		(11,278,214)
Infrastructure		125,874,838
Depreciation on Infrastructure		(86,284,367)
Construction in Progress		4,447,564
TOTAL ASSETS		<u>181,801,866</u>

LIABILITIES

Accounts Payable		4,195,324
Wages Payable		2,068,263
Interest Payable		1,478,471
Due to Other Governments		761,223
Deferred Revenues		1,074,030
Non Current Liabilities:		
Due within One Year		10,058,632
Due in More than One Year		143,680,024
TOTAL LIABILITIES		<u>163,315,967</u>

NET ASSETS

Investments In Capital Assets, Net of		
Related Debt		47,175
Restricted for Debt Service		1,575,540
Restricted for Capital Projects		17,296,258
Restricted for Other Purposes		97,859
Unrestricted		16,765,325
Total Net Assets	\$	<u>35,782,157</u>

See the notes to the financial statement.

Denton County, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government	\$ 18,927,727	\$ 8,915,157	\$ 7,510,343	\$ -	\$ (2,502,227)
Judicial	13,224,021	7,989,420	610,609	-	(4,623,992)
Legal	8,701,903	305,188	666,319	-	(7,730,396)
Financial	4,257,381	1,887,946	-	-	(2,369,435)
Public Facilities	7,109,603	-	-	1,106,443	(6,003,160)
Public Safety	42,228,993	1,997,676	4,096,622	-	(36,134,695)
Health & Welfare	7,761,268	529,622	3,448,357	-	(3,783,289)
Conservation	328,000	-	-	-	(328,000)
Contractual	1,656,576	-	-	-	(1,656,576)
Roads	13,168,371	171,264	6,844,600	-	(6,152,507)
Intergovernmental	5,930,076	-	2,360,156	650,000	(2,919,920)
Interest on Long-Term Debt	5,828,359	-	-	-	(5,828,359)
Total	\$ 129,122,278	\$ 21,796,273	\$ 25,537,006	\$ 1,756,443	\$ (80,032,556)

General Revenues:	83,435,160
Property Taxes	
Grants and Contributions not restricted to Specific Programs	
Investment Earnings	641,891
Total General Revenues	84,077,051
Change in Net Assets	4,044,495
Net Assets - Beginning	30,439,491
Prior Period Adjustment	1,298,171
Net Assets - Ending	\$ 35,782,157

See the notes to the financial statements.

Denton County, Texas
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2004

	General Fund	Debt Service	Nonmajor Governmental	Total Governmental
ASSETS				
Cash	\$ 1,756,049	\$ 2,959	\$ 5,025,260	\$ 6,784,268
Investments	5,661,179	1,225,642	25,495,444	32,382,265
Receivables:				
Taxes	2,069,773	365,569	240,869	2,676,211
Accrued Interest	5,750	-	51	5,801
Other Receivables	80,739	-	835	81,574
Due from Other Funds	5,504,065	-	22,492	5,526,557
Due from Other Governments	445,349	-	1,076,047	1,521,396
Inventories	97,859	-	-	97,859
TOTAL ASSETS	\$ 15,620,763	\$ 1,594,170	\$ 31,860,998	\$ 49,075,931
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 1,276,150	323	\$ 2,395,657	\$ 3,672,130
Wages Payable	1,662,717	-	405,546	2,068,263
Interest Payable	-	18,307	-	18,307
Due to Other Funds	2,048	-	3,228,574	3,230,622
Due to Other Governments	752,031	-	9,192	761,223
Other Payables	-	-	-	-
Deferred Revenues	2,779,002	365,569	484,359	3,628,930
TOTAL LIABILITIES	6,471,948	384,199	6,523,328	13,379,475
EQUITY AND OTHER CREDITS				
Fund Balances:				
Reserved for Inventories	97,859	-	-	97,859
Reserved for Debt Service	-	1,209,971	-	1,209,971
Reserved for Capital Expenditures	-	-	17,296,258	17,296,258
Unreserved, Reported In:				
General Fund	9,050,956	-	-	9,050,956
Special Revenue Funds	-	-	8,041,412	-
Capital Projects Funds	-	-	-	-
TOTAL FUND EQUITY AND OTHER CREDITS	9,148,815	1,209,971	25,337,670	35,696,456
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 15,620,763	\$ 1,594,170	\$ 31,860,998	

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.	134,045,968
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds.	6,748,905
Internal service funds are used by management to charge costs related to the trust. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net activities.	(2,806,610)
Long-term liabilities, including bond payable, are not due and payable in the current period and therefore are not reported in the funds.	(137,902,562)
Net assets of governmental activities	\$ 35,782,157

See the notes to the financial statements.

Denton County, Texas
**STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES**
GOVERNMENTAL FUNDS
 For the Fiscal Year Ended September 30, 2004

	General Fund	Debt Service	Nonmajor Governmental	Total Governmental Funds
REVENUES				
Taxes	\$ 64,428,681	\$ 11,368,676	\$ 7,500,783	\$ 83,298,140
Licenses and Permits	-	-	6,752,493	6,752,493
Intergovernmental	3,825,823	1,926,667	10,619,832	16,372,322
Fees of Office	8,246,778	-	3,392,046	11,638,824
Fines	3,595,541	-	-	3,595,541
Interest	260,339	49,404	332,148	641,891
Miscellaneous	5,356,155	-	233,098	5,589,253
TOTAL REVENUES	85,713,317	13,344,747	28,830,400	127,888,464
EXPENDITURES				
Current:				
General Government	14,461,904	-	1,271,447	15,733,351
Judicial	12,094,047	-	793,848	12,887,895
Legal	8,541,765	-	331,427	8,873,192
Financial	4,171,118	-	2,461	4,173,579
Public Facilities	5,621,445	-	686,575	6,308,020
Public Safety	33,045,875	-	7,832,051	40,877,926
Health & Welfare	132,456	-	7,536,589	7,669,045
Conservation	324,708	-	-	324,708
Contract Services	1,656,576	-	-	1,656,576
Roads	-	-	7,596,115	7,596,115
Intergovernmental	-	-	5,930,076	5,930,076
Capital Outlay	-	-	4,186,102	4,186,102
Debt Service:				
Principal Retirement	-	7,910,000	-	7,910,000
Interest & Service Charges	-	6,540,424	-	6,540,424
TOTAL EXPENDITURES	80,049,894	14,450,424	36,166,691	130,667,009
Excess (Deficiency) of Revenues				
Over Expenditures	5,663,423	(1,105,677)	(7,336,291)	(2,778,545)
Other Financing Sources (Uses):				
Bond Proceeds	-	-	4,125,000	4,125,000
Capital Lease Financing	119,956	-	-	119,956
Transfers In	26,737	267,943	3,329,761	3,624,441
Transfers Out	(1,922,325)	-	(3,202,116)	(5,124,441)
Proceeds of Refunding Bonds	-	27,235,647	-	27,235,647
Payments to Escrow Agent	-	(26,939,647)	-	(26,939,647)
Total Other Financing Sources (Uses)	(1,775,632)	563,943	4,252,645	3,040,956
Excess of Revenues and Other Sources				
Over Expenditures and Other Uses	3,887,791	(541,734)	(3,083,646)	262,411
FUND BALANCE - BEGINNING	5,261,024	1,751,705	28,421,316	35,434,045
FUND BALANCE - ENDING	\$ 9,148,815	\$ 1,209,971	\$ 25,337,670	\$ 35,696,456

See the notes to the financial statements.

Denton County, Texas
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2004

Amounts reported for governmental activities in the statement of activities (p. 14) are different because:

Net changes in fund balances -- total governmental funds (p. 16)	\$ 262,411
Governmental funds report all capital outlays as expenditures. However, in the statement of activities the cost of some of the assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays for County owned assets were less than depreciation in the current period.	(3,907,232)
The net effect of various miscellaneous transactions (deletions) involving capital assets.	(271,456)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,243,179
Some expenses reported in statement of activities are not fund expenditures (e.g. compensated absences which are liabilities not normally liquidated with current financial resources).	166,471
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,923,247
Internal service funds are used by management to charge the costs to account for group medical self-insurance and flexible spending accounts of employees. The net revenue/(loss) is reported with governmental activities.	<u>627,875</u>
Change in net assets of governmental activities (p. 14)	<u>\$ 4,044,495</u>

See the notes to the financial statements.

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2004**

	<u>Budget Amounts</u>		Actual	Variance
	Original	Revised		Positive(Negative) with Final Budget
<u>REVENUES</u>				
Taxes	\$62,557,921	\$ 62,557,921	\$ 64,428,681	\$ 1,870,760
Licenses and Permits		-	-	-
Intergovernmental	3,332,444	4,351,896	3,825,823	(526,073)
Fees of Office	8,255,359	8,255,359	8,246,778	(8,581)
Fines	3,480,000	3,480,000	3,595,541	115,541
Interest	500,000	500,000	260,339	(239,661)
Miscellaneous	1,476,500	1,771,857	5,356,155	3,584,298
TOTAL REVENUES	79,602,224	80,917,033	85,713,317	4,796,284
<u>EXPENDITURES</u>				
Current:				
General Government::				
Commissioners Court	155,494	165,794	160,231	5,563
Commissoner #1	166,329	171,467	171,889	(422)
Commissioner #2	218,860	218,860	217,129	1,731
Commissioner #3	168,071	170,738	170,647	91
Commissioner #4	163,422	166,356	166,776	(420)
County Judge	250,363	250,363	250,108	255
Bail Bond Board	1,620	1,620	1,254	366
Economic Development	139,447	144,072	126,157	17,915
County Clerk	2,807,416	2,807,026	2,747,702	59,324
Human Resources	571,832	576,842	575,539	1,303
Purchasing Department	655,593	656,891	651,026	5,865
Vehicle Maintenance	339,816	340,529	304,590	35,939
Nondepartmental	4,055,852	3,414,738	3,052,629	362,109
Financial Information Systems	111,651	111,651	95,143	16,508
Information Services	1,250,721	1,245,912	1,231,566	14,346
Printing & Postage	304,529	316,179	309,740	6,439
Planning	963,698	981,256	888,461	92,795
Bayless-Selby House Museum	24,284	42,811	28,481	14,330
Courthouse Museum	220,127	225,765	236,970	(11,205)
Historical Commission	61,413	61,896	53,116	8,780
Records Management	380,074	398,658	370,843	27,815
CHOS Museum/Tourism Grant 2003	92,998	92,998	68,312	24,686
Veterans' Service Officer	232,334	232,758	225,755	7,003
Elections Administration	958,865	988,811	936,831	51,980
Civil Service Board	6,077	6,077	2,145	3,932
Historical Park Museum	-	-	-	-
County-wide Technology	1,244,523	1,368,158	1,320,554	47,604
Historical Park Museum 2002	-	-	-	-
Total General Government	<u>15,545,409</u>	<u>15,158,226</u>	<u>14,363,594</u>	<u>794,632</u>

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (Continued)
For the Year Ended September 30, 2004**

	<u>Budget Amounts</u>		Actual	Variance
	Original	Revised		Positive(Negative) with Final Budget
Judicial:				
Judicial & Court Support	279,592	315,355	320,869	(5,514)
16th District Court	388,026	477,301	472,613	4,688
158th District Court	387,893	438,898	480,119	(41,221)
211th District Court	387,572	533,359	564,296	(30,937)
362nd District Court	387,932	445,050	445,961	(911)
367th District Court	389,258	599,783	662,170	(62,387)
393rd District Court	212,435	264,125	290,497	(26,372)
County Court at Law #1	488,200	576,052	567,910	8,142
County Criminal Court #2	476,576	496,576	493,332	3,244
County Court at Law #2	314,781	325,929	315,805	10,124
Probate Court	828,579	923,829	928,781	(4,952)
County Criminal Court #1	487,775	488,255	513,779	(25,524)
County Criminal Court #3	474,602	474,602	470,951	3,651
County Criminal Court #4	569,314	569,314	603,555	(34,241)
County Criminal Court #5	459,699	490,448	492,116	(1,668)
District Clerk	1,113,588	1,120,113	1,073,471	46,642
County Court Administrator	69,655	69,655	68,947	708
Justice of the Peace #1	409,148	409,622	394,059	15,563
Justice of the Peace #2	312,303	315,274	303,513	11,761
Justice of the Peace #3	292,294	292,824	286,067	6,757
Justice of the Peace #4	304,302	304,422	298,669	5,753
Justice of the Peace #5	318,862	318,862	312,121	6,741
Justice of the Peace #6	228,957	228,957	225,716	3,241
Justice of the Peace #7	-	-	-	-
District Court Administrator	154,275	154,466	154,719	(253)
Juries & Grand Jury	130,495	130,495	126,891	3,604
Justice Information System	676,320	705,879	658,771	47,108
Medical Investigators	575,230	578,539	568,349	10,190
Total Judicial	11,117,663	12,047,984	12,094,047	(46,063)
Legal:				
Criminal District Attorney	6,862,710	6,827,523	6,712,805	114,718
CPS Division	-	136,951	107,644	29,307
Civil Domestic Violence Grant	125,289	125,289	121,152	4,137
Child Abuse Prosecution Grant	104,543	104,138	101,165	2,973
Prosecution Enhancement Grant	158,142	157,122	138,645	18,477
District Attorney - Civil Division	1,042,279	1,032,154	980,654	51,500
Family Violence Intervention Grant	72,764	72,172	72,591	(419)
Family Violence Expansion Grant	176,559	176,559	168,119	8,440
Child Victim Intervention Specialist Grant	65,541	65,071	64,699	372
DWI Prosecution Grant	-	320	320	-
Civil Child Abuse Prosecution Grant	78,950	78,950	73,971	4,979
Total Legal	8,686,777	8,776,249	8,541,765	234,484

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (Continued)
For the Year Ended September 30, 2004**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance Positive(Negative) with Final Budget</u>
	<u>Original</u>	<u>Revised</u>		
Financial:				
County Auditor	892,833	894,800	865,868	28,932
County Treasurer	388,187	388,187	372,723	15,464
Tax Assessor-Collector	2,610,317	2,612,111	2,501,430	110,681
Budget Officer	442,332	442,332	431,097	11,235
Total Financial	4,333,669	4,337,430	4,171,118	166,312
Public Facilities:				
Carroll Building	159,670	199,202	198,306	896
Denton County Courts Building	360,700	502,523	503,128	(605)
Print and Mail Facility	-	9,162	5,756	3,406
Courthouse on the Square	148,930	111,816	111,519	297
Emergency Management Facility	12,400	3,416	1,557	1,859
Historical Park Facility	11,160	25,206	18,686	6,520
Courthouse Annex	46,380	40,596	38,300	2,296
Food Lion Building	13,700	11,650	11,169	481
Lee Walker Government Center	66,300	49,500	53,217	(3,717)
Jones Street Facility - Lewisville	350	5,112	4,301	811
Child Protective Services - Lewisville	18,170	14,910	16,027	(1,117)
Tax Office	21,050	20,457	20,222	235
Sandy Jacobs Government Center	35,720	45,226	46,171	(945)
The Colony Annex	35,220	29,870	28,113	1,757
Sanger Annex	30,679	30,582	28,119	2,463
Government Center - Denton	114,170	121,728	118,570	3,158
Charlie Cole Building	197,820	563,987	543,552	20,435
Law Enforcement Facility	1,255,880	1,270,720	1,260,047	10,673
Oak Street Facilities	10,750	9,750	7,512	2,238
Operations	1,700,432	1,707,180	1,607,117	100,063
Leased Buildings	56,350	80,100	72,931	7,169
Vehicle Maintenance Facility	16,900	17,653	16,160	1,493
Recycling Department	53,120	53,653	51,625	2,028
Pretrial Facility	316,486	290,836	203,925	86,911
Telephone Department	612,022	644,081	655,415	(11,334)
Total Public Facilities	5,294,359	5,858,916	5,621,445	237,471
Public Safety:				
County Jail	14,201,497	14,690,332	14,484,353	205,979
Jail Health	1,937,545	2,028,970	1,994,235	34,735
Sheriff's Communications	1,372,380	1,371,947	1,356,138	15,809
County Sheriff	8,737,736	8,826,473	8,774,342	52,131
Sheriff's Mental Health Unit	565,052	564,714	580,988	(16,274)
Sheriff's Reserves	20,922	17,713	13,992	3,721
Greenbelt/Public Safety Grant	-	173	173	-
Bartonville Patrol Service	36,626	44,399	40,981	3,418
School Resource Officer	72,648	73,505	66,318	7,187

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (Continued)
For the Year Ended September 30, 2004

	Budget Amounts		Actual	Variance Positive(Negative) with Final Budget
	Original	Revised		
Adult Probation - General Fund	164,251	164,251	160,817	3,434
Pretrial Release - General Fund	1,001	1,001	985	16
Juvenile Accountability Block Grant	64,636	64,636	62,289	2,347
Disabled Parking Enforcement	-	60	32	28
Shady Shores Law Enforcement	66,053	71,335	69,103	2,232
Denton County Freshwater Dist. Patrol	15,117	96,759	83,627	13,132
Constable 1	506,245	513,918	498,897	15,021
Constable 2	392,903	408,438	412,146	(3,708)
Constable 3	505,191	511,920	494,506	17,414
Constable 4	422,563	429,020	414,837	14,183
Constable 5	438,493	441,094	426,453	14,641
Constable 6	374,143	377,943	350,870	27,073
Northwest ISD ASAP Officer	35,058	35,058	32,251	2,807
License and Weights	521,161	517,650	508,498	9,152
Emergency Services Department	1,552,885	1,567,794	1,482,510	85,284
Department of Public Safety	153,920	153,920	151,185	2,735
Alcoholic Beverage Commission	3,210	3,280	3,178	102
Game Wardens	9,575	9,575	8,513	1,062
Emergency Management	469,850	557,869	552,012	5,857
Total Public Safety	<u>32,640,661</u>	<u>33,543,747</u>	<u>33,024,229</u>	<u>519,518</u>
Health & Welfare:				
Child Protective Services	182,937	130,767	132,456	(1,689)
Total Health & Welfare	<u>182,937</u>	<u>130,767</u>	<u>132,456</u>	<u>(1,689)</u>
Conservation:				
County Extension Agents	370,927	373,533	324,708	48,825
Total Conservation	<u>370,927</u>	<u>373,533</u>	<u>324,708</u>	<u>48,825</u>
Intergovernmental:				
Contract Services	1,672,000	1,672,000	1,656,576	15,424
Total Intergovernmental	<u>1,672,000</u>	<u>1,672,000</u>	<u>1,656,576</u>	<u>15,424</u>
TOTAL EXPEDITURES	<u>79,844,402</u>	<u>81,898,852</u>	<u>79,929,938</u>	<u>1,968,914</u>
Excess of Revenues over Expenditures	<u>(242,178)</u>	<u>(981,819)</u>	<u>5,783,379</u>	<u>6,765,198</u>
Other Financing Sources and Uses:				
Transfers In	-	117,387	26,737	(90,650)
Transfers Out	(243,996)	(1,922,325)	(1,922,325)	-
Total Other Financing Sources and Uses	<u>(243,996)</u>	<u>(1,804,938)</u>	<u>(1,895,588)</u>	<u>(90,650)</u>
Net Change in Fund Balances	<u>(486,174)</u>	<u>(2,786,757)</u>	<u>3,887,791</u>	<u>6,674,548</u>
Fund Balances - Beginning	5,261,024	5,261,024	5,261,024	-
Fund Balances - Ending	<u>\$ 4,774,850</u>	<u>\$ 2,474,267</u>	<u>\$ 9,148,815</u>	<u>\$ 6,674,548</u>

Denton County, Texas
STATEMENT OF NET ASSETS
PROPRIETARY FUND
September 30, 2004

**Governmental
Activities Internal
Service Fund**

ASSETS

Current Assets:

Cash	\$	8,749
Investments		-
Accrued Interest		-
Other Assets		5,530
Due from Other Funds		-
Due from Other Governments		-
TOTAL ASSETS	\$	14,279

LIABILITIES

Current Liabilities:

Accounts Payable	\$	523,194
Due to Other Funds		2,297,695
Due to Other Governments		-
TOTAL LIABILITIES		2,820,889

NET ASSETS

Unrestricted		<u>(2,806,610)</u>
TOTAL NET ASSETS		<u>(2,806,610)</u>

See the notes to the financial statements.

Denton County, Texas
STATEMENT OF REVENUES, EXPENSES
AND CHANGES FUND NET ASSETS
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2004

Governmental
Activities Internal
Service Fund

OPERATING REVENUES

Charges for Services	\$ 9,353,765
Other Revenue	<u>714,192</u>

TOTAL OPERATING REVENUES	<u>10,067,957</u>
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OPERATING EXPENSES

Incurred Claims	6,562,230
Estimated Claims	523,194
Administrative Expenses	3,442,382
Reinsurance Premiums	<u>412,446</u>

TOTAL OPERATING EXPENSES	<u>10,940,252</u>
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OPERATING INCOME (LOSS)	<u>(872,295)</u>
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NONOPERATING REVENUES(EXPENSES)

Interest Revenue	<u>170</u>
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INCOME BEFORE TRANSFERS	<u>(872,125)</u>
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Transfers From Other Funds	<u>1,500,000</u>
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CHANGES IN NET ASSETS	<u>627,875</u>
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TOTAL NET ASSETS - BEGINNING	<u>(3,434,485)</u>
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TOTAL NET ASSETS - ENDING	<u>\$ (2,806,610)</u>
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See the notes to the financial statements.

Denton County, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2004

**Governmental
Activities Internal
Service Fund**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts for Services	\$ 9,353,765
Receipts from Reinsurance and Refunds	909,090
Payments for Claims	(8,029,036)
Payments for Administrative Services	(3,442,382)
Payments for Reinsurance	<u>(412,446)</u>
Net Cash Provided by Operating Activities	<u>(1,621,009)</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Transfer of Funds	1,500,000
Repayment of Interfund Loans	<u>(1,463,482)</u>
Net Cash Provided by Noncapital Financing Activities	<u>36,518</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Revenue	<u>170</u>
Net Cash Provided by Investing Activities	<u>170</u>

Net Increase (Decrease) in Cash (1,584,321)

Cash, Beginning of Year 1,593,070
Cash, End of Year \$ 8,749

**Reconciliation of Operating Income
Net Cash Provided (Used) by Operations**

Operating Income	<u>\$ (872,295)</u>
(Increase) Decrease in Other Assets	194,898
Increase (Decrease) in Accounts Payable	<u>(943,612)</u>
Total Adjustments	<u>(748,714)</u>
Net Cash Provided (Used) by Operations	<u>\$ (1,621,009)</u>

See the notes to the financial statements.

Denton County, Texas
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
September 30, 2004

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 9,138,209
Investments	7,246,413
Accrued Interest	555
Other Assets	-
Due from Other Funds	16,879
Due from Other Govts	-
	<hr/>
TOTAL ASSETS	<u>\$ 16,402,056</u>
 <u>LIABILITIES</u>	
Accounts Payable	\$ 38,300
Wages Payable	115,500
Due to Other Funds	15,119
Due to Other Governments	9,214,253
Due to Beneficiaries	7,018,884
	<hr/>
TOTAL LIABILITIES	<u>16,402,056</u>
 NET ASSETS	 <u>\$ -</u>

Denton County, Texas

Notes to the Financial Statements September 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Denton County is a political subdivision of the State of Texas. The Commissioners Court, which is made up of four commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The accompanying financial statements present the County and all activities for which the County is considered to be financially accountable. Generally accepted accounting principles require all funds that are controlled by or are dependent on the Commissioners' Court to be included in the County's Comprehensive Annual Financial Report. Control or dependence was determined on the basis of selection of governing authority, ability to influence operations and accountability over fiscal matters. This financial report includes only Denton County as no other governmental entities meet the criteria for inclusion.

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. Denton County reports only *governmental activities* which are primarily supported by taxes, charges for services, and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include 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 revenues are reported instead as *general revenues*.

Separate fund financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statement. The General Fund and the Debt Service Fund are the County's major individual governmental funds, and they are reported in separate columns in the fund financial statements.

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

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

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

Property taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

Denton County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Major revenue sources include property taxes, fees for services, intergovernmental revenues and interest earnings. Primary expenditures are for general administration, judicial, legal, public facilities, public safety, and public health.

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.

Nonmajor funds include Special Revenue funds and Capital Project funds.

Additionally, the government reports the following fund type:

The proprietary fund is an *internal service fund* that is used to account for the County's group medical self-insurance program. The measurement focus of the internal service fund is upon the determination of net income, financial position and cash flows. Revenues are derived from County contributions, employee and retiree/cobra premiums, investment of idle funds and stop-loss reinsurance collections. Expenses are for claims and plan administration.

The proprietary fund is accounted for using the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment earnings.

The proprietary fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements, and the money market mutual funds, direct obligations of the State of Texas and local government investment pools.

Investments for the County are reported at fair value in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All investment income is recognized as revenue in the appropriate fund's statement of activity or statement of revenues, expenditures and changes in fund balance.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes are levied based on taxable value at the prior January 1 and become due on October 1 and past due after January 31. Accordingly, receivables and revenues for property taxes are reflected in the government-wide statements based on the full accrual method of accounting.

Receivables from other governments include amounts due from grantor agencies and other statutorily required payments. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

3. Inventories and prepaid items.

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads and bridges), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Infrastructure	20
Vehicles	7
General Equipment	7
Cars	5
Computer hardware	5

5. Compensated absences

County employees earn vacation leave in varying amounts and earn sick leave at the rate of one day per month. Unused vacation leave may be accumulated up to 20 days and is paid upon termination of employment. Sick leave accrued prior to October 1987, is also paid upon termination. Accruals of sick leave subsequent to that date are not paid according to a policy of the Commissioners' Court. Also, in accordance with the Fair Labor Standards Act as it applies to local governments, non-exempt county employees are granted compensatory time for hours worked beyond their regular working hours. Accumulated compensatory time is also paid upon termination of employment.

The County has recognized a liability for accumulated vacation leave where the employees' rights to receive benefits are attributable to services already rendered, and it is probable that the County will compensate the employees through either paid time off or cash payments at termination. The County has recognized a liability for that portion of accumulated sick leave that will be compensated with cash payments at termination. The amount expected to be paid from current resources is not significant.

All vacation pay and compensatory time is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Long-term obligations

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

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

7. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Fund reservations include encumbrances, capital projects, debt service and inventories.

8. Prior period adjustment

Following the close of the previous fiscal year, errors were discovered regarding the calculation of depreciation expense and the classification of certain operating leases as capital leases. Accordingly the beginning total for net assets in the county-wide statement of activities was restated. The effect of the adjustment was to increase the beginning net assets by \$1,298,171 from \$30,439,491 to \$31,737,662.

II. 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 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 that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$138,462,209 difference are as follows:

Bonds payable	(\$ 130,777,570)
Accrued interest payable	(1,460,164)
Capital leases payable	(736,089)
Unamortized bond premium	(1,860,647)
Compensated absences	<u>(3,607,739)</u>
Net adjustment to reduce fund balance to arrive at net assets	<u>(\$138,462,209)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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 the \$3,907,232 difference are as follows:

Capital outlay	\$ 6,942,195
Depreciation expense	<u>(10,849,427)</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>\$ 3,907,232</u>

Another element of that reconciliation states that "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 \$4,923,247 difference are as follows:

Debt issued or incurred:

Capital lease financing	(\$ 119,956)
Issuance of general obligation bonds	(4,421,000)

Debt repayments:

General obligation debt	8,622,065
Capital lease payments	842,138

Net adjustment to increase <i>net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ 4,923,247</u>
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Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$166,471 difference are as follows:

Compensated absences	<u>\$ 166,471</u>
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Net adjustment to decrease net changes in <i>fund balances-total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ 166,471</u>
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III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

With the exception of the accounting treatment for capital leases, budgets are adopted on a basis consistent with generally accepted accounting principles.

Annual appropriated budgets are adopted for the General, Special Revenue and Debt Service funds. All annual appropriations lapse at fiscal yearend. Project-length financial plans are adopted for all capital projects funds.

Encumbrance accounting, under which funds are reserved for purchase orders, contracts, and other commitments, is employed in the General, Special Revenue and Capital Projects funds. As of September 30, 2004, encumbrances of approximately \$421,000 lapsed and were subject to re-appropriation in the budget of the subsequent year.

Denton County adheres to the following schedule and procedures in the preparation and adoption of its annual budget:

- * Department heads submit departmental annual budget requests to the County Budget Officer by the first week in May.
- * The County Auditor prepares an estimate of available resources for the upcoming fiscal year by the first week in May.
- * The County Budget Officer then compiles the initial budget requests, holds preliminary hearings with elected officials and department heads concerning their requests and prepares a proposed budget within the financial parameters established by the Commissioners' Court.
- * The proposed budget is presented to the Commissioners' Court for their review in an open meeting.
- * The Commissioners' Court then conducts work sessions to finalize the budget.
- * Public hearings are conducted as required when the proposed budget is finalized.
- * The Commissioners' Court must adopt the annual budget by a majority vote by October 1. The budget must contain adequate available resources to support annual appropriations.
- * During the fiscal year, the Commissioners Court may adopt a supplemental budget for the purposes of appropriating and expending grant money, intergovernmental revenues and debt proceeds for their intended purposes.

Governmental funds for which annual operating budgets are legally adopted are the General Fund, the Debt Service Fund and Special Revenue Funds, except the Voter Registration Fund, the Sheriff's Training Fund, the Sheriff's Forfeiture Fund, the Texas Narcotics Control Program Grant Fund, the Women's, Infants and Children's Fund. For each budgeted fund, budgetary control is maintained at the expenditure object level. This is the level at which expenditures may not

legally exceed appropriations. The County Auditor is required to monitor the expenditures of the various funds. All amendments to the budget must be approved by the Commissioners Court. Both the original budget and the amended budget are presented in the budget versus actual financial statement disclosure. All annual appropriations lapse at yearend.

The County's General Fund budget is adopted on a basis that is different from GAAP in one respect. To provide a more meaningful budgetary comparison, the County's budget accounting recognizes on the actual lease payments made on new capital leases rather than recognizing the full acquisition price of the capital lease as both an expenditure and as an other source of financing.

The following summary reconciles operations for the year in the General Fund from the GAAP basis to the budgetary basis of reporting:

General Fund expenditures, GAAP basis	\$80,049,894
Capital lease acquisitions	<u>(119,956)</u>
General Fund expenditures, budgetary basis	<u>\$79,929,938</u>

B. Excess of expenditures over appropriations

For the year ended September 30, 2004, expenditures exceeded appropriations in the Bioterrorism Grant Fund special revenue fund by \$34,859. This over-expenditure was funded by available grant revenue in the Bioterrorism Grant Fund.

C. Deficit fund equity

The Bioterrorism Grant Fund special revenue fund had a deficit fund balance of \$12,297 as of September 30, 2004. The fund had some expenditures that were not claimed for reimbursement from the grant funding source. The deficit fund balance for this fund will be made up through future state funding.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits include amounts in demand accounts and bank certificates of deposit. At year end the carrying amount of the County's deposits was \$13,355,211 and the bank balance was \$13,152,430. Of the bank balance, \$225,000 was covered by federal depository insurance and the entire remainder was covered by collateral pledged to the County by the County's depository bank and held by an independent third party bank as the County's agent in the County's name.

State statutes authorize the County to invest in bank certificates of deposit, obligations of the United States or its agencies, obligations of the State of Texas, obligations of other political subdivisions having at least an "A" credit rating, commercial paper, repurchase agreements, and local government investment pools.

Investments are stated at fair value including the investments in the Texas Local Government Investment Pool, the MBIA Local Government Investment Pool, and the Tex Star Investment Pool.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

At yearend, the County's investments consisted of funds totaling \$9,111,577 invested in repurchase agreements with a fair value of \$9,111,577. These are all category 1 investments.

Additional investments at yearend not subject to categorization were amounts invested in the Texas Local Government Investment Pool, the Tex Star Investment Pool or the MBIA Investment Pool. At yearend the value of pool shares and the fair value of the investments in the Texas Local Government Investment Pool was \$12,099,711. At yearend the value of pool shares and the fair value of the investments in the Tex Star Investment Pool was \$9,701,563, and the value of pool shares and the fair value of County investments in the MBIA Investment Pool was \$7,670,928. Regulatory oversight for the operations of these external investment pools is found in the Public Funds Investment Act of the State of Texas. Required oversight for pools includes compliance with investment guidelines, annual independent audits and the establishment of oversight boards.

It is the policy of the County to report all investments with a maturity at time of purchase of less than one year at amortized cost.

B. Property Taxes and Other Receivables

Property taxes attach as liens on property as of January 1. Taxes are levied on October 1 and become delinquent on February 1. County property tax revenues are recognized when levied to the extent that they result in available spendable resources. Property taxes for the County are limited by statute to 80 cents per \$100 of assessed value for general government services. An unlimited amount may be levied for payment of interest and principal on long-term debt; however, the County's indebtedness is limited by statute to 25% of assessed value of real property. For 2004, the County's tax rate for general governmental services was 21.343 cents per \$100 of assessed value.

Delinquent taxes receivable as disclosed in the financial statement represent all uncollected property taxes for the last twenty years. Property taxes that are more than 20 years delinquent and are not subject to an existing lawsuit for collection must be removed from the delinquent tax roll. Based on the County's collection history, no allowance for uncollectables has been included in the financial statements.

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:

Unavailable:	
Property taxes receivable:	
General Fund	\$2,069,773
Debt Service Fund	365,569
Other Nonmajor Governmental Funds	240,869
Unearned:	
Grants Payable and	
Other Deferred Revenues	<u>952,719</u>
Total Deferred	<u>\$ 3,628,930</u>

C. Capital Assets

Capital Asset activity for the year ended September 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 4,320,256	\$ 302,331	\$ -	\$ 4,622,587
Construction in Progress	2,156,984	2,290,580	-	4,447,564
Total Capital Assets, Not Being Depreciated	<u>6,477,240</u>	<u>2,592,911</u>	<u>-</u>	<u>9,070,151</u>
Capital Assets, Being Depreciated:				
Buildings	82,806,763	1,495,293	-	84,302,056
Machinery and Equipment	27,022,005	3,079,891	(2,058,756)	28,043,140
Infrastructure	125,144,001	997,673	(266,836)	125,874,838
Total Capital Assets Being Depreciated	<u>234,972,769</u>	<u>5,572,857</u>	<u>(2,325,592)</u>	<u>238,220,034</u>
Less Accumulated Depreciation For:				
Buildings	(14,007,333)	(1,674,303)	-	(15,681,636)
Machinery and Equipment	(10,558,133)	(3,443,721)	2,723,640	(11,278,214)
Infrastructure	(80,277,665)	(6,162,105)	155,403	(86,284,367)
Total Accumulated Depreciation	<u>(104,843,131)</u>	<u>(11,280,129)</u>	<u>2,879,043</u>	<u>(113,244,217)</u>
Total Capital Assets Being Depreciated, Net	<u>130,129,638</u>	<u>(5,707,272)</u>	<u>553,451</u>	<u>124,975,817</u>
Total Capital Assets, Net	<u>\$ 136,606,878</u>	<u>\$(3,114,361)</u>	<u>\$ 553,451</u>	<u>\$ 134,045,968</u>

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

Governmental Activities:

General Government	\$1,169,664
Judicial	142,851
Legal	36,269
Financial	37,208
Public Facilities	903,574
Public Safety	2,068,480
Health & Welfare	76,325
Conservation	1,984
Roads	<u>6,843,774</u>
Total Depreciation Expense	<u>\$11,280,129</u>

The County has entered into contracts for the construction of facilities and infrastructure as follows:

	<u>Project Authorization</u>	<u>Expended To Date</u>	<u>Commitment</u>	<u>Further Financing Required</u>
1992 Road Projects	\$ 20,375,000	\$ 20,034,569	\$	- None
1994 Road Projects	\$ 4,700,000	\$ 4,253,767	\$	- None
1996 Road Projects	\$ 4,200,000	\$ 4,182,190	\$	- None
1999 Road Projects	\$ 27,790,201	\$ 26,790,201	\$	- None
1999 Tax Note Fund	\$ 2,141,294	\$ 1,825,617	\$	- None
2000 Road Projects	\$ 24,000,000	\$ 17,481,436	\$	- None
2000 Tax Note Fund	\$ 1,850,000	\$ 1,590,120	\$	- None
2002 Tax Note Fund	\$ 4,146,000	\$ 4,146,000	\$	- None
2003 Tax Note Fund	\$ 5,839,500	\$ 2,516,490	\$	- None
2004 Tax Note Fund	\$ 4,125,000	\$ 1,228,486	\$	- None

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2004, is as follows:

Due To/Due From Other Funds:

	<u>Due From:</u>					<u>Total</u>
	<u>General Fund</u>	<u>Debt Service</u>	<u>Non Major Governmental Funds</u>	<u>Agency Funds</u>	<u>Internal Service Fund</u>	
Due To:						
General Fund		\$ -	\$ 3,206,370	\$ -	\$ 2,297,695	\$ 5,504,065
Debt Service					\$ -	\$ -
Nonmajor Governmental Funds	\$ 288		\$ 22,204	\$ -	\$ -	\$ 22,492
Agency Funds	\$ 1,760		\$ -	\$ -	\$ -	\$ 1,760
Internal Service Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ 2,048</u>	<u>\$ -</u>	<u>\$ 3,228,574</u>	<u>\$ -</u>	<u>\$ 2,297,695</u>	<u>\$ 5,528,317</u>

Interfund Transfers:

	<u>Transfer In:</u>				
	<u>General Fund</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Fund</u>	<u>Total</u>
Transfer Out:					
General Fund		\$ -	\$ 422,325	\$ 1,500,000	\$ 1,922,325
Debt Service				\$ -	\$ -
Nonmajor Governmental Funds	\$ 26,737	\$ 267,943	\$ 2,907,436	\$ -	\$ 3,202,116
Internal Service Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ 26,737</u>	<u>\$ 267,943</u>	<u>\$ 3,329,761</u>	<u>\$ 1,500,000</u>	<u>\$ 5,124,441</u>

In the fund financial statements, total transfers out of \$5,124,441 are greater than total transfers in of \$3,624,441 because of the treatment of transfers of assets to the internal service fund.

Interfund balances represent primarily represent short term lending between funds to cover cash shortages and accrued amounts due from inventories. Amounts have been loaned from the General Fund to the Internal Service Fund to cover operating shortfalls. This amount is not expected to be repaid within the next year.

Interfund transfers are approved both in the original budget and by budget amendments during the fiscal year. Transfers are made to provide additional resources for specific programs as the need arises.

E. Leases

Capital Leases

The County has entered into capital lease agreements for certain computer and road construction equipment. These assets, with a recorded value of approximately \$2,368,373 are included as equipment in the equipment inventory of the County. The lease agreements are classified as capital leases because title passes to the County at the end of the lease terms, and they are reported as other payables in the government-wide financial statements.

The present value of future minimum capital lease payments at September 30, 2004 is as follows:

<u>Year</u>	<u>Amount</u>
2005	\$ 727,776
2006	58,703
2007	-
Total minimum lease payments	\$ 786,479
Less: Amount representing interest	<u>(30,390)</u>
Present value of net future minimum lease payments	<u>\$ 756,089</u>

F. Long-term debt

General Long-Term Debt consists of various issues of General Obligation Bonds, certificates of Obligation and Tax Notes; the County's accrued liability for compensated absences; and other payables such as capital leases and judgments payable. General Obligation Bonds, Certificates of Obligation and Tax Notes are direct obligations of the County with the County's full faith and credit pledged towards payment of those obligations. General Obligation Bonds are issued after approval by the public at open elections. Certificates of Obligation and Tax Notes are issued by the vote of the Commissioners' Court as allowed under the state laws governing debt issuance. Principal and interest payments on the County's bonded debt are secured solely by ad valorem taxes levied on all taxable property within the County. Denton County's outstanding bonded debt is limited, per Article 3, Section 52 of the Texas Constitution, to an amount not exceeding 25% of the assessed taxable value of real property in the County. At year end, the County's debt was significantly below this limit.

General Obligation Bond and Certificate of Obligation indentures require the County to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity or at least 2% of the principal as a sinking fund, whichever is greater.

A summary of long-term debt of the County is as follows:

<u>Description</u>	<u>Balance at 10/01/03</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 09/30/04</u>
\$28,260,000 1994 General Obligation and Refunding Bonds due in varying amounts through 2014 at an average interest rate of 5.11%	23,120,000	-	23,120,000	-
\$22,800,000 1996 Permanent Improvement Bonds, due in varying amounts through 2016 at an average interest rate of 5.33%	17,875,000	-	975,000	16,900,000
\$1,480,000 1997 Permanent Improvement Bonds, due in varying amounts through 2017 at an average interest rate of 5.336%	1,230,000	-	60,000	1,170,000
\$3,800,000 1999 Certificates of Obligation, due in varying amounts through 2014 at an average interest rate of 4.37%	3,165,000	-	235,000	2,930,000
\$8,020,000 1999 Permanent Improvement Bonds, due in varying amounts through 2019 at an average interest rate of 4.68%	7,155,000	-	320,000	6,835,000
\$26,567,570 1999 Permanent Improvement & Refunding Bonds, due in varying amounts through 2019 at an average interest rate of 5.12%	26,567,570	-	-	26,567,570
\$13,255,000 1999A Certificates of Obligation, due in varying amounts through 2020 at an average interest rate of 5.60%	12,590,000	-	355,000	12,235,000

\$2,040,000 1999 Tax Notes due in varying amounts through 2007 at an average interest rate of 4.70%	1,675,000	-	385,000	1,290,000
\$24,000,000 2000 Permanent Improvement Bonds due in varying varying amounts through 2026 at an average interest rate of 5.45%	24,000,000	-	565,000	23,435,000
\$1,850,000 2000 Tax Notes due in varying amounts through 2007 at an average interest rate of 4.65%	1,850,000	-	335,000	1,515,000
\$10,000,000 2001 Tax Notes due in varying amounts through 2007 at an interest rate of 4.50%	6,920,000	-	6,920,000	-
\$3,680,000 2002 Tax Notes due in varying amounts through 2008 at an average interest rate of 3.449%	3,680,000	-	565,000	3,115,000
\$5,740,000 2003 Tax Notes due in varying amounts through 2010 at an average interest rate of 2.479%	5,740,000	-	200,000	5,540,000
\$25,375,000 2004 General Obligation Refunding Bonds due in varying amounts through 2012 at an average interest rate of 2.877%	-	25,375,000	255,000	25,120,000
\$4,125,000 2004 Tax Notes due in varying amounts through 2011 at an average interest rate of 2.972%	-	4,125,000	-	4,125,000

Total General Obligation				
Bonds Payable	135,567,570	29,500,000	34,290,000	130,777,570
Unrealized Loss/Bond Premium	-	1,301,000	-	1,301,000
Compensated Absences	3,774,210	284,536	451,007	3,607,739
Capital Leases	<u>2,037,330</u>	<u>119,956</u>	<u>1,401,197</u>	<u>756,089</u>
TOTAL	<u>\$ 141,379,110</u>	<u>\$ 31,205,492</u>	<u>\$ 36,142,204</u>	<u>\$ 136,442,398</u>

Of the above debt, \$9,145,000 of the bonded debt, 20% of the compensated absences, and \$727,776 of the other payables are due within one year of the date of this financial statement.

The debt service requirements on the aforementioned bonded debt are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2005	9,145,000	6,162,382	15,307,382
2006	9,565,000	5,753,530	15,318,530
2007	9,802,831	5,512,278	15,315,109
2008	9,038,736	5,366,217	14,404,953
2009	9,000,270	5,101,450	14,101,720
2010-2014	32,940,733	18,031,500	50,972,233
2015-2019	20,980,000	11,051,442	32,031,442
2020-2024	19,445,000	6,039,212	25,484,212
2025-2030	<u>10,860,000</u>	<u>868,875</u>	<u>11,728,875</u>
Total	<u>\$130,777,570</u>	<u>\$63,886,886</u>	<u>\$194,664,456</u>

With the exception of the 1992 Refunding Bonds, the 1993 Certificates of Obligation, the 1997 Permanent Improvement Bonds, the 2001 Tax Notes and the 2002 Tax Notes, all of the County's long-term debt issues are subject to the arbitrage regulations of the Federal government. Per these regulations, portions of the County's investment earnings on debt proceeds may be subject to rebate to the Federal government.

The County issued \$4,125,000 in tax notes in 2004 to provide funds for the construction a new satellite government center and for the remodeling and repair of various existing county buildings.

In March, 2004, Denton County issued \$25,375,000 of general obligation refunding bonds for a current refunding of \$26,380,000 of general obligation bonds and tax notes. The refunding was undertaken to reduce future debt service payments. The transaction resulted in a reduction of \$2,116,274 in the County's aggregate future debt service payments, and a net present value savings to the County of \$1,963,202.

In March 1999, Denton County advance refunded a portion of its 1996 permanent improvement bonds as part of a \$26,567,571 permanent improvement and refunding bond issue. The County issued \$1,967,571 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust with an escrow agent for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. This advance refunding was undertaken to extend the maturity dates on the bonds in order to provide cash flow savings of \$1,757,625 over the next three years. The refunding caused a net increase in the County's total cash flow requirements for debt service of \$1,244,437, and an economic loss (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$350,151. At the end of the current fiscal year, \$1,575,000 in defeased bonds remained outstanding.

At September 30, 2004 the County had \$5,125,000 in permanent improvement bonds that were authorized but unissued. The bonds are part of a total of \$34 million of bonds that were approved in November, 1991, to be used for Road & Bridge improvements. At year-end there was no definite timetable for issuance of the remainder of these authorized but unissued bonds.

Also, as of September 30, 2004 the County had a total of \$36,720,000 in unissued permanent improvement bonds that were authorized in a January 1999 bond election. The total amount authorized in the election was \$85,320,000 for road improvements. \$24,600,000 in bonds were issued in March, 1999 in connection with the partial refunding discussed above. An additional \$24,000,000 of the bonds were issued in December 2000. The County plans to issue the remaining bonds in equal amounts over the next four years.

Due to voter approval of a County bond election in May, 2004, the County had a total of \$206,870,000 in authorized but unissued permanent improvement bonds. Of the total available, \$186,970,000 was approved for road improvements, \$17.5 million was approved for facility acquisition and improvements and \$2 million was

approved for voting equipment. The County plans to issue a portion of the road bonds in fiscal 2005.

V. OTHER INFORMATION

A. Risk management

Denton County is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property, damage to County assets, errors and omissions and personnel risks which relate to workers compensation. The county carries commercial insurance in order to manage the above listed risks. Amounts of coverage for the above types of risk have not been subject to a significant reduction in the past year. There have been no claims in excess of the County's insurance coverage in the past year.

The County has established a limited risk management program for employees' and their dependents' medical and dental insurance coverage. Employees' premiums are paid by the General, Special Revenue and some Agency funds into the Insurance Internal Service fund. These premiums are recorded as expenditures in the paying funds and are available to pay claims, excess coverage insurance and administrative costs of the program. During fiscal 2004 a total of \$10,417,058 was paid in benefits, excess coverage premiums and administrative costs. The excess coverage insurance covers the plan against individual claims in excess of \$175,000 per covered person per year. Estimated claims payable, based upon claims filed and estimated unfiled claims at year end, were \$523,194 of September 30, 2004. Changes in the balances of claims liabilities during the past year are as follows:

	<u>2004</u>	<u>2003</u>
Unpaid Claims, beginning of fiscal year	\$ 1,466,806	\$ 1,169,817
Incurred Claims (including incurred but not reported)	7,085,424	9,718,030
Claim payments	(8,029,036)	(9,421,041)
Unpaid Claims, end of fiscal year	<u>\$ 523,194</u>	<u>\$1,466,806</u>

For the past three fiscal years, no settlements have exceeded insurance coverage.

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any

disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

C. Other postemployment benefits

The County provides postretirement health and dental care benefits, as provided in the medical benefit plan document, for certain retirees and their dependents. Retirees who have met the service requirements to receive an annuity from the County's retirement system and who are participating in the plan at the time of their retirement are eligible to receive health and dental benefits after their employment with the County ceases. The County charges a reduced premium to these qualifying retirees.

As of year end, there were 83 former County employees receiving benefits from the plan. The County finances the plan on a pay-as-you-go basis. For the year ended September 30, 2004, retiree premiums paid to the plan totaled \$165,205 which represents approximately 50% of the cost of the benefits received.

D. Subsequent events

On December 21, 2004, Denton County issued \$50,455,000 of general obligation permanent improvement bonds to finance various road and transportation projects in the County. The interest rates on the bonds range from 4% to 5% and average 4.5044%. The final maturity date of the bonds is January 15, 2030.

VI. EMPLOYEE RETIREMENT SYSTEM

A. Plan Description

Denton County provides pension, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 553 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the County, within the options available in the state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

B. Funding Policy

Denton County has elected the annually determined contribution rate (variable-rate) plan provisions of the TDCRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County contributed using the actuarially determined rate of 8.28% for the months of the accounting year in 2003, and 8.48% for the months of the accounting year in 2004.

The deposit rate payable by the employee members of the plan for calendar year 2004 is the rate of 7% as adopted by the governing body of the County. For years prior to 2002, the employee deposit rate was 6%. The employee deposit rate and the employer contribution rate may be changed by the Commissioners Court of the County within the options available in the TCDRS Act.

C. Annual Pension Cost

For Denton County's accounting year ending September 30, 2004, the annual pension cost for the TCDRS plan for its employees was \$4,715,981 and the actual contributions were \$4,715,981.

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, 2001 and December 31, 2002, the basis for determining the

contribution rates for calendar years 2003 and 2004. The December 31, 2003 actuarial valuation is the most recent valuation.

D. Actuarial Valuation Information

Actuarial valuation date	12/31/2001	12/31/2002	12/31/2003
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percent- age of payroll, Open	Level percent- age of payroll, Open	Level percent- age of payroll, Open
Amortization period in years	20	20	20
Asset valuation method	Long-term appreciation with adjustment	Long-term appreciation with adjustment	Long-term appreciation with adjustment
Actuarial Assumptions:			
Investment return (1)	8.00%	8.00%	8.00%
Projected salary increases(1)	5.50%	5.50%	5.50%
Inflation	3.50%	3.50%	3.50%
Cost of living adjustments	0.00%	0.00%	0.00%

(1) includes inflation at the stated rate

E. Trend Information

Accounting Year Ending	Annual Pension Cost (APC)	Percentage Of ABC Contributed	Net Pension Obligation
September 30, 2002	\$4,295,597	100%	\$ 0
September 30, 2003	\$4,522,511	100%	\$ 0
September 30, 2004	\$4,715,981	100%	\$ 0

F. Transition Disclosure

It was determined in accordance with GASB Statement No. 27 that the pension liability was zero at the transition to that statement effective at the beginning of this accounting year, because all actuarially required contributions for the accounting years beginning in 1987 up to the beginning of this accounting year have been paid. There was no previously reported pension liability before the transition. Therefore, the difference between the pension liability at transition and the previously reported pension liability is zero.

G. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2001	\$57,869,790	\$69,130,954	\$11,261,164	83.71%	\$45,447,931	24.78%
12/31/2002	\$67,136,414	\$81,005,832	\$13,869,418	82.88%	\$52,929,740	26.20%
12/31/2003	\$79,860,933	\$92,525,268	\$12,664,335	86.31%	\$54,657,482	23.17%

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for special revenues that are restricted to expenditure for particular purposes.

Road and Bridge Fund:

To account for the operation, repair and maintenance of roads and bridges. Financing is provided by vehicle registration fees, court fines and other similar revenues.

Jury Fund:

To account for the costs of providing jury services for the county's court system. Funding is primarily from the annual property tax levy.

Juvenile Probation Fund:

To account for the costs of administering the county's juvenile probation and detention departments. Funding is from tax revenues, intergovernmental revenues and fees.

Voter Registration Fund:

To account for funds received from the state as reimbursements for the costs of adding to and updating the roll of registered voters.

Indigent Care Fund:

To account for the county's costs for providing medical care to indigent county residents. Funding is primarily from property taxes levied for this purpose.

Public Health Fund:

To account for the county's costs of administering the county health department to provide medical services to the citizens of the county. Funding is provided from tax revenues, intergovernmental grants, and fees for services.

Law Library Fund:

To account for the receipt of library fees of office collected by the County and District Clerks. Receipts are restricted to payment of the cost of maintaining the law library.

County Clerk Records Management Fund:

To account for the receipt and expenditure of records preservation fees assessed by the county clerk. Expenditure of funds received is restricted by law to records preservation, records management and records automation projects.

County Clerk Records Archive Fund:

To account for the receipt and expenditure of records archive fees assessed by the county clerk. Expenditure of funds received is restricted by law to archiving and preserving county records that originated prior to 1990.

Courthouse Security Fund:

To account for the receipt and expenditure of courthouse security fees as required by state law. Such fees are assessed upon conviction in justice, county or district court and may be spent only for security services or devices for courthouses.

Sheriff's Training Fund:

To account for the receipt and expenditure of state funding for the professional training of sheriff's officers. All funding is from state payments.

Sheriff's Forfeiture Fund:

To account for the use in criminal investigations of seized funds awarded by court order to the County Sheriff's office.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds

Road and Bridge Construction Fund:

To account for the costs of road and bridge construction and rehabilitation projects funded by bond proceeds arising from the 1991 bond election.

1994 Road Project Construction Fund:

To account for the costs of road and bridge construction projects funded by bond proceeds from a 1994 issuance of bonds approved by the voters in 1991.

1996 Road Project Construction Fund:

To account for the costs of road and bridge construction projects funded by bond proceeds from a 1996 issuance of bonds approved by the voters in 1991.

1999 Road Project Construction Fund:

To account for the costs of road and bridge construction projects funded by bond proceeds from a 1999 issuance of bonds approved by the voters in 1999.

1999 Tax Note Project Fund:

To account for the costs of improving the County's radio system and for the purchase of road construction Equipment. Funded by the issuance of tax notes.

1999 Certificates of Obligation Fund:

To account for the costs of construction of further expansion of the County's law enforcement center and of improvements to the Courts Building. Funding is provided by the issuance of certificates of obligation.

2000 Road Project Construction Fund:

To account for the costs of road and bridge construction projects funded by bond proceeds from a 2000 issuance of bonds approved by the voters in 1999.

2002 Tax Note Project Fund:

To account for the receipt and expenditure of Tax Note funds issued for to fund the acquisition of additional County buildings and other capital improvements.

2003 Tax Note Project Fund:

To account for the receipt and expenditure of Tax Note funds issued for to fund the acquisition of additional County buildings and other capital improvements.

2004 Tax Note Project Fund:

To account for the receipt and expenditure of Tax Note funds issued for to fund the acquisition of additional County buildings and other capital improvements.

Vehicle Inventory Tax Interest Fund:

To account for the receipt and expenditure of interest revenues earned by the tax assessor-collector on vehicle inventory tax receipts collected throughout the fiscal year. By state law, such interest revenues may only be spent to defray the costs of the collection program.

Records Management Fund:

To account for the receipt and expenditure of fees assessed on civil filings in the county, district and probate courts as required by state law. Such fees may only be spent on records management or preservation projects.

District Attorney Check Fee Fund:

To account for fees collected by the District Attorney under the "Hot Check" statute. Expenditures from this fund shall be at the sole discretion of the District Attorney and may be used only to defray the salaries and expenses of his office.

District Attorney's Forfeiture Fund:

To account for the use in criminal investigations of seized funds awarded by court order to the Criminal District Attorney's office.

Texas Narcotics Control Program Grant Fund:

To account for the receipt and expenditure of grant funds awarded to the County for narcotics crimes task force by the Governors Office of the State of Texas.

Women, Infants and Children Fund:

To account for the receipt and expenditure of grant funds awarded to the County for women and children's health care initiatives by the Tex. Dept. of Health.

Health Care Relief Fund:

To account for the receipt and expenditure of funds paid to the County from the State of Texas tobacco lawsuit settlement.

Probate Court Contribution Fund:

To account for the receipt and expenditure of funds paid by the State that are limited by statute to use for court-related purposes for the support of the statutory probate court.

JP Court Technology Fund:

To account for the receipt and expenditure of JP Court Technology fees that are that have the limited use of financing technological improvements in the justice of the peace courts.

Bioterrorism Grant Fund:

To account for the receipt and expenditure of state grant funds to be used specifically for the County's anti-bioterrorism initiatives.

Federal Health Care Facility Grant Fund:

To account for the receipt and expenditure of state grant funds to be used to develop a federally qualified health care facility for low income citizens.

District Clerk Records Management Fund:

To account for the receipt and expenditure of fees assessed on civil filings in the district courts as allowed by state law. Such fees may only be spent on records management or preservation projects as requested by the District Clerk.

Denton County, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2004

SPECIAL REVENUE	Road & Bridge Fund	Jury Fund	Juvenile Probation Fund	Voter Registration Fund
<u>ASSETS</u>				
Cash	\$ 702,666	\$ 5,313	\$ 70,079	\$ 28,844
Investments	1,244,043	92,882	420,158	-
Receivables:				
Taxes	-	7,226	129,796	-
Accrued Interest	-	-	1	-
Other Receivables	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governments	-	-	178,931	-
TOTAL ASSETS	\$ 1,946,709	\$ 105,421	\$ 798,965	\$ 28,844
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts Payable	\$ 353,673	\$ -	\$ 48,361	\$ -
Wages Payable	97,166	-	162,559	-
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	8,432	-
Deferred Revenues	-	7,226	129,796	-
TOTAL LIABILITIES	450,839	7,226	349,148	-
FUND BALANCES				
Reserved for Capital Expenditures	-	-	-	-
Unreserved, Undesignated	1,495,870	98,195	449,817	28,844
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,946,709	\$ 105,421	\$ 798,965	\$ 28,844

See the notes to the financial statements

<u>Indigent Care Fund</u>	<u>Public Health Fund</u>	<u>Law Library Fund</u>	<u>County Clerk Records Mgmt. Fund</u>	<u>County Clerk Records Archive Fund</u>	<u>Courthouse Security Fund</u>
\$ 8,775	\$138,650	\$ 44,970	\$ 105,098	\$ 225,047	\$ 175,514
336,056	584,402	161,325	-	652,646	-
63,694	40,143	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	22,204	276	-	-	-
-	128,515	-	-	-	-
<u>\$408,525</u>	<u>\$913,914</u>	<u>\$ 206,571</u>	<u>\$ 105,098</u>	<u>\$ 877,693</u>	<u>\$ 175,514</u>
\$171,175	\$ 25,573	\$ 31,589	\$ 67,816	\$ -	\$ 43,790
4,804	73,256	1,954	-	-	-
-	-	-	-	-	-
-	760	-	-	-	-
63,694	40,143	-	-	-	-
<u>239,673</u>	<u>139,732</u>	<u>33,543</u>	<u>67,816</u>	<u>-</u>	<u>43,790</u>
-	-	-	-	-	-
168,852	774,182	173,028	37,282	877,693	131,724
<u>\$408,525</u>	<u>\$913,914</u>	<u>\$ 206,571</u>	<u>\$ 105,098</u>	<u>\$ 877,693</u>	<u>\$ 175,514</u>

Denton County, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2004

SPECIAL REVENUE	<u>Sheriff's Training Fund</u>	<u>Sheriff's Forfeiture Fund</u>	<u>Vehicle Inventory Tax Interest Fund</u>	<u>Records Management Fund</u>
<u>ASSETS</u>				
Cash	\$ 21,340	\$ 96,370	\$ 21,988	\$ 66,304
Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Accrued Interest	-	-	-	-
Other Receivables	-	-	835	-
Due from Other Funds	-	-	-	-
Due from Other Governments	-	-	-	-
TOTAL ASSETS	<u>\$ 21,340</u>	<u>\$ 96,370</u>	<u>\$ 22,823</u>	<u>\$ 66,304</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts Payable	\$ 365	\$ 26	\$ -	\$ 3,509
Wages Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	-	-
Deferred Revenues	-	22,198	-	-
TOTAL LIABILITIES	<u>365</u>	<u>22,224</u>	<u>-</u>	<u>3,509</u>
FUND BALANCES				
Reserved for Capital Expenditures	-	-	-	-
Unreserved, Undesignated	20,975	74,146	22,823	62,795
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 21,340</u>	<u>\$ 96,370</u>	<u>\$ 22,823</u>	<u>\$ 66,304</u>

See the notes to the financial statements

District Attorney Check Fee Fund	District Attorney Forfeiture Fund	TNCP Grant Fund	Women, Infants, and Children Fund	Health Care Relief Fund	Probate Court Contribution Fund
\$ 64,333	\$ 21,652	\$177,968	\$ -	\$ 25,600	\$ 9,467
618	181,490	-	-	3,073,532	-
10	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	12	-	-	-
-	-	38,853	222,962	-	-
<u>\$ 64,961</u>	<u>\$ 203,142</u>	<u>\$216,833</u>	<u>\$ 222,962</u>	<u>\$3,099,132</u>	<u>\$ 9,467</u>
\$ 462	\$ 81	\$ -	\$ 14,707	\$ 40,161	\$ -
8,286	-	-	34,052	-	1,503
-	-	-	132,689	-	-
-	-	-	-	-	-
-	46,896	174,406	-	-	-
<u>8,748</u>	<u>46,977</u>	<u>174,406</u>	<u>181,448</u>	<u>40,161</u>	<u>1,503</u>
-	-	-	-	-	-
56,213	156,165	42,427	41,514	3,058,971	7,964
<u>\$ 64,961</u>	<u>\$ 203,142</u>	<u>\$216,833</u>	<u>\$ 222,962</u>	<u>\$3,099,132</u>	<u>\$ 9,467</u>

Denton County, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2004

SPECIAL REVENUE	<u>JP Court Technology Fund</u>	<u>Bioterrorism Grant Fund</u>	<u>Federal Health Care Facility Grant Fund</u>
<u>ASSETS</u>			
Cash	\$ 122,805	\$ -	\$ -
Investments	138,244	-	-
Receivables:			
Taxes	-	-	-
Accrued Interest	50	-	-
Other Receivables	-	-	-
Due from Other Funds	-	-	-
Due from Other Governments	-	185,123	82,935
TOTAL ASSETS	<u>\$ 261,099</u>	<u>\$ 185,123</u>	<u>\$ 82,935</u>

LIABILITIES AND FUND BALANCES

LIABILITIES			
Accounts Payable	\$ -	\$ 13,358	\$ 2,939
Wages Payable		16,918	5,048
Due to Other Funds		167,144	68,598
Due to Other Governments		-	-
Deferred Revenues	-	-	
TOTAL LIABILITIES	<u>-</u>	<u>197,420</u>	<u>76,585</u>
FUND BALANCES			
Reserved for Capital Expenditures	-	-	-
Unreserved, Undesignated	261,099	(12,297)	6,350
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 261,099</u>	<u>\$ 185,123</u>	<u>\$ 82,935</u>

District Clerk Records Mgmt. Fund	TOTAL Special Revenue Funds
\$ 6,780	\$ 2,139,563
-	6,885,396
-	240,869
-	51
-	835
-	22,492
-	837,319
<u>\$ 6,780</u>	<u>\$ 10,126,525</u>
-	\$ 817,585
-	405,546
-	368,431
-	9,192
-	484,359
-	<u>2,085,113</u>
-	-
<u>6,780</u>	<u>8,041,412</u>
<u>\$ 6,780</u>	<u>\$ 10,126,525</u>

Denton County, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2004

CAPITAL PROJECTS	Road and Bridge Construction Fund	1994 Road Project Construction Fund	Juvenile Detention Construction Fund	1996 Road Project Construction Fund
<u>ASSETS</u>				
Cash	\$ 64	\$ -	\$ -	\$ -
Investments	344,064	439,941	-	29,528
Receivables:				
Taxes	-	-	-	-
Accrued Interest	-	-	-	-
Other Receivables	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governments	-	-	-	-
TOTAL ASSETS	\$ 344,128	\$ 439,941	\$ -	\$ 29,528
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Wages Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	-	-
Deferred Revenues	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
FUND BALANCES				
Reserved for Capital Expenditures	344,128	439,941	-	29,528
Unreserved, Undesignated	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 344,128	\$ 439,941	\$ -	\$ 29,528

1999 Road Project Construction Fund	1999 Tax Note Project Fund	1999 Certificate of Obligation Fund	2000 Road Project Construction Fund	2000 Tax Note Project Fund	2002 Tax Note Project Fund
\$ 2,614,108 19,448	\$ 271,525 -	\$ - 104,154	\$ - 11,320,988	\$ - -	\$ - 22
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	238,728
<u>\$ 2,633,556</u>	<u>\$ 271,525</u>	<u>\$ 104,154</u>	<u>\$ 11,320,988</u>	<u>\$ -</u>	<u>\$ 238,750</u>
\$ 133,962	\$ -	\$ -	\$ 1,195,914	\$ -	\$ 141,656
-	-	-	-	-	-
-	-	-	2,816,672	-	43,471
-	-	-	-	-	-
-	-	-	-	-	-
<u>133,962</u>	<u>-</u>	<u>-</u>	<u>4,012,586</u>	<u>-</u>	<u>185,127</u>
2,499,594	271,525	104,154	7,308,402	-	53,623
-	-	-	-	-	-
<u>\$ 2,633,556</u>	<u>\$ 271,525</u>	<u>\$ 104,154</u>	<u>\$ 11,320,988</u>	<u>\$ -</u>	<u>\$ 238,750</u>

Denton County, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2004

	2003 Tax Note Project Fund	2004 Tax Note Project Fund	TOTAL Capital Projects Funds	TOTAL Nonmajor Governmental Funds
CAPITAL PROJECTS				
<u>ASSETS</u>				
Cash	\$ -	\$ -	\$ 2,885,697	\$ 5,025,260
Investments	3,404,815	2,947,088	18,610,048	25,495,444
Receivables:				
Taxes	-	-	-	240,869
Accrued Interest	-	-	-	51
Other Receivables	-	-	-	835
Due from Other Funds	-	-	-	22,492
Due from Other Governments	-	-	238,728	1,076,047
TOTAL ASSETS	\$ 3,404,815	\$ 2,947,088	\$ 21,734,473	\$ 31,860,998
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts Payable	\$ 35,811	\$ 70,729	\$ 1,578,072	\$ 2,395,657
Wages Payable	-	-	-	405,546
Due to Other Funds	-	-	2,860,143	3,228,574
Due to Other Governments	-	-	-	9,192
Deferred Revenues	-	-	-	484,359
TOTAL LIABILITIES	35,811	70,729	4,438,215	6,523,328
FUND BALANCES				
Reserved for Capital Expenditures	3,369,004	2,876,359	17,296,258	17,296,258
Unreserved, Undesignated	-	-	-	8,041,412
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,404,815	\$ 2,947,088	\$ 21,734,473	\$ 31,860,998



Denton County, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2004

SPECIAL REVENUE	Road & Bridge Fund	Jury Fund	Juvenile Probation Fund	Voter Registration Fund
REVENUES				
Taxes	\$ -	\$225,683	\$4,043,576	\$ -
Licenses and Permits	6,752,493	-	-	-
Intergovernmental	92,107	-	2,968,978	50,249
Fees of Office	50,872	28,313	40,456	-
Fines	-	-	-	-
Interest	20,273	1,108	18,000	220
Miscellaneous	120,392	-	6,647	-
TOTAL REVENUES	7,036,137	255,104	7,077,657	50,469
EXPENDITURES				
General Government	-	-	-	36,510
Judicial	-	209,290	-	-
Legal	-	-	-	-
Financial	-	-	-	-
Public Facilities	-	-	-	-
Public Safety	-	-	7,305,296	-
Health and Welfare	-	-	-	-
Roads	7,196,127	-	-	-
Intergovernmental	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	7,196,127	209,290	7,305,296	36,510
Excess (Deficiency) of Revenues Over Expenditures	(159,990)	45,814	(227,639)	13,959
Other Financing Sources (Uses):				
Bond Proceeds	-	-	-	-
Capital Lease Financing	-	-	-	-
Operating Transfers In	10,000	-	332	-
Operating Transfers Out	(50,000)	-	(1,869)	-
Total Other Financing Sources (Uses)	(40,000)	-	(1,537)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(199,990)	45,814	(229,176)	13,959
FUND BALANCES AT BEGINNING OF YEAR	1,695,860	52,381	678,993	14,885
FUND BALANCES AT END OF YEAR	\$ 1,495,870	\$ 98,195	\$ 449,817	\$ 28,844

Indigent Care Fund	Public Health Fund	Law Library Fund	County Clerk Records Mgmt. Fund	County Clerk Records Archive Fund	Courthouse Security Fund
\$ 1,978,066	\$ 1,253,458	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	1,310,533	-	-	-	-
-	523,273	211,328	880,351	873,155	308,884
-	-	-	-	-	-
7,403	9,433	1,897	694	4,538	2,172
-	-	9,696	-	-	-
<u>1,985,469</u>	<u>3,096,697</u>	<u>222,921</u>	<u>881,045</u>	<u>877,693</u>	<u>311,056</u>
-	-	194,319	1,040,618	-	-
-	-	-	-	-	389,890
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,764,917	3,001,799	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,764,917</u>	<u>3,001,799</u>	<u>194,319</u>	<u>1,040,618</u>	<u>-</u>	<u>389,890</u>
220,552	94,898	28,602	(159,573)	877,693	(78,834)
-	-	-	-	-	-
-	-	-	-	-	-
-	51,780	-	233,996	-	-
-	(1,170)	-	-	-	-
-	50,610	-	233,996	-	-
220,552	145,508	28,602	74,423	877,693	(78,834)
(51,700)	628,674	144,426	(37,141)	-	210,558
<u>\$ 168,852</u>	<u>\$ 774,182</u>	<u>\$ 173,028</u>	<u>\$ 37,282</u>	<u>\$ 877,693</u>	<u>\$ 131,724</u>

Denton County, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2004

SPECIAL REVENUE	Sheriff's Training Fund	Sheriff's Forfeiture Fund	Vehicle Inventory Tax Interest Fund	Records Management Fund
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	30,469	-	-	-
Fees of Office	-	-	-	145,897
Fines	-	-	-	-
Interest	123	853	3,731	536
Miscellaneous	-	35,803	-	-
TOTAL REVENUES	30,592	36,656	3,731	146,433
<u>EXPENDITURES</u>				
General Government	-	-	-	-
Judicial	-	-	-	130,700
Legal	-	-	-	-
Financial	-	-	2,461	-
Public Facilities	-	-	-	-
Public Safety	4,104	47,412	-	-
Health and Welfare	-	-	-	-
Roads	-	-	-	-
Intergovernmental	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	4,104	47,412	2,461	130,700
Excess (Deficiency) of Revenues Over Expenditures	26,488	(10,756)	1,270	15,733
Other Financing Sources (Uses):				
Bond Proceeds	-	-	-	-
Capital Lease Financing	-	-	-	-
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	26,488	(10,756)	1,270	15,733
FUND BALANCES AT BEGINNING OF YEAR	(5,513)	84,902	21,553	47,062
FUND BALANCES AT END OF YEAR	\$ 20,975	\$ 74,146	\$ 22,823	\$ 62,795

District Attorney Check Fee Fund	District Attorney Forfeiture Fund	TNCP Grant Fund	Women, Infants, and Children Fund	Health Care Relief Fund	Probate Court Contribution Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
56,597	-	533,733	989,389	133,383	15,916
206,695	-	-	-	-	-
-	-	-	-	-	-
1,380	2,062	-	-	35,830	168
-	54,133	110	-	-	-
<u>264,672</u>	<u>56,195</u>	<u>533,843</u>	<u>989,389</u>	<u>169,213</u>	<u>16,084</u>
-	-	-	-	-	-
-	-	-	-	-	51,549
321,196	10,231	-	-	-	-
-	-	-	-	-	-
-	-	475,239	-	-	-
-	-	-	978,242	801,241	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>321,196</u>	<u>10,231</u>	<u>475,239</u>	<u>978,242</u>	<u>801,241</u>	<u>51,549</u>
<u>(56,524)</u>	<u>45,964</u>	<u>58,604</u>	<u>11,147</u>	<u>(632,028)</u>	<u>(35,465)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	64,899	-	25,600	-
<u>(7,300)</u>	<u>(10,967)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(7,300)</u>	<u>(10,967)</u>	<u>64,899</u>	<u>-</u>	<u>25,600</u>	<u>-</u>
<u>(63,824)</u>	<u>34,997</u>	<u>123,503</u>	<u>11,147</u>	<u>(606,428)</u>	<u>(35,465)</u>
<u>120,037</u>	<u>121,168</u>	<u>(81,076)</u>	<u>30,367</u>	<u>3,665,399</u>	<u>43,429</u>
<u>\$ 56,213</u>	<u>\$ 156,165</u>	<u>\$ 42,427</u>	<u>\$ 41,514</u>	<u>\$ 3,058,971</u>	<u>\$ 7,964</u>

Denton County, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2004

SPECIAL REVENUE	JP Court Technology Fund	Bioterrorism Grant Fund	Federal Health Care Facility Grant Fund
REVENUES			
Taxes	\$ --	\$ -	\$ -
Licenses and Permits	-	-	-
Intergovernmental	-	749,979	221,899
Fees of Office	91,857	-	6,349
Fines	-	-	-
Interest	2,076	-	-
Miscellaneous	-	-	-
TOTAL REVENUES	93,933	749,979	228,248
EXPENDITURES			
General Government	-	-	-
Judicial	-	-	-
Legal	-	-	-
Financial	-	-	-
Public Facilities	-	-	-
Public Safety	-	-	-
Health and Welfare	-	768,492	221,898
Roads	-	-	-
Intergovernmental	-	-	-
Capital Outlay	-	-	-
TOTAL EXPENDITURES	-	768,492	221,898
Excess (Deficiency) of Revenues Over Expenditures	93,933	(18,513)	6,350
Other Financing Sources (Uses):			
Bond Proceeds	-	-	-
Capital Lease Financing	-	-	-
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	93,933	(18,513)	6,350
FUND BALANCES AT BEGINNING OF YEAR	167,166	6,216	-
FUND BALANCES AT END OF YEAR	\$ 261,099	\$ (12,297)	\$ 6,350

District Clerk Records Mgmt. Fund	TOTAL SPECIAL REV September 30, 2004
\$ -	\$ 7,500,783
-	6,752,493
-	7,153,232
24,616	3,392,046
-	-
14	112,511
-	226,781
<u>24,630</u>	<u>25,137,846</u>
-	1,271,447
12,419	793,848
-	331,427
-	2,461
-	-
-	7,832,051
-	7,536,589
-	7,196,127
-	-
-	-
<u>12,419</u>	<u>24,963,950</u>
<u>12,211</u>	<u>173,896</u>
-	-
-	-
-	386,607
<u>(5,431)</u>	<u>(76,737)</u>
<u>(5,431)</u>	<u>309,870</u>
<u>6,780</u>	<u>483,766</u>
-	7,557,646
<u>\$ 6,780</u>	<u>\$ 8,041,412</u>

Denton County, Texas
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2004

CAPITAL PROJECTS	Road & Bridge Construction Fund	1994 Road Project Construction Fund	Juvenile Detention Construction Fund	1996 Road Project Construction Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Fees of Office	-	-	-	-
Fines	-	-	-	-
Interest	3,697	5,172	26	254
Miscellaneous	-	-	-	-
TOTAL REVENUES	3,697	5,172	26	254
EXPENDITURES				
General Government	-	-	-	-
Judicial	-	-	-	-
Legal	-	-	-	-
Financial	-	-	-	-
Public Facilities	-	-	-	-
Public Safety	-	-	-	-
Health and Welfare	-	-	-	-
Roads	-	-	-	-
Intergovernmental	-	53,093	-	16,012
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	-	53,093	-	16,012
Excess (Deficiency) of Revenues Over Expenditures	3,697	(47,921)	26	(15,758)
Other Financing Sources (Uses):				
Bond Proceeds	-	-	-	-
Capital Lease Financing	-	-	-	-
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	(2,724)	-
Total Other Financing Sources (Uses)	-	-	(2,724)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	3,697	(47,921)	(2,698)	(15,758)
FUND BALANCES AT BEGINNING OF YEAR	340,431	487,862	2,698	45,286
FUND BALANCES AT END OF YEAR	\$ 344,128	\$ 439,941	\$ -	\$ 29,528

1999 Road Project Construction Fund	1999 Tax Note Project Fund	1999 Certificates of Obligation Fund	2000 Road Project Construction Fund	2000 Tax Note Project Fund	2002 Tax Note Project Fund
\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-	-
135,201	-	-	2,224,955	-	1,106,444
-	-	-	-	-	-
9,290	3,041	2,834	133,434	2,850	2,934
-	-	-	-	-	-
<u>144,491</u>	<u>3,041</u>	<u>2,834</u>	<u>2,358,389</u>	<u>2,850</u>	<u>1,109,378</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	61,658
-	-	-	-	-	-
399,988	-	-	-	-	-
1,679,109	-	-	4,181,862	-	-
-	-	285,966	413,633	-	1,697,557
<u>2,079,097</u>	<u>-</u>	<u>285,966</u>	<u>4,595,495</u>	<u>-</u>	<u>1,759,215</u>
-	-	-	-	-	-
<u>(1,934,606)</u>	<u>3,041</u>	<u>(283,132)</u>	<u>(2,237,106)</u>	<u>2,850</u>	<u>(649,837)</u>
-	-	-	-	-	-
-	-	-	-	-	-
2,857,436	-	-	50,000	-	35,718
-	-	-	(2,857,436)	(265,219)	-
<u>2,857,436</u>	<u>-</u>	<u>-</u>	<u>(2,807,436)</u>	<u>(265,219)</u>	<u>35,718</u>
-	-	-	-	-	-
922,830	3,041	(283,132)	(5,044,542)	(262,369)	(614,119)
-	-	-	-	-	-
<u>1,576,764</u>	<u>268,484</u>	<u>387,286</u>	<u>12,352,944</u>	<u>262,369</u>	<u>667,742</u>
<u>\$ 2,499,594</u>	<u>\$ 271,525</u>	<u>\$ 104,154</u>	<u>\$ 7,308,402</u>	<u>\$ -</u>	<u>\$ 53,623</u>

Denton County, Texas
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended September 30, 2004

	2003 Tax Note Project Fund	2004 Tax Note Project Fund	TOTAL Capital Projects September 30, 2004	TOTAL Special Revenue & Capital Projects September 30, 2004
CAPITAL PROJECTS				
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 7,500,783
Licenses and Permits	-	-	-	6,752,493
Intergovernmental	-	-	3,466,600	10,619,832
Fees of Office	-	-	-	3,392,046
Fines	-	-	-	-
Interest	39,688	16,417	219,637	332,148
Miscellaneous	6,317	-	6,317	233,098
TOTAL REVENUES	46,005	16,417	3,692,554	28,830,400
EXPENDITURES				
General Government	-	-	-	1,271,447
Judicial	-	-	-	793,848
Legal	-	-	-	331,427
Financial	-	-	-	2,461
Public Facilities	370,636	254,281	686,575	686,575
Public Safety	-	-	-	7,832,051
Health and Welfare	-	-	-	7,536,589
Roads	-	-	399,988	7,596,115
Intergovernmental	-	-	5,930,076	5,930,076
Capital Outlay	778,169	1,010,777	4,186,102	4,186,102
TOTAL EXPENDITURES	1,148,805	1,265,058	11,202,741	36,166,691
Excess (Deficiency) of Revenues Over Expenditures	(1,102,800)	(1,248,641)	(7,510,187)	(7,336,291)
Other Financing Sources (Uses):				
Bond Proceeds	-	4,125,000	4,125,000	4,125,000
Capital Lease Financing	-	-	-	-
Operating Transfers In	-	-	2,943,154	3,329,761
Operating Transfers Out	-	-	(3,125,379)	(3,202,116)
Total Other Financing Sources (Uses)	-	4,125,000	3,942,775	4,252,645
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(1,102,800)	2,876,359	(3,567,412)	(3,083,646)
FUND BALANCES AT BEGINNING OF YEAR	4,471,804	-	20,863,670	28,421,316
FUND BALANCES AT END OF YEAR	\$ 3,369,004	\$ 2,876,359	\$ 17,296,258	\$ 25,337,670

Denton County, Texas
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
ROAD AND BRIDGE SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2004

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	6,950,000	6,950,000	6,752,493	(197,507)
Intergovernmental	115,000	115,000	92,107	(22,893)
Fees of Office	35,000	35,000	50,872	15,872
Fines	-	-	-	-
Interest	30,000	30,000	20,273	(9,727)
Miscellaneous	-	-	120,392	120,392
TOTAL REVENUES	<u>7,130,000</u>	<u>7,130,000</u>	<u>7,036,137</u>	<u>(93,863)</u>
<u>EXPENDITURES</u>				
Current:				
Roads:	<u>8,049,609</u>	<u>8,400,095</u>	<u>7,196,127</u>	<u>1,203,968</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(919,609)</u>	<u>(1,270,095)</u>	<u>(159,990)</u>	<u>1,110,105</u>
Other Financing Sources (Uses):				
Operating Transfers In	10,000	10,000	10,000	-
Operating Transfers Out	-	(50,000)	(50,000)	-
Total Other Financing Sources	<u>10,000</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>(909,609)</u>	<u>(1,310,095)</u>	<u>(199,990)</u>	<u>1,110,105</u>
FUND BALANCES - BEGINNING	<u>1,695,860</u>	<u>1,695,860</u>	<u>1,695,860</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 786,251</u>	<u>\$ 385,765</u>	<u>\$ 1,495,870</u>	<u>\$ 1,110,105</u>

Denton County, Texas
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
JURY SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2004

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ 217,937	\$ 217,937	\$ 225,683	\$ 7,746
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Fees of Office	27,000	27,000	28,313	1,313
Fines	-	-	-	-
Interest	3,500	3,500	1,108	(2,392)
Miscellaneous	-	-	-	-
TOTAL REVENUES	248,437	248,437	255,104	6,667
<u>EXPENDITURES</u>				
Current:				
Judicial	221,002	221,002	209,290	11,712
Excess (Deficiency) of Revenues Over Expenditures	27,435	27,435	45,814	18,379
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balances	27,435	27,435	45,814	18,379
FUND BALANCES - BEGINNING	52,381	52,381	52,381	-
FUND BALANCES - ENDING	\$ 79,816	\$ 79,816	\$ 98,195	\$ 18,379

Denton County, Texas
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
JUVENILE PROBATION SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2004

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ 3,881,445	\$ 3,881,445	\$ 4,043,576	\$ 162,131
Licenses and Permits	-	-	-	-
Intergovernmental	3,008,978	3,159,517	2,968,978	(190,539)
Fees of Office	50,000	50,000	40,456	(9,544)
Fines	-	-	-	-
Interest	20,000	20,000	18,000	(2,000)
Miscellaneous	-	-	6,647	6,647
TOTAL REVENUES	6,960,423	7,110,962	7,077,657	(33,305)
<u>EXPENDITURES</u>				
Current:				
Public Safety	7,755,053	7,487,720	7,305,296	182,424
Excess (Deficiency) of Revenues Over Expenditures	(794,630)	(376,758)	(227,639)	149,119
Other Financing Sources (Uses):				
Operating Transfers In	-	332	332	-
Operating Transfers Out	-	(1,869)	(1,869)	-
Total Other Financing Sources	-	(1,537)	(1,537)	-
Net Change in Fund Balances	(794,630)	(378,295)	(229,176)	149,119
FUND BALANCES - BEGINNING	678,993	678,993	678,993	-
FUND BALANCES - ENDING	\$ (115,637)	\$ 300,698	\$ 449,817	\$ 149,119

Denton County, Texas
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
INDIGENT CARE SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2004

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ 1,900,291	\$ 1,900,291	\$ 1,978,066	\$ 77,775
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Fees of Office	-	-	-	-
Fines	-	-	-	-
Interest	10,000	10,000	7,403	(2,597)
Miscellaneous	-	-	-	-
TOTAL REVENUES	1,910,291	1,910,291	1,985,469	75,178
<u>EXPENDITURES</u>				
Current:				
Health & Welfare	1,828,336	1,739,386	1,764,917	(25,531)
Excess (Deficiency) of Revenues Over Expenditures	81,955	170,905	220,552	49,647
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	(88,950)	-	88,950
Total Other Financing Sources	-	(88,950)	-	88,950
Net Change in Fund Balances	81,955	81,955	220,552	138,597
FUND BALANCES - BEGINNING	(51,700)	(51,700)	(51,700)	-
FUND BALANCES - ENDING	\$ 30,255	\$ 30,255	\$ 168,852	\$ 138,597

Denton County, Texas
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
PUBLIC HEALTH SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2004

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ 1,202,978	\$ 1,202,978	\$ 1,253,458	\$ 50,480
Licenses and Permits	-	-	-	-
Intergovernmental	1,100,157	1,244,779	1,310,533	65,754
Fees of Office	460,000	460,000	523,273	63,273
Fines	-	-	-	-
Interest	10,000	10,000	9,433	(567)
Miscellaneous	-	5,000	-	(5,000)
TOTAL REVENUES	2,773,135	2,922,757	3,096,697	173,940
<u>EXPENDITURES</u>				
Current:				
Health & Welfare	2,915,954	3,126,615	3,001,799	124,816
Excess (Deficiency) of Revenues Over Expenditures	(142,819)	(203,858)	94,898	298,756
Other Financing Sources (Uses):				
Operating Transfers In	-	51,780	51,780	-
Operating Transfers Out	-	(1,170)	(1,170)	-
Total Other Financing Sources	-	50,610	50,610	-
Net Change in Fund Balances	(142,819)	(153,248)	145,508	298,756
FUND BALANCES - BEGINNING	628,674	628,674	628,674	-
FUND BALANCES - ENDING	\$ 485,855	\$ 475,426	\$ 774,182	\$ 298,756

Denton County, Texas
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LAW LIBRARY SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2004

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Fees of Office	180,000	180,000	211,328	31,328
Fines	-	-	-	-
Interest	2,500	2,500	1,897	(603)
Miscellaneous	7,500	7,500	9,696	2,196
TOTAL REVENUES	190,000	190,000	222,921	32,921
<u>EXPENDITURES</u>				
Current:				
General Government	228,279	228,279	194,319	33,960
Excess (Deficiency) of Revenues Over Expenditures	(38,279)	(38,279)	28,602	66,881
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balances	(38,279)	(38,279)	28,602	66,881
FUND BALANCES - BEGINNING	144,426	144,426	144,426	-
FUND BALANCES - ENDING	\$ 106,147	\$ 106,147	\$ 173,028	\$ 66,881

Denton County, Texas
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
COUNTY CLERK RECORDS MANAGEMENT SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2004

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Fees of Office	941,000	941,000	880,351	(60,649)
Fines	-	-	-	-
Interest	1,000	1,000	694	(306)
Miscellaneous	-	-	-	-
TOTAL REVENUES	942,000	942,000	881,045	(60,955)
<u>EXPENDITURES</u>				
Current:				
General Government	1,168,536	1,168,536	1,040,618	127,918
Excess (Deficiency) of Revenues Over Expenditures	(226,536)	(226,536)	(159,573)	66,963
Other Financing Sources (Uses):				
Operating Transfers In	233,996	233,996	233,996	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources	233,996	233,996	233,996	-
Net Change in Fund Balances	7,460	7,460	74,423	66,963
FUND BALANCES - BEGINNING	(37,141)	(37,141)	(37,141)	-
FUND BALANCES - ENDING	\$ (29,681)	\$ (29,681)	\$ 37,282	\$ 66,963

Denton County, Texas
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
COURTHOUSE SECURITY SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2004

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Fees of Office	310,000	310,000	308,884	(1,116)
Fines	-	-	-	-
Interest	3,000	3,000	2,172	(828)
Miscellaneous	-	-	-	-
TOTAL REVENUES	313,000	313,000	311,056	(1,944)
<u>EXPENDITURES</u>				
Current:				
Judicial	465,200	465,200	389,890	75,310
Excess (Deficiency) of Revenues Over Expenditures	(152,200)	(152,200)	(78,834)	73,366
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balances	(152,200)	(152,200)	(78,834)	73,366
FUND BALANCES - BEGINNING	210,558	210,558	210,558	-
FUND BALANCES - ENDING	\$ 58,358	\$ 58,358	\$ 131,724	\$ 73,366

Denton County, Texas
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
VEHICLE INVENTORY TAX INTEREST FUND
For the Fiscal Year Ended September 30, 2004

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Fees of Office	-	-	-	-
Fines	-	-	-	-
Interest	10,000	10,000	3,731	(6,269)
Miscellaneous	-	-	-	-
TOTAL REVENUES	10,000	10,000	3,731	(6,269)
<u>EXPENDITURES</u>				
Current:				
Financial	13,426	13,426	2,461	10,965
Excess (Deficiency) of Revenues Over Expenditures	(3,426)	(3,426)	1,270	4,696
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balances	(3,426)	(3,426)	1,270	4,696
FUND BALANCES - BEGINNING	21,553	21,553	21,553	-
FUND BALANCES - ENDING	\$ 18,127	\$ 18,127	\$ 22,823	\$ 4,696

Denton County, Texas
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
RECORDS MANAGEMENT SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2004

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Fees of Office	140,000	140,000	145,897	5,897
Fines	-	-	-	-
Interest	1,200	1,200	536	(664)
Miscellaneous	-	-	-	-
TOTAL REVENUES	141,200	141,200	146,433	5,233
<u>EXPENDITURES</u>				
Current:				
Judicial	147,948	148,883	130,700	18,183
Excess (Deficiency) of Revenues Over Expenditures	(6,748)	(7,683)	15,733	23,416
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balances	(6,748)	(7,683)	15,733	23,416
FUND BALANCES - BEGINNING	47,062	47,062	47,062	-
FUND BALANCES - ENDING	\$ 40,314	\$ 39,379	\$ 62,795	\$ 23,416

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
DISTRICT ATTORNEY CHECK FEE FUND
For the Fiscal Year Ended September 30, 2004**

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	40,000	40,000	56,597	16,597
Fees of Office	235,000	235,000	206,695	(28,305)
Fines	-	-	-	-
Interest	5,000	5,000	1,380	(3,620)
Miscellaneous	-	-	-	-
TOTAL REVENUES	280,000	280,000	264,672	(15,328)
<u>EXPENDITURES</u>				
Current:				
Legal	385,763	376,963	321,196	55,767
Excess (Deficiency) of Revenues Over Expenditures	(105,763)	(96,963)	(56,524)	40,439
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	(8,800)	(7,300)	1,500
Total Other Financing Sources	-	(8,800)	(7,300)	1,500
Net Change in Fund Balances	(105,763)	(105,763)	(63,824)	41,939
FUND BALANCES - BEGINNING	120,037	120,037	120,037	-
FUND BALANCES - ENDING	\$ 14,274	\$ 14,274	\$ 56,213	\$ 41,939

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
DISTRICT ATTORNEY FORFEITURE FUND
For the Fiscal Year Ended September 30, 2004**

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Fees of Office	-	-	-	-
Fines	-	-	-	-
Interest	2,000	2,000	2,062	62
Miscellaneous	25,000	25,000	54,133	29,133
TOTAL REVENUES	27,000	27,000	56,195	29,195
<u>EXPENDITURES</u>				
Current:				
Legal	44,103	32,936	10,231	22,705
Excess (Deficiency) of Revenues Over Expenditures	(17,103)	(5,936)	45,964	51,900
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	(11,167)	(10,967)	200
Total Other Financing Sources	-	(11,167)	(10,967)	200
Net Change in Fund Balances	(17,103)	(17,103)	34,997	52,100
FUND BALANCES - BEGINNING	121,168	121,168	121,168	-
FUND BALANCES - ENDING	\$ 104,065	\$ 104,065	\$ 156,165	\$ 52,100

Denton County, Texas
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
HEALTH CARE RELIEF SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2004

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	150,000	150,000	133,383	(16,617)
Fees of Office	-	-	-	-
Fines	-	-	-	-
Interest	73,000	73,000	35,830	(37,170)
Miscellaneous	-	-	-	-
TOTAL REVENUES	223,000	223,000	169,213	(53,787)
<u>EXPENDITURES</u>				
Current:				
Health and Welfare	788,643	814,243	801,241	13,002
Excess (Deficiency) of Revenues Over Expenditures	(565,643)	(591,243)	(632,028)	(40,785)
Other Financing Sources (Uses):				
Operating Transfers In	-	25,600	25,600	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources	-	25,600	25,600	-
Net Change in Fund Balances	(565,643)	(565,643)	(606,428)	(40,785)
FUND BALANCES - BEGINNING	3,665,399	3,665,399	3,665,399	-
FUND BALANCES - ENDING	\$ 3,099,756	\$ 3,099,756	\$ 3,058,971	\$ (40,785)

Denton County, Texas
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
 PROBATE COURT CONTRIBUTION SPECIAL REVENUE FUND
 For the Fiscal Year Ended September 30, 2004**

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	20,000	20,000	15,916	(4,084)
Fees of Office	-	-	-	-
Fines	-	-	-	-
Interest	1,000	1,000	168	(832)
Miscellaneous	-	-	-	-
TOTAL REVENUES	21,000	21,000	16,084	(4,916)
<u>EXPENDITURES</u>				
Current:				
Judicial	53,059	53,059	51,549	1,510
Excess (Deficiency) of Revenues Over Expenditures	(32,059)	(32,059)	(35,465)	(3,406)
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balances	(32,059)	(32,059)	(35,465)	(3,406)
FUND BALANCES - BEGINNING	43,429	43,429	43,429	-
FUND BALANCES - ENDING	\$ 11,370	\$ 11,370	\$ 7,964	\$ (3,406)

Denton County, Texas
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
JP COURT TECHNOLOGY SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2004

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Fees of Office	80,000	80,000	91,857	11,857
Fines	-	-	-	-
Interest	3,500	3,500	2,076	(1,424)
Miscellaneous	-	-	-	-
TOTAL REVENUES	83,500	83,500	93,933	10,433
<u>EXPENDITURES</u>				
Current:				
Judicial	95,532	95,952	-	95,952
Excess (Deficiency) of Revenues Over Expenditures	(12,032)	(12,452)	93,933	106,385
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balances	(12,032)	(12,452)	93,933	106,385
FUND BALANCES - BEGINNING	167,166	167,166	167,166	-
FUND BALANCES - ENDING	\$ 155,134	\$ 154,714	\$ 261,099	\$ 106,385

Denton County, Texas
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
BIOTERRORISM GRANT SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2004

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	718,843	732,793	749,979	17,186
Fees of Office	-	-	-	-
Fines	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	718,843	732,793	749,979	17,186
<u>EXPENDITURES</u>				
Current:				
Health and Welfare	718,843	733,633	768,492	(34,859)
Excess (Deficiency) of Revenues Over Expenditures	-	(840)	(18,513)	(17,673)
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balances	-	(840)	(18,513)	(17,673)
FUND BALANCES - BEGINNING	6,216	6,216	6,216	-
FUND BALANCES - ENDING	\$ 6,216	\$ 5,376	\$ (12,297)	\$ (17,673)

Denton County, Texas
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
FEDERAL HEALTH CARE FACILITY GRANT FUND
For the Fiscal Year Ended September 30, 2004

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	252,410	221,899	(30,511)
Fees of Office	-	-	6,349	6,349
Fines	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL REVENUES	-	252,410	228,248	(24,162)
<u>EXPENDITURES</u>				
Current:				
Health	-	252,410	221,898	30,512
Excess (Deficiency) of Revenues Over Expenditures	-	-	6,350	6,350
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balances	-	-	6,350	6,350
FUND BALANCES - BEGINNING	-	-	-	-
FUND BALANCES - ENDING	\$ -	\$ -	\$ 6,350	\$ 6,350

Denton County, Texas
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
DISTRICT CLERK RECORDS MANAGEMENT FUND
For the Fiscal Year Ended September 30, 2004

	Budget (Original)	Budget (Revised)	Actual	Variance Positive (Negative)
<u>REVENUES</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Fees of Office	21,000	21,000	24,616	3,616
Fines	-	-	-	-
Interest	-	-	14	14
Miscellaneous	-	-	-	-
TOTAL REVENUES	21,000	21,000	24,630	3,630
<u>EXPENDITURES</u>				
Current:				
Judicial	-	15,569	12,419	3,150
Excess (Deficiency) of Revenues Over Expenditures	21,000	5,431	12,211	6,780
Other Financing Sources (Uses):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	(5,431)	(5,431)	-
Total Other Financing Sources	-	(5,431)	(5,431)	-
Net Change in Fund Balances	21,000	-	6,780	6,780
FUND BALANCES - BEGINNING	-	-	-	-
FUND BALANCES - ENDING	\$ 21,000	\$ -	\$ 6,780	\$ 6,780



Denton County, Texas
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
September 30, 2004

	Texas Adult Probation Fund	County Clerk Agency Fund	District Clerk Agency Fund	Tax Collector Agency Fund
<u>ASSETS</u>				
Cash	\$ 509,705	\$ 720,406	\$1,704,830	\$4,913,409
Investments	1,873,161	3,873,252	-	1,500,000
Accrued Interest	555	-	-	-
Other Assets	-	-	-	-
Due from Other Funds	1,760	-	-	-
Due from Other Govts	-	-	-	-
TOTAL ASSETS	<u>\$2,385,181</u>	<u>\$4,593,658</u>	<u>\$1,704,830</u>	<u>\$6,413,409</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts Payable	\$ 37,738	\$ -	\$ -	\$ -
Wages Payable	105,556	-	-	-
Due to Other Funds	15,119	-	-	-
Due to Other Governments	2,012,608	-	-	6,413,409
Due to Beneficiaries	214,160	4,593,658	1,704,830	-
TOTAL LIABILITIES	<u>2,385,181</u>	<u>4,593,658</u>	<u>1,704,830</u>	<u>6,413,409</u>
TOTAL LIABILITIES	<u>\$2,385,181</u>	<u>\$4,593,658</u>	<u>\$1,704,830</u>	<u>\$6,413,409</u>

<u>Justices of the Peace Agency Fund</u>	<u>Sheriff Agency Fund</u>	<u>Treatment Alternatives to Incarc. Fund</u>	<u>Other Agency Funds</u>	<u>Community Corrections Grant Fund</u>
\$ 297,105	\$200,774	\$ 55,776	\$ 8,357	\$ 252,424
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	15,119
-	-	-	-	-
<u>\$ 297,105</u>	<u>\$200,774</u>	<u>\$ 55,776</u>	<u>\$ 8,357</u>	<u>\$ 267,543</u>
\$ -	\$ -	\$ -	\$ -	\$ 562
-	-	-	-	9,944
-	-	-	-	-
-	-	55,776	-	257,037
<u>297,105</u>	<u>200,774</u>	<u>-</u>	<u>8,357</u>	<u>-</u>
<u>297,105</u>	<u>200,774</u>	<u>55,776</u>	<u>8,357</u>	<u>267,543</u>
<u>\$ 297,105</u>	<u>\$200,774</u>	<u>\$ 55,776</u>	<u>\$ 8,357</u>	<u>\$ 267,543</u>

Denton County, Texas
STATEMENT OF FIDUCIARY ASSETS
AGENCY FUNDS - (Continued)
September 30, 2004

	Housing Finance Authority	TOTAL September 30, 2004
<u>ASSETS</u>		
Cash	\$ 475,423	\$ 9,138,209
Investments	-	\$ 7,246,413
Accrued Interest	-	\$ 555
Other Assets	-	\$ -
Due from Other Funds	-	\$ 16,879
Due from Other Govts	-	\$ -
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 475,423</u>	<u>\$ 16,402,056</u>
 <u>LIABILITIES AND FUND BALANCES</u>		
LIABILITIES		
Accounts Payable	\$ -	\$ 38,300
Wages Payable	-	\$ 115,500
Due to Other Funds	-	\$ 15,119
Due to Other Governments	475,423	\$ 9,214,253
Due to Beneficiaries	-	\$ 7,018,884
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>475,423</u>	<u>16,402,056</u>
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>\$ 475,423</u>	<u>\$ 16,402,056</u>

CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS

**DENTON COUNTY, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION
 OF GOVERNMENTAL FUNDS
 COMPARATIVE SCHEDULES BY SOURCE
 September 30, 2004**

	<u>2004</u>	<u>2003</u>
Governmental Funds Capital Assets:		
Land	\$4,622,587	\$4,320,256
Buildings	\$84,302,056	\$82,806,763
Machinery & Equipment	28,043,140	27,022,005
Infrastructure	125,874,838	125,144,001
Construction in Progress	4,447,564	2,156,984
Total Governmental Funds Capital Assets	<u>247,290,185</u>	<u>241,450,009</u>
Investments in Governmental Funds Capital Assets By Source:		
Balance October 1, 1984	9,672,545	9,672,545
General Fund	27,520,728	27,081,688
Special Revenue Funds	126,359,035	125,144,001
Capital Projects Funds	83,737,877	79,551,775
Total Governmental Funds Capital Assets	<u>247,290,185</u>	<u>241,450,009</u>

**DENTON COUNTY, TEXAS
 CAPITAL ASSETS USED IN THE OPERATION
 OF GOVERNMENTAL FUNDS -
 SCHEDULE BY FUNCTION AND ACTIVITY
 Year Ended September 30, 2004**

Function and Activity	Total	Land and Buildings	Machinery and Equipment	Infrastructure
General Government	\$4,356,931		\$4,356,931	
Judicial	\$997,670		997,670	
Legal	\$266,601		266,601	
Financial	\$204,007		204,007	
General Public Facilities	\$46,630,356	45,319,258	1,311,098	
Public Safety	\$54,395,207	43,569,888	10,825,319	
Health and Welfare	\$481,202		481,202	
Conservation	\$9,743		9,743	
Roads	\$135,500,904	35,497	9,590,569	125,874,838
Total General Fixed Assets Allocated to Functions	\$242,842,621	\$88,924,643	\$28,043,140	\$125,874,838
Construction in Progress	4,447,564			
Total General Fixed Assets	\$247,290,185			

DENTON COUNTY, TEXAS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS-
BY FUNCTION AND ACTIVITY
Year Ended September 30, 2004

<u>Function and Activity</u>	<u>General Fixed Assets 10/1/2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>General Fixed Assets 9/30/2004</u>
General Government	\$4,027,536	\$1,102,930	773,535	\$4,356,931
Judicial	1,481,103	137,172	620,605	997,670
Legal	282,071	48,241	63,711	266,601
Financial	234,272	9,023	39,288	204,007
General Public Facilities	44,705,383	2,155,635	230,662	46,630,356
Public Safety	54,157,032	1,200,467	962,292	54,395,207
Health and Welfare	449,788	47,517	16,103	481,202
Conservation	12,988	3,500	6,745	9,743
Roads	133,942,852	1,789,090	231,038	135,500,904
Construction in Progress	<u>2,156,984</u>	<u>2,290,580</u>	<u>-</u>	<u>4,447,564</u>
Total General Fixed Assets	<u>\$241,450,009</u>	<u>\$8,784,155</u>	<u>\$2,943,979</u>	<u>\$247,290,185</u>



DENTON COUNTY, TEXAS

GOVERNMENT-WIDE EXPENSES BY FUNCTION ¹

Last Ten Fiscal Years

Fiscal Year	General Government	Legal and Judicial	Financial	Public Facilities	Public Safety	Health and Welfare
2003	\$ 17,934,501	\$ 19,984,273	\$ 4,269,539	\$ 5,958,066	\$ 41,332,498	\$ 7,270,714
2004	18,927,727	21,925,924	4,257,381	7,109,603	42,228,993	7,761,268

Notes:

(1) 2003 is the first year to report county-wide data.

Conservation	Contract Services	Roads	Inter-governmental	Interest on Long Term Debt	Total
\$ 340,075	\$ 1,663,675	\$ 13,848,255	\$ 11,692,324	\$ 6,658,652	\$ 130,952,572
328,000	1,656,576	13,168,371	5,930,076	5,828,359	\$ 129,122,278

DENTON COUNTY
GOVERNMENT-WIDE REVENUES

Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES			Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Unrestricted Grants and Contributions	Interest Earnings	
2003	\$ 19,881,161	\$ 18,715,701	\$ 1,513,176	\$ 75,787,467	\$ 1,179,946	\$ 982,048	\$ 118,059,499
2004	21,796,273	25,537,006	1,756,443	83,435,160	-	641,891	133,166,773

Notes: * 2003 is the first year to report county-wide data.

DENTON COUNTY
GENERAL REVENUES BY SOURCE ¹

Last Ten Fiscal Years

Fiscal Year	Taxes	Fees and Licenses	Fines	Inter-governmental	Interest Earnings	Misc.	Total
1995	\$ 33,130,482	\$ 8,493,965	\$ 1,819,713	\$ 5,056,541	\$1,591,085	\$ 874,819	\$50,966,605
1996	34,606,170	9,527,238	2,038,956	4,824,458	1,331,053	986,454	53,314,329
1997	36,450,218	10,522,088	2,282,344	5,448,895	1,391,398	1,315,791	57,410,734
1998	38,940,270	11,701,389	2,298,599	8,198,900	1,680,693	1,400,218	64,220,069
1999	42,536,317	12,650,759	2,743,386	13,107,806	1,611,129	1,757,300	74,406,697
2000	46,001,318	13,598,730	3,223,175	8,946,504	1,931,191	1,768,829	75,469,747
2001	54,150,614	14,863,967	3,248,336	13,818,195	1,720,095	1,776,170	89,577,377
2002	66,983,004	16,149,221	3,204,592	13,916,492	893,843	1,936,672	103,083,824
2003	75,897,298	18,735,928	3,378,782	12,384,746	571,172	1,843,299	112,811,225
2004	83,298,140	18,391,317	3,595,541	12,905,722	422,254	5,582,936	124,195,910

Notes: ¹ Includes General, Special Revenue, and Debt Service Funds

DENTON COUNTY, TEXAS

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION ¹

Last Ten Fiscal Years

Fiscal Year	General Government	Legal and Judicial	Financial	Public Facilities	Public Safety	Health and Welfare
1995	\$ 5,444,619	\$8,407,116	\$2,037,512	\$4,655,537	\$16,268,829	\$2,572,381
1996	8,448,499	9,333,748	2,181,693	4,524,056	17,825,255	2,645,216
1997	7,726,964	10,723,810	2,352,460	3,756,999	22,308,217	2,858,397
1998	7,372,985	10,948,754	2,348,836	3,676,150	21,049,935	3,781,609
1999	8,818,502	13,402,017	2,601,432	4,227,886	23,428,937	3,867,828
2000	8,825,012	14,699,567	2,900,942	4,657,275	25,992,842	4,426,416
2001	10,756,812	16,513,724	3,262,723	5,493,845	30,207,445	4,627,493
2002	13,017,619	19,215,164	3,793,665	4,593,304	36,959,688	6,062,458
2003	15,140,192	20,259,170	4,109,254	5,052,708	37,830,787	7,153,262
2004	15,733,351	21,761,087	4,173,579	5,621,445	40,877,926	7,669,045

Notes:

(1) Includes General, Special Revenue and Debt Service Funds

Conservation	Contract Services	Roads	Debt Service	Total
\$ 160,602	\$2,160,568	\$4,453,007	\$3,459,693	\$49,619,864
166,270	2,244,707	5,439,122	3,457,647	56,266,213
181,222	2,310,795	6,178,196	5,339,821	63,736,881
216,770	2,539,069	5,435,705	6,586,082	63,955,895
214,321	2,710,715	5,768,125	6,805,925	71,845,688
255,954	2,381,277	5,829,255	8,514,550	78,483,090
308,440	2,457,578	6,190,111	9,351,347	89,169,518
343,215	1,505,530	7,140,327	13,922,587	106,553,557
334,882	1,663,675	7,222,595	13,905,753	112,672,278
324,708	1,656,576	7,196,127	14,450,424	119,464,268

DENTON COUNTY
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent Of Levy Collected	Delinquent Tax Collections ¹	Total Current and Delinquent Collections	Percent of Total Tax Collections To Tax Levy
1995	32,159,460	31,790,219	98.8	1,190,751	32,980,970	102.6
1996	34,007,094	33,630,219	98.9	784,167	34,414,386	101.2
1997	36,028,617	35,632,272	98.9	534,234	36,166,506	100.4
1998	38,540,045	38,105,446	98.9	568,657	38,674,103	100.3
1999	41,874,015	41,410,656	98.9	605,651	42,016,307	100.3
2000	45,654,039	45,064,783	98.9	515,265	45,580,048	99.8
2001	53,675,987	52,928,630	98.6	796,861	53,725,491	100.1
2002	67,007,264	65,833,992	98.2	815,609	66,649,601	99.5
2003	74,597,046	73,502,543	98.5	1,499,654	75,002,197	100.5
2004	82,072,675	81,000,786	98.7	1,206,930	82,207,716	100.2

Notes ¹ Includes penalties and interest collected.
Does not include rollback taxes and current tax penalties.

DENTON COUNTY

**PROPERTY TAX RATES
(PER \$100 OF ASSESSED VALUE)**

Last Ten Fiscal Years

Fiscal Year	General Fund	Special Revenue Funds	Debt Service Fund	Total
1995	0.23338	0.02658	0.03001	0.28997
1996	0.22797	0.02466	0.02575	0.27838
1997	0.21075	0.02229	0.03386	0.26690
1998	0.19349	0.02298	0.03943	0.25590
1999	0.18982	0.02158	0.03735	0.24875
2000	0.17883	0.01906	0.03715	0.23504
2001	0.17872	0.01677	0.03644	0.23193
2002	0.19531	0.02103	0.03559	0.25193
2003	0.18769	0.02285	0.03843	0.24897
2004	0.19117	0.02226	0.03374	0.24717

DENTON COUNTY, TEXAS

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	<u>Real Property</u>		<u>Personal Property</u>	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1995	9,866,064,087	9,866,064,087	1,224,590,808	1,224,590,808
1996	10,958,016,971	10,958,016,971	1,258,052,790	1,258,052,790
1997	12,154,732,994	12,154,732,994	1,344,186,732	1,344,186,732
1998	13,243,361,228	13,243,361,228	1,817,226,892	1,817,226,892
1999	15,082,328,079	15,082,328,079	1,751,446,795	1,751,446,795
2000	17,574,144,925	17,574,144,925	1,849,799,510	1,849,799,510
2001	21,278,445,012	21,278,445,012	1,864,739,138	1,864,739,138
2002	24,283,771,582	24,283,771,582	2,313,801,037	2,313,801,037
2003	27,504,453,198	27,504,453,198	2,457,809,814	2,457,809,814
2004	30,626,556,198	30,626,556,198	2,578,393,917	2,578,393,917

<u>Total</u>		
Assessed Value	Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value
11,090,654,895	11,090,654,895	100%
12,216,069,761	12,216,069,761	100%
13,498,919,726	13,498,919,726	100%
15,060,588,120	15,060,588,120	100%
16,833,774,874	16,833,774,874	100%
19,423,944,435	19,423,944,435	100%
23,143,184,150	23,143,184,150	100%
26,597,572,619	26,597,572,619	100%
29,962,263,012	29,962,263,012	100%
33,204,950,115	33,204,950,115	100%

Denton County, Texas

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

September 30, 2004

	Net Bonded Debt at September 30, 2004	Percentage Applicable to Denton County (1)	Amount Applicable to Denton County
<u>DIRECT DEBT</u>			
Denton County	\$ 129,567,599	100.00%	\$ <u>129,567,599</u>
<u>OVERLAPPING DEBT</u>			
<u>Cities:</u>			
Argyle	2,802,026	100.00	2,802,026
Aubrey	341,030	100.00	341,030
Bartonville	1,365,000	100.00	1,365,000
Carrollton	118,537,742	35.62	42,223,144
The Colony	72,910,352	100.00	72,910,352
Corinth	17,748,550	100.00	17,748,550
Dallas	834,280,000	0.83	6,924,524
Denton	109,806,000	100.00	109,806,000
Flower Mound	67,700,000	100.00	67,700,000
Frisco	154,010,000	11.64	17,926,764
Hackberry	295,000	100.00	295,000
Hickory Creek	-	100.00	-
Highland Village	-	100.00	-
Justin	1,765,000	100.00	1,765,000
Krugerville	-	100.00	-
Krum	126,142	100.00	126,142
Lake Dallas	2,340,000	100.00	2,340,000
Lewisville	69,331,291	99.92	69,275,826
Little Elm	4,012,600	100.00	4,012,600
Marshall Creek	39,084	100.00	39,084
Northlake	150,000	100.00	150,000
Oak Point	1,020,000	100.00	1,020,000
Pilot Point	224,953	100.00	224,953
Ponder	2,187,799	100.00	2,187,799
Roanoke	9,953,995	100.00	9,953,995
Sanger	4,469,585	100.00	4,469,585
Trophy Club	5,750,000	100.00	5,750,000

Notes:

(1) Source: Municipal Advisory Council of Texas

	Net Bonded Debt at September 30, 2004	Percentage Applicable to Denton County (1)	Amount Applicable to Denton County
School Districts:			
Argyle	2,302,040	100.00	2,302,040
Aubrey	22,570,999	100.00	22,570,999
Carrollton-			
Farmers Branch	326,726,211	20.48	66,913,528
Celina	18,349,306	4.67	856,913
Denton	370,087,579	100.00	370,087,579
Frisco	449,988,308	14.02	63,088,361
Krum	21,410,000	99.16	21,230,156
Lake Dallas	83,711,239	100.00	83,711,239
Lewisville	568,067,075	100.00	568,067,075
Little Elm	121,000,000	100.00	121,000,000
Northwest	216,594,865	71.46	154,778,691
Pilot Point	20,759,576	88.41	18,353,541
Ponder	35,833,869	100.00	35,833,869
Prosper	2,698,250	1.03	27,792
Sanger	65,560,500	100.00	65,560,500
Slidell		26.90	2,885,000
Special Districts:			
Lake Cities M.U.A.	-	100.00	-
Trophy Club M.U.D.#1	4,053,564	46.68	1,892,204
Trophy Club M.U.D.#2	8,005,000	100.00	8,005,000
Denton Co. RUD #1	19,140,000	97.94	19,140,000
Freshwater Districts, # 1-6	33,150,000		33,150,000
Corinth M.U.D. #1	1,075,000	100.00	1,075,000
TOTAL OVERLAPPING DEBT			<u>\$2,101,886,859</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u><u>\$2,231,454,458</u></u>

DENTON COUNTY

TAX VALUATION AND PERCENTAGE OF CHANGE

Last Ten Fiscal Years

Fiscal Year	Valuation	Percentage of Change In Valuation	Tax Rate	Tax Levy	Percentage of Change In Levy
1995	11,090,654,895	8.5	0.28997	32,159,572	5.0
1996	12,216,069,761	10.1	0.27838	34,007,094	5.7
1997	13,498,919,726	10.5	0.26690	36,028,617	5.9
1998	15,060,588,120	11.6	0.25590	38,540,045	6.8
1999	16,833,774,874	11.8	0.24875	41,874,015	8.7
2000	19,423,944,435	15.4	0.23504	45,654,039	9.0
2001	23,143,184,150	19.1	0.23193	53,675,987	17.6
2002	26,597,572,619	14.9	0.25193	67,007,265	24.8
2003	29,962,263,012	12.7	0.24897	74,597,046	11.3
2004	33,204,950,115	10.8	0.24717	82,072,675	10.0

DENTON COUNTY
COMPUTATION OF LEGAL DEBT MARGIN
September 30, 2004

Assessed Value of Real Property \$30,626,556,198

Debt Limit 7,656,639,050

Amount of Debt Applicable to Debt Limit:

Total Bonded Debt 130,777,570

Less Net Assets in Debt Service Fund 1,209,971

Total Amount of Debt Applicable to Debt Limit 129,567,599

Legal Debt Margin \$7,527,071,451

Note: (1) Debt Limit 25% of assessed value of real property,
Article 3, Section 52, of the Texas Constitution

DENTON COUNTY, TEXAS

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES**

Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures ¹	Ratio of Debt Svc To Total General Expenditures
1995	1,380,000	2,078,529	3,458,529	49,619,864	7.0
1996	1,495,000	1,961,369	3,456,369	56,266,213	6.1
1997	1,820,000	3,518,248	5,338,248	63,736,881	8.4
1998	3,080,000	3,504,338	6,584,338	63,955,895	10.3
1999	3,500,000	3,303,877	6,803,877	71,845,688	9.5
2000	3,145,000	5,367,056	8,512,056	78,483,090	10.8
2001	3,615,000	5,731,161	9,346,161	89,169,518	10.5
2002	6,170,000	7,747,773	13,917,773	106,553,557	13.1
2003	7,095,000	6,805,641	13,900,641	112,672,278	12.3
2004	7,910,000	6,540,424	14,450,424	119,464,268	12.1

Notes:

(1) Includes General, Special Revenue, and Debt Service Funds

DENTON COUNTY

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA

Last Ten Fiscal Years

Fiscal Year	Population (¹)	Assessed Value	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1995	317,850	11,090,654,895	37,540,000	779,076	36,760,924	0.33	115.65
1996	335,650	12,216,069,761	58,845,000	615,227	58,229,773	0.48	173.48
1997	352,050	13,498,919,726	64,765,000	522,595	64,242,405	0.48	182.48
1998	373,850	15,060,588,120	61,685,000	569,329	61,115,671	0.41	163.48
1999	400,915	16,833,774,874	95,027,570	1,456,509	93,571,061	0.56	233.39
2000	432,976	19,423,944,435	107,177,570	1,077,645	106,099,925	0.55	245.05
2001	453,853	23,143,184,150	139,412,570	2,904,913	136,507,657	0.59	300.78
2002	475,600	26,597,572,619	136,922,570	1,943,755	134,978,815	0.51	283.81
2003	504,650	29,962,263,012	135,567,570	1,751,705	133,815,865	0.45	265.17
2004	528,950	33,204,950,115	130,777,570	1,209,971	129,567,599	0.39	244.95

Notes:

¹ Source: North Central Texas Council of Governments

Denton County, Texas

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

(PER \$100 OF ASSESSED VALUE)

Last Eight Fiscal Years (1)

	Percent Applicable to Denton County (2)	1997	1998	1999	2000	2001	2002	2003	2004
		GOVERNMENTAL ENTITY							
Denton County	100.00 %	0.2669	0.2559	0.2488	0.23504	0.23193	0.25193	0.24897	0.24717
<u>Cities</u>									
Argyle	100.00	0.0364	0.3636	0.3612	0.3991	0.3950	0.38000	0.3925	0.39250
Aubrey	100.00	0.6000	0.5785	0.5785	0.6304	0.5089	0.56220	0.5500	0.55545
Bartonville	100.00	0.0000	0.0000	0.0000	0.1859	0.1847	0.18471	0.1847	0.17806
Carrollton	35.62	0.6043	0.6043	0.6043	0.6043	0.5993	0.59930	0.5993	0.59930
The Colony	100.00	0.7950	0.795	0.7850	0.7650	0.7350	0.72500	0.7250	0.72000
Copper Canyon	100.00						0.14383		
Corinth	100.00	0.4285	0.526	0.5260	0.5260	0.5260	0.52600	0.5260	0.54975
Dallas	0.83	0.6701	0.6516	0.6491	0.6675	0.6675	0.66750	0.6998	0.69980
Denton	100.00	0.5284	0.5082	0.5082	0.5282	0.5282	0.54820	0.5482	0.59815
Double Oak	100.00					0.2200	0.22000	0.2200	0.22000
Flower Mound	100.00	0.4500	0.4500	0.4500	0.4500	0.4500	0.44970	0.4497	0.44970
Frisco	11.64	0.4195	0.4120	0.3727	0.3727	0.3700	0.36700	0.3370	0.43200
Hackberry	100.00				0.2387	0.6818	0.68178	0.6030	0.57996
Hickory Creek	100.00				0.4137	0.3700	0.34977	0.2993	0.31939
Highland Village	100.00	0.5938	0.5938	0.5938	0.5696	0.5696	0.56963	0.5696	
Justin	100.00	0.3452	0.4297	0.4297	0.4297	0.4297	0.42989	0.4297	0.42969
Krugerville	100.00	0.1550	0.1609	0.1609	0.2300	0.2378	0.23780	0.2378	0.23780
Krum	100.00	0.2435	0.2429	0.2525	0.2425	0.2534	0.25331	0.2550	0.23217
Lake Dallas	100.00	0.5701	0.5617	0.5617	0.5617	0.5617	0.56171	0.5617	0.57980
Lakewood Village	100.00				0.2500	0.2500	0.25000	0.2500	0.25000
Lewisville	99.92	0.5186	0.4678	0.4678	0.4518	0.4511	0.45050	0.4505	0.45050
Little Elm	100.00	0.5269	0.5482	0.5051	0.5051	0.4330	0.44453	0.3998	0.35750
Marshall Creek	100.00	0.3150	0.3018	0.2795	0.3024	0.3024	0.34536	0.5000	0.60212
Northlake	100.00				0.2950	0.2950	0.29500	0.2950	0.29500
Oak Point	100.00	0.3160	0.3160	0.3116	0.4386	0.4386	0.65402	0.6390	0.59900
Pilot Point	100.00	0.5567	0.5497	0.5479	0.4929	0.4927	0.46200	0.4999	0.46331
Ponder	100.00	0.1722	0.1661	0.1617	0.1962	0.1838	0.18379	0.2295	0.22949
Roanoke	100.00	0.3751	0.3751	0.3751	0.3751	0.3751	0.37512	0.3751	0.37512
Sanger	100.00	0.4726	0.5028	0.5228	0.5228	0.5888	0.58879	0.5655	0.59260
Shady Shores	100.00					0.3400	0.34000	0.3400	0.34000
Trophy Club	100.00	0.4658	0.4658	0.4658	0.4605	0.4505	0.44051	0.4405	0.37751
<u>School Districts:</u>									
Argyle	100.00	1.5500	1.5500	1.7700	1.7700	1.7760	1.75447	1.7552	1.82220

	Percent								
	Applicable to								
	Denton County	1997	1998	1999	2000	2001	2002	2003	2004
GOVERNMENTAL ENTITY									
School Districts									
<u>(Continued)</u>									
Aubrey	100.00	1.3600	1.4800	1.4800	1.5800	1.5600	1.6129	1.7330	1.8081
Carrollton-F. Branch	20.48	1.4319	1.4319	1.4619	1.5377	1.6700	1.7242	1.7224	1.7358
Celina	4.67	1.4300	1.5300	1.6300	1.6300	1.5900	1.7000	1.7500	1.7500
Denton	100.00	1.6607	1.7750	1.8500	1.7000	1.8440	1.8540	1.8640	1.8640
Frisco	14.02	1.5286	1.5286	1.5136	1.4200	1.4200	1.4400	1.5175	1.5575
Krum	99.16	1.5800	1.5400	1.6400	1.4478	1.8600	1.7080	1.6660	1.6660
Lake Dallas	100.00	1.4900	1.5700	1.4620	1.4620	1.6600	1.6900	1.7400	1.7400
Lewisville	100.00	1.5160	1.6100	1.6100	1.5671	1.6100	1.6700	1.6700	1.7700
Little Elm	100.00	1.5999	1.6990	1.6990	1.5845	1.5300	1.5990	1.7112	1.7300
Northwest	71.46	1.6293	1.6758	1.6625	1.7047	1.6914	1.8348	1.8348	1.8193
Pilot Point	88.41	1.3480	1.5799	1.4779	1.4779	1.5079	1.5656	1.5811	1.7755
Ponder	100.00	1.4500	1.4200	1.5045	1.5045	1.5645	1.6324	1.7680	1.7930
Prosper	1.03	1.4822	1.5237	1.5237	1.5222	1.7202	1.7202	1.7610	1.9515
Sanger	100.00	1.5000	1.5000	1.4400	1.6000	1.6000	1.6700	1.5330	1.6900
Slidell	26.90	1.6600	1.4900	1.6600	1.6600	1.5610	1.5600	1.6700	1.4821
Special Districts									
Lake Cities MUA	100.00				0.0000	0.0000	0.0000	0.0000	0.0000
Trophy Club MUD 1	46.68	0.0000	0.0000	0.0000	0.0000	0.0000	0.2400	0.3000	0.2800
Trophy Club MUD 2	100.00	0.3000	0.2900	0.2800	0.4605	0.0000	0.3654	0.3400	0.3390
Denton Co. Fire									
Dist. #1	100.00	0.0000	0.0000	0.0000	0.0300	0.0300	0.0300	0.0277	
Clear Creek Watershed									
Authority	100.00	0.0300	0.0300	0.0300	0.0300	0.0300	0.0118	0.0118	0.0118
Corinth MUD #1	100.00	0.0000	0.0000	0.0000	0.3800	0.3300	0.3100	0.3106	0.3100
Denton Co. Fresh Water									
Water Supp. Dist. #	100.00	0.4100	0.4100	0.4000	0.0000	0.0000	0.5400		1.0000
DC Fresh Water Supp.#1-B							1.0000	1.0000	1.0000

Notes:

(1) Information has not been presented for ten years since its inclusion would make this schedule unduly complex and difficult to read. Also, certain of the above information is incomplete as information was not available for all years.

(2) Source: Municipal Advisory Council of Texas

DENTON COUNTY, TEXAS
PROPERTY VALUE AND CONSTRUCTION
Last Ten Fiscal Years

Fiscal Year	Property Value	Construction ¹
1995	11,090,654,895	445,637,861
1996	12,216,069,761	602,004,646
1997	13,498,919,726	603,450,109
1998	15,060,588,120	831,484,687
1999	16,833,774,874	987,042,219
2000	19,423,944,435	1,356,042,306
2001	23,143,184,150	1,718,337,443
2002	26,597,572,619	1,818,973,918
2003	29,962,263,012	1,934,245,359
2004	33,204,950,115	1,832,769,597

Notes: ¹ Source: Denton Central Appraisal District

DENTON COUNTY, TEXAS

PRINCIPAL TAXPAYERS

September 30, 2004

Taxpayer	Type of Business	Assessed Value	Percentage of Total Assessed Valuation
Devon Energy Op. Co.	Oil and Gas	\$544,624,780	1.64 %
Verizon Southwest	Telephone Utility	165,147,624	0.50
Oncor Electric Utility Co.	Electric Utility	133,296,889	0.40
Burlington Resources	Oil and Gas	106,944,590	0.32
Albertson's Inc.	Retailer	76,419,510	0.23
Southwest Property L.P.	Real Estate	72,058,933	0.22
Randall's Food Markets	Retailer	61,091,053	0.18
Coserv Electric Co-op	Electric Utility	59,779,250	0.18
Edward B. Frankel Trust	Real Estate	58,082,119	0.17
JC Penney Co.	Retailer	57,292,530	0.17
		<u>\$1,334,737,278</u>	4.02 %

Note: Total Assessed valuation of \$33,962,263,012
per Denton Central Appraisal District

DENTON COUNTY, TEXAS
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	(1) Population	(2) Per Capita Income	(3) Median Age	(4) Unemployment Rate
1995	317,850	22,562	-	3.9
1996	335,650	24,122	-	3.8
1997	352,250	26,199	-	3.2
1998	373,850	27,346	-	2.0
1999	400,915	27,872	-	1.9
2000	432,976	31,004	31.0	1.9
2001	453,853	-	-	3.2
2002	475,600	-	-	4.9
2003	507,400	-	-	5.0
2004	528,950	-	-	3.6

Notes:

- (1) Source: North Central Texas Council of Governments
- (2) Source: US Census Bureau
- (3) Source: Texas State Data Center, Texas A&M University
- (4) Source: Texas Workforce Commission

Certain of the above data is incomplete as data was not available for all years

DENTON COUNTY

MISCELLANEOUS STATISTICS

September 30, 2004

Created by Act of State Legislature in 1846.

Form of Government: Political Subdivision of the State of Texas, a Public Corporation, with a County Judge and four Commissioners as the governing body. The Commissioners Court has only the powers as authorized by the Constitution of Texas the State legislature or implied therefrom.

Officials Elected by Vote of the People:	37
County Employees Including Those on Grant Programs:	1,433
Organized School Districts in County:	17
Incorporated Municipalities in County:	40
Area in Square Miles:	911
1990 Census:	273,525
2000 Census:	432,976
2004 Population Estimate:	528,950

Recreation: Water activities at Lewisville, Ray Roberts and Grapevine lakes; seven U.S. Corp of Engineers' parks; universities' cultural and athletic events; and local activities.

Minerals: Limited output of oil, sand, gravel, gas, and clay.

Agriculture: About \$114 million average farm income, 75% from livestock, eggs and dairy products. Grains, nursery plants, hay and turf grass are the principal crops.

Business: Varied industries (food products, apparel, brick, trucks, oil tools, heating and cooling equipment, and many other products), colleges (University of North Texas and Texas Woman's University), Denton State School and tourism.



PREFACE

Overview of the County's Fiscal Year 2004 Annual Audit -

Denton County's combined financial statements for 2004, which present the County's various fund types and account groups in conformity with generally accepted accounting principles (GAAP) for local governments, were subjected to an audit by independent certified public accountants. The primary purpose of that audit was for the auditors to form an opinion on the financial statements and their conformity with GAAP for local governments. This grant report has been prepared as an addition to the County's fiscal year 2004 annual audit.

Overview of Grant Audit Requirements -

The scope of the County's fiscal year 2004 grant audit includes the requirements of the Office of Management and Budget's Circular A-133. This document establishes audit requirements for state and local governments and Indian tribe governments that receive federal assistance. It provides for independent audits of financial operations, including compliance with certain provisions of federal laws and regulations. The requirements are established to ensure that audits are made on an organization-wide basis, rather than on a grant-by-grant basis. Such audits are to determine whether:

- * financial operations are conducted properly,
- * the financial statements are presented fairly,
- * the organization has complied with laws and regulations affecting the expenditure of federal funds,
- * internal procedures have been established to meet the objectives of federally assisted programs, and
- * financial reports to the federal government contain accurate and reliable information.

The grant audit requirements of Circular A-133 have also been adopted by the State of Texas for local governments that receive funds under state grants.

Purpose and Contents of This Report -

This report was prepared to provide grantor agencies with certain financial information which they need to properly administer funds granted to the County. Financial schedules included herein present the County's grant revenues, expenditures and amounts due to/from funding sources in accordance with generally accepted accounting principles for state and local government units. However, this report does not present the financial position of the County.

Individual grants presented in this report are those which were considered by the auditors in performing their audit tests in conformity with OMB Circular A-133.

**Relationship Between This Report and the County's
Combined Financial Statements -**

The County's grant activity is disclosed in the combined financial statements in various funds. Therefore, this report cannot be related directly to the combined financial statements based upon the information presented herein.

Overview of Grant Financial Information -

Financial information by individual grant is presented in this report. A statement of revenues, expenditures and changes in amounts due to/from funding sources is provided for each grant. Additionally, an inception-to-date statement of revenues, expenditures and budget is included for each grant, except various grants such as the Special Supplemental Food Program for Women, Infants and Children (W.I.C. Grant), Title IV-D and Title IV-E reimbursement program funds are received on a reimbursement per client served basis rather than on a fixed budgetary basis.

Prior year revenue and expenditures amounts are not covered by the fiscal year 2004 auditor's report. These amounts, along with cumulative totals, are presented to facilitate review by grantor agencies. These amounts are not a required part of the supplemental information.

**NOTES TO GRANT FINANCIAL STATEMENTS
DENTON COUNTY, TEXAS
SEPTEMBER 30, 2004**

(1) ORGANIZATION AND ACCOUNTING POLICIES:

Denton County, Texas, is the recipient of certain federal and state grant funds. The grant programs are administered by various departments within the County. The activities of these organizations are monitored by County staff to ensure compliance with the requirements of the underlying grants.

The accounting policies of the County conform to generally accepted accounting principles for local government units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The accompanying financial statements were prepared under the following accounting policies of the County:

Basis of Presentation -

The accompanying financial statements represent the County's grant activity reported in conformity with OMB Circular A-133. Denton County also acts as a fiscal agent for funds paid by the State to the local Community Supervision and Corrections Department. Since this agency issues its own, separate financial statement, the program has been omitted from this report. State funds provided to this agency in fiscal 2004 totaled approximately \$2,091,410.

Basis of Accounting -

Grant revenues and expenditures are recognized using the modified accrual basis. Expenditures are recognized in the accounting period in which the related liability is incurred. Revenues are recognized in the accounting period in which the related expenditures are incurred.

County Contribution -

Certain grants require that a percentage of the total funds for the program be provided by the County or other sources. Matching funds from the County are provided to cover any expenses in excess of funds received. Also, the County covers any expenses for costs incurred in excess of total funds budgeted for individual grants.

(2) GRANT AUDITS:

Grant costs are subject to audit by grantor agencies. Disallowed costs, if any, resulting from the audit of grant funds, will be absorbed by the County. Management does not believe that any significant costs will be incurred as a result of grant audits.

Denton County, Texas

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

For the Fiscal Year Ended September 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
U.S. Dept. of Health and Human Services Passed through State of Texas Dept. of Health:			
2005 Bioterrorism Preparedness Grant	93.283	C9000524-3	\$ 717,024
2004 Bioterrorism Preparedness Grant	93.283	C9000524-3	750,115
2002 Bioterrorism Preparedness Grant	93.283	C9000524-2	666,099
2004 HIV/AIDS Education Grant	93.940	C9000524-3	100,000
2003 HIV/AIDS Education Grant	93.940	C9000524-3	100,000
2005 Childrens Health Ins Grant	93.778	529-00-099F	12,631
2004 Childrens Health Ins Grant	93.778	C9000524-3	17,895
U. S. Department of Agriculture Passed through the Texas Department of Health:			
2004 Special Supplement Food Program for Women, Infants and Children	10.557	C9000524-4	993,149
2003 Special Supplement Food Program for Women, Infants and Children	10.557	C9000524-4	<u>872,575</u>
Total State of Texas Dept. of Health			<u>4,229,488</u>
U.S. Dept. of Health and Human Services Passed through Tarrant County, Texas:			
2003 Ryan White Grant	93.918	-	<u>52,319</u>
Total Tarrant County			<u>52,319</u>

Balance * October 1, <u>2003</u>	Receipts or Revenue <u>Recognized</u>	Disbursements/ <u>Expenditures</u>	Balance * September 30, <u>2004</u>
\$ -	\$ -	\$ 30,448	\$ 30,448
40,313	605,168	719,531	154,676
181,448	181,448	-	-
-	41,626	73,975	32,349
19,554	72,718	53,164	-
-	-	-	-
-	17,895	17,895	-
-	770,187	993,149	222,962
<u>230,199</u>	<u>226,439</u>	<u>(3,760)</u>	<u>-</u>
<u>471,514</u>	<u>1,915,481</u>	<u>1,884,402</u>	<u>440,435</u>
<u>26,835</u>	<u>42,066</u>	<u>15,231</u>	<u>-</u>
<u>26,835</u>	<u>42,066</u>	<u>15,231</u>	<u>-</u>

Denton County, Texas

**SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2004**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
U.S. Dept. of Health and Human Services Passed through Texas Dept. of Protective and Regulatory Services:			
2004 CPS IV-E Legal Services Grant	93.658	2003-033424	15,351
2004 Child Welfare Title IV-E Grant	93.658	-	43,174
U.S. Dept. of Agriculture Passed through the Texas Dept. of Protective and Regulatory Services:			
2004 National School Lunch Program Grant	10.555	-	<u>85,120</u>
Total Texas Dept. of Protective and Regulatory Services:			<u>143,645</u>
U. S. Dept. of Health and Human Services Passed through the Office of the Attorney General - Child Support Office:			
2004 Title IV-D Filing Fees and Court Costs Grant	93.783	-	<u>39,056</u>
U.S. Department of Justice Passed through the Office of the Governor - Criminal Justice Division:			
Texas Narcotics Control Program Grant-2004 Grant	16.579	DB-04-A10-1190-06	418,738
Texas Narcotics Control Program	16.579	DB-03-A10-1190-05	598,779
Texas Narcotics Control Program Grant-2002 Grant	16.579	DB-02-A10-1190-04	701,344

<u>Balance *</u> <u>October 1,</u> <u>2003</u>	<u>Receipts</u> <u>or Revenue</u> <u>Recognized</u>	<u>Disbursements/</u> <u>Expenditures</u>	<u>Balance *</u> <u>September 30,</u> <u>2004</u>
-	-	15,351	15,351
-	32,515	43,174	10,659
-	<u>85,120</u>	<u>85,120</u>	-
-	<u>117,635</u>	<u>143,645</u>	<u>26,010</u>
-	<u>39,056</u>	<u>39,056</u>	-
-	22,990	61,965	38,975
72,754	369,773	296,897	(122)
1,315	1,315	-	-

Denton County, Texas

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

For the Fiscal Year Ended September 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
Juvenile Intensive Home-Based Services-5	16.541	JA-03-J20-14166-05	16,352
Juvenile Intensive Home-Based Services-4	16.541	JA-02-J20-14166-04	32,704
Civil-Domestic Violence Prosecution - 4	16.588	WF-04-V30-16180-04	79,996
Civil-Domestic Violence Prosecution - 3	16.588	WF-03-V30-16180-03	79,997
Civil-Domestic Violence Prosecution - 2	16.588	WF-01-V30-16180-02	61,329
Family Violence Victim Intervention Grant-7	16.579	VA-03-13610-05	38,262
Prosecution Enhancement Grant-9	16.588	WF-03-V30-13432-07	75,366
Prosecution Enhancement Grant-8	16.588	WF-03-V30-13432-06	75,366
Prosecution Enhancement Grant-7	16.588	WF-01-V30-13432-05	56,525
Victim Notification Grant-6	16.575	VA-02-13611-04	50,350
Family Violence Expansion Grant-8	16.588	WF-03-V30-13433-07	78,132
Family Violence Expansion Grant-7	16.588	WF-03-V30-13433-06	78,132
Family Violence Expansion Grant-6	16.588	WF-01-V30-13433-05	58,599
Underage Drinking "Combat" Team Grant-5	16.727	JB-01-J20-14924-04	79,420
Child Victim Interv. Specialist Grant-5	16.575	VA-03-V30-13989-05	41,345
U.S. Dept. of Education			
Passed through the Office of the Governor -			
Criminal Justice Division:			
At-Risk Assessment Project -3	84.186	ED-03-J20-15988-03	48,929
At-Risk Assessment Project -2	84.186	ED-02-J20-15988-02	65,239
Total Office of the Governor -			
Criminal Justice Division			<u>2,734,904</u>
Federal Emergency Management Admin.			
Passed Through the Texas Department of			
Public Safety:			
2004 Hazardous Materials Trans Study Grant	83.552	04-DEM-LEPC-8	6,613
2004 Emergency Management Grant	83.552	04-PA-0298	36,132
2003 Emergency Management Grant	83.552	03-PA-0298	36,132
Total Federal Emergency Mgmt. Admin.			<u>78,877</u>

Balance * October 1, 2003	Receipts or Revenue Recognized	Disbursements/ Expenditures	Balance * September 30, 2004
-	6,840	16,352	9,512
8,172	8,172	-	-
-	-	10,121	10,121
5,147	57,489	69,235	16,893
11,116	11,116	-	-
10,081	36,486	26,405	-
-	-	7,016	7,016
5,704	53,091	62,601	15,214
15,275	15,275	-	-
-	50,350	50,350	-
-	-	12,928	12,928
6,064	20,639	66,387	51,812
31,556	31,556	-	-
19,537	19,537	-	-
10,704	38,169	27,465	-
-	-	-	-
-	7,593	45,555	37,962
<u>11,570</u>	<u>11,570</u>	<u>-</u>	<u>-</u>
<u>208,995</u>	<u>761,961</u>	<u>753,277</u>	<u>200,311</u>
-	2,751	4,075	1,324
-	27,099	36,132	9,033
<u>9,033</u>	<u>9,033</u>	<u>-</u>	<u>-</u>
<u>9,033</u>	<u>38,883</u>	<u>40,207</u>	<u>10,357</u>

Denton County, Texas

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
U.S. Dept. of Health and Human Services Passed through the Texas Juvenile Probation Commission			
2004 Title IV-E Foster Care Grant	93.658	TJPC-E-04-061	7,566
2004 Title IV-E Administrative Costs Grant	93.658	TJPC-E-04-220	<u>431,128</u>
Total Texas Juvenile Probation Commission			<u>438,694</u>
U.S. Dept. of Transportation Passed through the Texas Dept. of Transportation:			
2003 DWI Prosecution Unit Grant	20.600	03-02-02-CI-AA	<u>116,099</u>
Total Texas Dept. of Transportation			<u>116,099</u>
U.S. Dept. of Housing and Urban Development:			
Passed through the Texas Office of Rural Community Affairs:			
Water System Grant	14.228		<u>258,900</u>
Total U.S. Dept. of Housing and Urban Dev.			<u>258,900</u>
U.S. Department of Justice:			
Passed through the Texas Engineering Extension Service:			

<u>Balance *</u> <u>October 1,</u> <u>2003</u>	<u>Receipts</u> <u>or Revenue</u> <u>Recognized</u>	<u>Disbursements/</u> <u>Expenditures</u>	<u>Balance *</u> <u>September 30,</u> <u>2004</u>
-	7,566	7,566	-
-	<u>323,325</u>	<u>431,128</u>	<u>107,803</u>
-	<u>330,891</u>	<u>438,694</u>	<u>107,803</u>
<u>12,264</u>	<u>12,264</u>	<u>-</u>	<u>-</u>
<u>12,264</u>	<u>12,264</u>	<u>-</u>	<u>-</u>
-	<u>151,549</u>	<u>151,549</u>	-
-	<u>151,549</u>	<u>151,549</u>	-

Denton County, Texas

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
State Homeland Security Grant 2004	97.004	2004-GE-T4-0015	450,800
State Homeland Security LETPP Grant 2004	97.004	2004-GE-T4-0015	60,267
Urban Areas Security Initiative Grant 2003	97.008	2003-EU-T3-0043	942,006
State Criminal Alien Assistance Grant 2004	16.606	04-AP-VX-212	205,350
State Criminal Alien Assistance Grant 2003	16.606	03-AP-VX-212	134,172
Juvenile Accountability Incentive Block Grt-6	16.523	JB-03-J20-13373-06	35,511
Juvenile Accountability Incentive Block Grt-5	16.523	JB-02-J20-13373-05	45,843
Juvenile Accountability Incentive Block Grt-4	16.523	JB-01-J20-13373-04	53,574
Risk Assessment Instrument Pilot Project	16.523	JB-02-J20-16911-01	51,513
2004 Local Law Enforcement Block Grant	16.592	2004-LBBX-1376	<u>32,375</u>
Total Department of Justice			<u>2,011,411</u>
Total Federal Assistance			<u>\$ 10,103,393</u>

* Credit balances represent deferred revenue - federal government.
 Debit balances represent intergovernmental receivables - federal government.

Balance * October 1, 2003	Receipts or Revenue Recognized	Disbursements/ Expenditures	Balance * September 30, 2004
-	-	-	-
-	-	-	-
-	-	-	-
-	205,350	205,350	-
134,172	134,172	-	-
-	-	5,804	5,804
6,410	38,888	38,419	5,941
6,903	6,903	-	-
-	39,775	51,513	11,738
-	32,375	28,373	(4,002)
<u>147,485</u>	<u>457,463</u>	<u>329,459</u>	<u>19,481</u>
<u>\$ 876,126</u>	<u>\$ 3,867,249</u>	<u>\$ 3,795,520</u>	<u>\$ 804,397</u>

Denton County, Texas

SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2004

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
Texas Juvenile Probation Commission:			
2005 TJPC State Aid Grant		TJPC A-2005-061	\$ 242,957
2004 TJPC State Aid Grant		TJPC A-2004-061	242,957
2003 TJPC State Aid Grant		TJPC A-2003-061	724,172
2004 TJPC Progressive Sanctions JPO Grant		TJPC F-2004-061	193,596
2004 TJPC Progressive Sanctions Level 1-2-3 Program Grant		TJPC G-2004-061	69,339
2004 TJPC Progressive Sanctions ISJPO Grant		TJPC O-2004-061	53,742
2005 Juvenile Community Corrections Grant		TJPC Y-2005-061	541,727
2004 Juvenile Community Corrections Grant		TJPC Y-2004-061	541,727
2004 Family Preservation Grant		TJPC S-04-071	70,000
2003 Family Preservation Grant		TJPC S-03-071	70,000
2004 JJAEP Grant		TJPC P-04-061	103,593
2004 Post Adjudication Facility Grant		TJPC V-04-061	178,687
2004 Salary Adjustment Grant		TJPC Z-04-061	<u>228,000</u>
Total Texas Juvenile Probation Commission:			<u>\$ 3,260,497</u>
Texas Department of Health:			
2004 Federally Qualified Health Center Incubator Grant		75-60009205B-2004-01	252,410
2005 Service Delivery Integration Fees for Services Grant		75-60009205A-2005	284,392
2004 Service Delivery Integration Fees for Services Grant		75-60009205A-2003	362,576
2004 Immunization Program Grant		75-60009205-2003-045	128,527
2003 Immunization Program Grant		75-60009205-2003-045	135,071
2005 OPHP Local Public Health System Grant		75-60009205-2005-3	66,004
2004 Local Public Health Support Grant		75-60009205-2004-4	66,004

<u>Balance *</u> <u>October 1,</u> <u>2003</u>	<u>Receipts</u> <u>or Revenue</u> <u>Recognized</u>	<u>Disbursements/</u> <u>Expenditures</u>	<u>Balance *</u> <u>September 30,</u> <u>2004</u>
\$ -	\$ -	\$ -	\$ -
-	242,957	242,957	-
(14,127)	(14,127)	-	-
-	193,596	193,596	-
-	69,339	69,339	-
-	53,742	53,742	-
-	-	-	-
-	541,727	541,727	-
-	70,000	70,000	-
(980)	(980)	-	-
-	103,593	103,593	-
-	150,492	161,967	11,475
-	228,000	219,568	(8,432)
<u>\$ (15,107)</u>	<u>\$ 1,638,339</u>	<u>\$ 1,656,489</u>	<u>\$ 3,043</u>

-	138,964	221,899	82,935
-	-	46,409	46,409
43,033	371,024	327,991	-
-	85,685	125,585	39,900
23,119	30,991	7,872	-
-	-	9,857	9,857
-	66,004	66,004	-

Denton County, Texas

SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2004

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
2003 Bureau of Regional/Local Health Innovation Grant		-	158,228
Total Texas Department of Health			<u>\$ 1,453,212</u>
Office of the Governor, Criminal Justice Division:			
Child Abuse Prosecution Expansion Grant-3		SF-04-A10-15861-03	57,967
Child Abuse Prosecution Expansion Grant-2		SF-03-A10-15861-02	77,290
Civil - Child Abuse Prosecution Grant - 2		SF-04-A10-16321-02	62,857
Civil - Child Abuse Prosecution Grant - 1		SF-03-A10-16321-01	78,571
Warrant Research Support Team Grant - 5		SF-03-A10-14626-04	12,002
Greenbelt/Public Safety Unit Grant -3		SF-03-A10-15437-03	<u>113,559</u>
Total Office of the Governor, Criminal Justice Division:			<u>402,246</u>
Office of the Attorney General:			
2005Child Victim Intervention Intern Grant		O4G02028	12,216
2004Child Victim Intervention Intern Grant		O4G02028	12,216
2002Child Victim Intervention Intern Grant		O2G03094	<u>8,216</u>
Total Office of the Attorney General			<u>32,648</u>
Texas Historical Commission:			
Historic Courthouse Preservation Grant		Denton 2003	<u>2,700,000</u>
Texas Commission on Environmental Quality:			
Regional High Emitting Vehicle Asst. Grant		Denton 2003	<u>635,306</u>

Balance * October 1, 2003	Receipts or Revenue Recognized	Disbursements/ Expenditures	Balance * September 30, 2004
109,227	33,464	(75,763)	-
<u>175,379</u>	<u>726,132</u>	<u>729,854</u>	<u>179,101</u>
-	16,539	54,124	37,585
31,230	31,230	-	-
-	18,623	60,239	41,616
33,033	33,033	-	-
3,376	3,376	-	-
<u>23,255</u>	<u>23,255</u>	<u>-</u>	<u>-</u>
<u>90,894</u>	<u>126,056</u>	<u>114,363</u>	<u>79,201</u>
-	-	-	-
991	10,992	11,225	1,224
<u>4,799</u>	<u>4,799</u>	<u>-</u>	<u>-</u>
<u>5,790</u>	<u>15,791</u>	<u>11,225</u>	<u>1,224</u>
<u>446,349</u>	<u>1,314,065</u>	<u>1,106,444</u>	<u>238,728</u>
<u>-</u>	<u>635,306</u>	<u>635,306</u>	<u>-</u>

Denton County, Texas

SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2004

<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
Comptroller of Public Accounts: Tobacco Compliance Grant		-	<u>10,000</u>
Texas Automobile Theft Prevention Authority - Passed through Dallas County:			
2005 North Texas Auto Theft Task Force		SA-T01-10047-05	71,473
2004 North Texas Auto Theft Task Force		SA-T01-10047-04	68,911
2003 North Texas Auto Theft Task Force		SA-T01-10047-04	<u>65,301</u>
Total Texas Auto Theft Prevention Authority			<u>205,685</u>
Total State Assistance			<u>\$ 8,699,594</u>

* Credit balances represent deferred revenue - state government.
Debit balances represent intergovernmental receivables - state
government.

Balance * October 1, 2003	Receipts or Revenue Recognized	Disbursements/ Expenditures	Balance * September 30, 2004
-	10,000	9,685	(315)
-	-	-	-
-	67,568	67,568	-
9,871	9,871	-	-
9,871	77,439	67,568	-
\$ 713,176	\$ 4,543,128	\$ 4,330,934	\$ 500,982



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

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

Compliance

We have audited the compliance of Denton County, Texas, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular, issued by the Office of the Governor of the State that are applicable to each of its major federal and state programs for the year ended September 30, 2004. Denton County, Texas' major federal and state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of Denton County, Texas' management. Our responsibility is to express an opinion on Denton County, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* and the State of Texas Single Audit Circular, issued by the Office of the Governor of the State. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Denton County, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Denton County, Texas' compliance with those requirements.

In our opinion, Denton County, Texas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended September 30, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2004-1.

Internal Control Over Compliance

The management of Denton County, Texas, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Denton County, Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, Commissioners' Court, 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.

December 17, 2004



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**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
Denton County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Denton County, Texas as of and for the year ended September 30, 2004, which collectively comprise Denton County, Texas' basic financial statements and have issued our report thereon dated December 17, 2004. 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

In planning and performing our audit, we considered Denton County, Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Denton County, Texas in a separate letter dated December 17, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denton 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, 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.

December 17, 2004

DENTON COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

Summary of Auditors' Results

Type of report on financial statements	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Internal control over major programs: Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the basic financial statements	None
Type of report on compliance with major programs	Unqualified
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133 and state awards as defined by the State of Texas Single Audit Circular	None
Dollar threshold considered between Type A and Type B federal and state programs	\$300,000
Low risk auditee statement	The County was classified as a low-risk auditee in the context of OMB Circular A-133 and the State of Texas Single Audit Circular
Major federal program	Program for Women, Infants and Children, Special Supplement Food, CFDA #10.557
Major state programs	Service Delivery Integration (SDI) Fee for Services Grant; AirCheck Texas Repair and Replacement Assistance Program

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Auditing Standards

None

(continued)

DENTON COUNTY, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Findings and Questioned Costs for Federal and State Awards

Item 2004-01:

Grantor: Texas Commission on Environmental Quality

State Program: AirCheck Texas Repair and Replacement Assistance Grant

Compliance Requirement: Subrecipient monitoring

Finding: Upon review of the AirCheck Texas Grant, the County was not properly monitoring the grant throughout the year. The County entered into an inter-local agreement with the North Central Texas Council of Governments to administer the program.

Recommendation: We recommend the County monitor all grant subrecipients periodically throughout the year by reviewing financial and performance reports, performing site visits if deemed necessary, and keeping in contact with the subrecipients.

DENTON COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

None