

NAVARRO COUNTY, TEXAS

Comprehensive Annual Financial Report

**For The Year Ended
September 30, 2008**

County Auditor

NAVARRO COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION



NAVARRO COUNTY AUDITOR'S OFFICE

Kathy Hollomon, CPA
County Auditor

300 West Third Avenue, Suite 10
Corsicana, TX 75110-4672

Phone: (903) 654-3095

Tim Easley, First-Assistant
Terri Gillen, Assistant
Jeannie Keeney, Assistant
Ann Tanner, Assistant
Julie Jennings, Assistant

Fax: (903) 654-3097

April 24, 2009

Honorable District Judge of Navarro County and
Honorable Members of the Navarro County Commissioners' Court

The County Auditor's office proudly presents the Comprehensive Annual Financial Report (CAFR) of Navarro County, Texas for the fiscal year ended September 30, 2008. This report is submitted in compliance with Section 114.025 of the *Texas Local Government Code*.

This report consists of management's representations concerning the finances of Navarro 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, the County has established a comprehensive internal control framework that is designed both to protect County assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the basic financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the basic financial statements will be free from material misstatement. Responsibility for internal controls is shared by the Commissioners' Court, which is the governing body of the County, the County Auditor, who is appointed by the District Judge, and the County Treasurer. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Navarro County's basic financial statements have been audited by Patillo, Brown and Hill, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the County, for the fiscal year ended September 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used; and evaluating the overall financial statement presentation. The independent auditors' report is presented as the first component of this report.

The independent audit of the basic financial statements of Navarro County was part of a 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 basic financial statements, but also on the

audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented in the compliance section of the report.

Generally accepted accounting principles require a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The introduction includes this transmittal letter, the County's organizational chart and a list of principal officials. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Navarro County's MD&A can be found immediately following the report of the independent auditors in the financial section of this report. The financial section also includes government-wide financial statements, fund financial statement, notes, required supplementary information and the combining and individual fund financial statements and schedules in addition to the report of the independent auditors on the financial statements and schedules. The statistical section of this report includes selected financial and demographic information in accordance with GASB Statement No. 44. This information is generally presented on a multi-year basis.

PROFILE OF NAVARRO COUNTY

Navarro County is located in north central Texas and is strategically central to the economic regions of Texas, Louisiana, Arkansas, Oklahoma and New Mexico, as well as centrally located within the United States. The County region was opened for settlement by the Mexican colonization laws and was included in an impresario grant to Thomas J. Chambers on September 23, 1834. The first Texas legislature created the County from Robertson County on March 30, 1846, and designated the town of Corsicana as a temporary seat of justice. The County's name honors Jose Antonio Navarro, a Texas patriot who chose the name Corsicana in honor of the Isle of Corsica, his father's birthplace. The County encompasses an area of 1,086 square miles. According to the North Central Texas Council of Governments, the 2009 population for the County is estimated to be 49,800.

The County is a public corporation and a political subdivision of the State of Texas. The Commissioners' Court, which is composed 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. Commissioners serve four-year staggered terms, two members elected every two years. The County Judge is elected at large to serve a four-year term.

The Commissioners' Court sets the tax rate, establishes policies for County operations, approves contracts for the County and develops and adopts the County budget within the resources as estimated by the County Judge as assisted by the County Auditor. The Commissioners' Court is also responsible for developing policies and orders, approving financial commitments and appointing various department heads. The management and leadership provided by members of the Commissioners' Court and the elected and appointed officials of other key County offices is crucial to the success of the County in financial management and growth.

The County Auditor has responsibilities for prescribing the systems and procedures for handling the finances of the County and "examining, auditing and approving" all disbursements from County funds prior to their submission to the Commissioners' Court for approval.

The County provides many services not ordinarily provided by any other entity of government and provides additional services in cooperation with other local government units. The County provides the following services as authorized by the statutes of the State of Texas: general government (e.g., tax collection), judicial (e.g., courts, juries, district attorney, etc.), public safety (e.g., sheriff, jail, etc.), roads and highways and health and welfare (e.g., assistance to indigents).

The annual budget serves as the foundation for the County's planning and control. Budget hearings are posted annually in August with the final budget approved by the Commissioners' Court following the hearings. The final budget includes contingency and emergency reserve line items. Unencumbered appropriations lapse at fiscal year-end. Most appropriated budgets are prepared by fund, function, department and category. Capital expenditures are approved on a line item basis. Budget to actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted.

FACTORS AFFECTING FINANCIAL CONDITION

An understanding of the financial condition of Navarro County is enhanced through a perspective of the environment in which the County operates.

Local Economy – The County's economy has been based primarily on agriculture and oil and gas exploration and production for many decades. However, the County is becoming more economically diversified due to the efforts of an aggressive strategic planning group, working in conjunction with the City of Corsicana, Navarro County and the Chamber of Commerce, as well as tax abatements offered by most governmental entities in the County. These benefits have been responsible for a number of large companies considering the County as a desirable area for expansion and development.

During 2008, Navarro County continues to experience growth in industrial expansions, retail and commercial developments, and residential development.

There are currently five (5) ongoing industrial expansion projects in Navarro County representing a proposed capital investment of more than \$1,600,000,000 (\$1.6+ billion). These projects are estimated to create more than seven hundred-fifty (750) new, fulltime jobs.

Commercial and retail expansions include the Office Depot retail store located at the Corsicana Crossing Retail Center; Atwood's Farm and Ranch Supply Store located in the College Park Mall, more specifically, in the former Wal-Mart store; and a Denny's Restaurant currently under construction located at the intersection of I-45 and US Highway 287.

Residential developments in Navarro County continue with six or more projects either in progress or in the planning stage. These developments include over 4,000 single family lots that are under development or in the planning stages in Navarro County with approximately 3,000 of the single family lots being located in the vicinity of the Richland Chambers Reservoir.

In the past the economic condition of the County has been marginal at best; however, through the cooperation of governmental entities and County citizens, new development is taking place and local residents are becoming actively involved in creating an atmosphere that attracts the type of business and industry that will allow Navarro County to continue to build the diversified economic base necessary to support and sustain growth and prosperity.

Long-term Financial Planning – The Commissioners’ Court continues to be very active in economic development to insure and promote continued growth throughout the County. Vigorous efforts to attract new industry to the area by the Navarro County Commissioners’ Court and the Corsicana-Navarro County Chamber of Commerce continue and the prospect of continued growth in the local economy is very encouraging at this time. The establishment of the Corsicana Navarro County Economic Development Commission, a joint venture with the Chamber of Commerce, the Corsicana Industrial Foundation, the City of Corsicana and Navarro County, has become a significant instrument in promoting economic development in our area. Both Navarro County and the City of Corsicana provide the funding for the Commission which provides economic incentives to companies meeting certain social and economic performance standards.

The long-term effect of the current economic growth and development will be to provide sufficient resources to fund County operations while mitigating the overall tax burden on County taxpayers.

Cash Management – The Commissioners’ Court has adopted a formal investment policy for the County consistent with State statutes governing the investment of County funds and has designated an investment committee consisting of the County Auditor and the County Treasurer. The policy is currently under review to insure that it addresses all the statutory requirements of the Public Funds Investment Act. The general objectives set forth in the policy provide for financial security and optimum liquidity of County funds while achieving the maximum yield on funds invested and maximum levels of invested funds.

Authorized investments are consistent with those investments authorized by state law for Texas counties. Generally, the County has limited its investments to funds invested in the Texas Local Government Investment Pool (TexPool).

Risk Management – The County insures against catastrophic losses to its infrastructure and certain major items of personal property through a pool administered by the Texas Association of Counties. Items so insured include buildings and contents, data media and computer-related equipment, radio transmission towers and related equipment, and monies and securities in the Tax office and the County Treasurer’s office.

Pension and Other Post Employment Benefits – Navarro County provides retirement benefits for all of its fulltime employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). Specific plan provisions are adopted by the County within the options available in the state statutes governing 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 contributed using the actuarially determined rate of 8.03% for the months of the accounting year in 2007, and 8.02% for the months of the accounting year in 2008.

The deposit rate payable by the employee members for calendar year 2008 is the rate of 7.00% as adopted by the Commissioners’ Court. The employee contribution rate and the employer contribution rate may be changed by the Commissioners’ Court within the options available in the TCDRS Act.

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, 2004 and December 31, 2005, the basis for determining the contribution rates for calendar years 2006 and 2007. The December 31, 2006 actuarial valuation is the most recent valuation.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Navarro County, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This is the 15th consecutive year that Navarro County has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report 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.

I would like to express my appreciation to the staff of the County Auditor's office for their continuing diligence and dedication to the ever-changing responsibilities of the office. I would also like to thank the District Judge and the Commissioners' Court of Navarro County for their leadership and support during the past year. In addition to these County resources, I would like to thank Lee McCleary, Economic Development Director, City of Corsicana/Navarro County and Karen Morris, Chief Appraiser with the Navarro Central Appraisal District for their assistance in compiling demographic and statistical data for this report.

Sincerely,

Tim Easley,
First Assistant Auditor

Staff: Kathy B. Hollomon, CPA – Navarro County Auditor
Terri Gillen – Assistant County Auditor
Jeannie Keeney – Assistant County Auditor
Ann Tanner – Assistant County Auditor
Julie Jennings – Assistant County Auditor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Navarro County
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

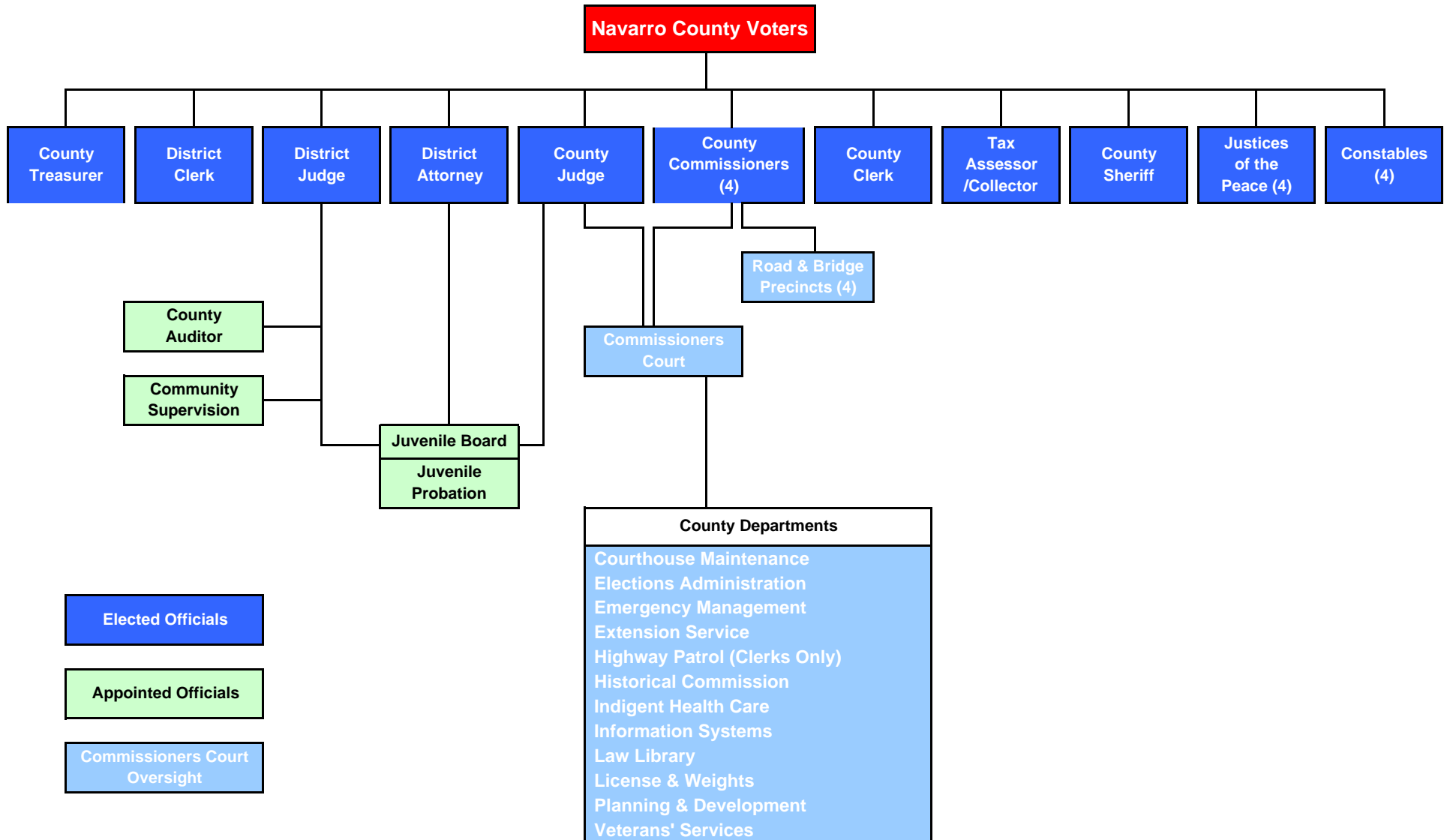
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

**NAVARRO COUNTY, TEXAS
ORGANIZATIONAL CHART
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**



NAVARRO COUNTY, TEXAS

PRINCIPAL OFFICIALS

FOR THE YEAR ENDING SEPTEMBER 30, 2008

Commissioners Court

H. M. Davenport, Jr.
Kit Herrington
Faith D. Holt
David (Butch) Warren
James Olsen

County Judge
Commissioner, Precinct 1
Commissioner, Precinct 2
Commissioner, Precinct 3
Commissioner, Precinct 4

Judicial

James Lagomarsino
Vicki Gray
Kirby Hill
Bob McQuary *
Connie Mayfield

Judge, 13th Judicial District Court
Justice of the Peace, Precinct 1
Justice of the Peace, Precinct 2
Justice of the Peace, Precinct 3
Justice of the Peace, Precinct 4

Law Enforcement

Leslie A. Cotten, Sr.
R. Lowell Thompson
Richard E. Thomas
John Barlow
Brad K. Butler
David O. Garrett
Ted G. Warren *
Melanie Hyder *

County Sheriff
Criminal District Attorney
Constable, Precinct 1
Constable, Precinct 2
Constable, Precinct 3
Constable, Precinct 4
Adult Probation Director
Juvenile Probation Director

Financial Administration

Kathy Hollomon *
Ruby Coker
Russell P. Hudson

County Auditor
County Treasurer
County Tax Assessor-Collector

Recording Officials

Marilyn Greer
Sherry Dowd

District Clerk
County Clerk

* Designates appointed officials. All others are elected.



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Honorable Judge and
Members of the Commissioners' Court
Navarro County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Navarro County, Texas as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Navarro County, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Navarro County, Texas, as of September 30, 2008, and the respective changes in financial position thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government's Auditing Standards*, we have also issued a report dated April 21, 2009, on our consideration of the County's 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 and budgetary comparison information on pages 3 through 11 and 36 through 40 are not a required part of the basic financial statements but are 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 the Navarro County, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section 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 Navarro County, Texas. The combining and individual nonmajor fund financial statements and schedules, 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 and statistical sections 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.

April 21, 2009

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements. The single audit is included in this year's CAFR in the compliance section.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business. They present 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 as well as all liabilities (including long-term debt).

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

The *Statement of Activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future years.

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

The government-wide financial statements can be found on pages 12 – 13 of this report.

Fund Financial Statements

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

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

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

The County maintains thirteen governmental funds, ten Special Revenue Funds, one Debt Service Fund, one Capital Projects Funds and the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, HIDTA Fund and the Flood Control Fund. These funds are considered to be major funds. Data from the other ten nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general fund, road and bridge funds, and certain other special revenue funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 14 – 17 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 Navarro County's own programs. The full accrual method of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. A description of all fiduciary funds held by the County can be found on page 18 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements on pages 19 – 35 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budgetary schedules for major funds – the General Fund and the Flood Control Fund. The County adopts an annual budget for these funds. A budgetary comparison schedule, which includes the original and final budget and actual figures, has been provided to demonstrate compliance with this budget. Required supplementary information can be found on pages 36 – 38 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 39 – 49 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the County’s financial position. In the case of the County, assets exceeded liabilities by \$19,440,229 as of September 30, 2008, an increase of \$521,843 as compared with the previous fiscal year.

The largest portion of the County’s net assets for the current fiscal year (52%) is made up of unrestricted net assets, which may be used to meet the County’s ongoing obligations to citizens and creditors. The other major portion of the County’s net assets is investments in capital assets (e.g. land, buildings and improvements, and machinery and equipment and infrastructure) less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table reflects the condensed Statement of Net Assets:

NAVARRO COUNTY’S NET ASSETS

	Governmental Activities	
	2008	2007
Current and other assets	\$ 11,580,370	\$ 10,820,294
Capital assets	12,097,837	12,797,496
Total assets	23,678,207	23,617,790
Current and other liabilities	710,512	531,047
Long-term liabilities	3,527,466	4,168,357
Total liabilities	4,237,978	4,699,404
Net assets:		
Invested in capital assets, net of related debt	8,796,531	8,863,264
Restricted	590,630	540,403
Unrestricted	10,053,068	9,514,719
Total net assets	\$ 19,440,229	\$ 18,918,386

Assets as of September 30, 2008, reflect an increase of \$60,417 (.26%) over assets at the end of fiscal year 2007. Cash and investments increased as compared to the previous year. Accounts receivable decreased by \$745,299 compared to the previous year. Of Navarro County’s total assets, the largest components are 1) cash and investments of \$5,384,372, (23%), 2) accounts receivable of \$5,898,315, (25%), and 3) capital assets of \$12,097,837, (51%). Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations.

Total liabilities decreased \$461,426, (10%) in comparison with fiscal year 2007. The increase in current liabilities of \$179,465 was offset by a decrease in long-term debt in the amount of \$640,891. Long-term debt decreased primarily due to principal payments made on capital leases and bonds payable.

Navarro County's assets exceeded liabilities by \$19,440,229 at the close of the fiscal year. Of this amount, \$590,630, (3%) represents *restricted net assets* which are resources that are subject to external restrictions on how they may be used. Restrictions include statutory requirements, bond covenants and grant conditions. Another portion of the County's net assets, \$8,796,531, (45%) reflects its *investment in capital assets* (e.g., land, buildings, machinery and equipment and infrastructure) *net of related debt*. The other significant portion of the County's net assets for the current fiscal year in the amount of \$10,053,068, (52%) represents unrestricted net assets, which may be used to meet the County's ongoing obligations to citizens and creditors.

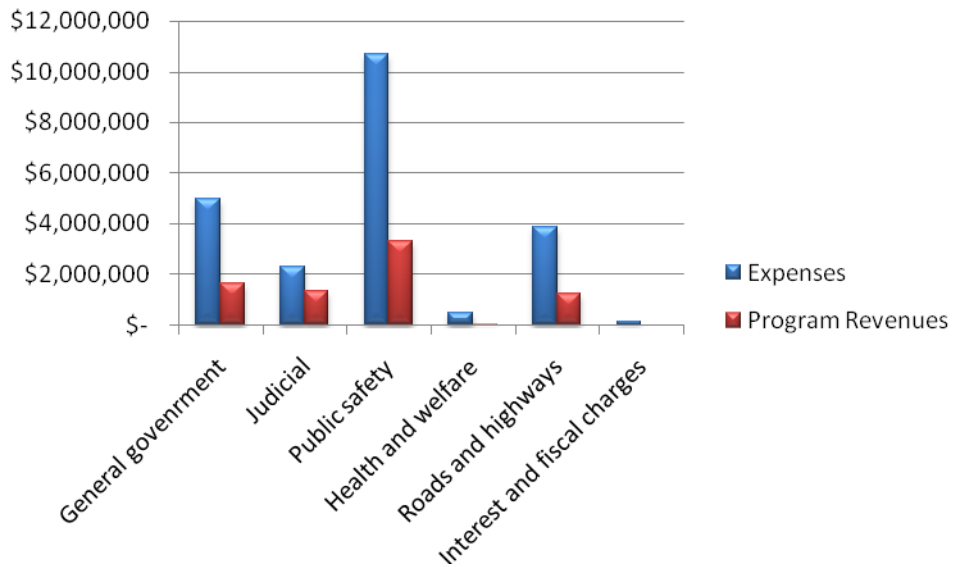
At the end of the current fiscal year, the County reported positive net assets in all three categories of net assets for its governmental activities.

Governmental Activities. Governmental activities increased the County's net assets by \$521,843 during the current fiscal year. Key elements of this increase are as follows:

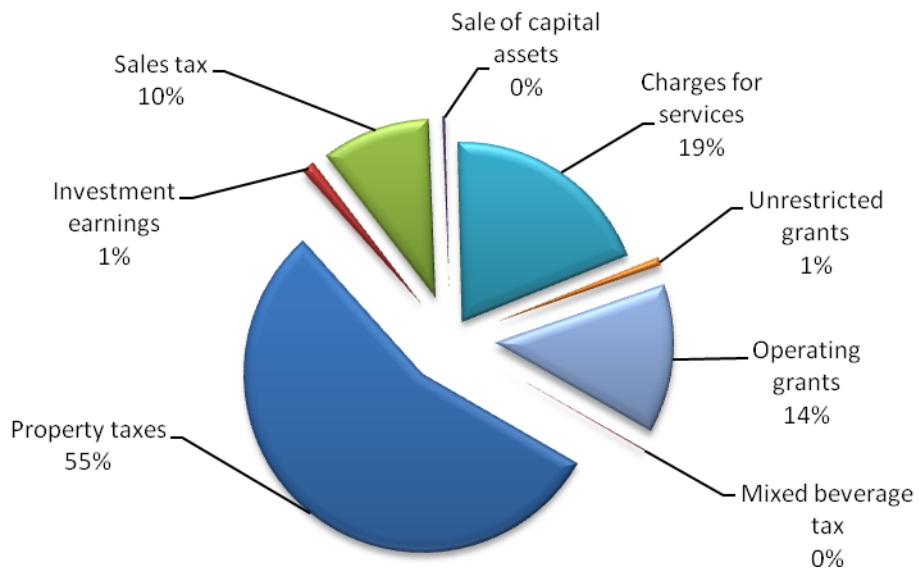
NAVARRO COUNTY, TEXAS' CHANGES IN NET ASSETS

	Governmental Activities	
	2008	2007
Revenues:		
Program Revenues:		
Charges for Services	\$ 4,443,431	\$ 4,246,685
Operating grants and contributions	3,092,844	3,136,177
General revenues:		
Property taxes levied for general purposes	12,640,920	11,627,040
Sales tax	2,251,771	1,769,539
Taxes from the sale of alcohol	33,948	36,163
Miscellaneous	176,507	89,649
Earnings on investments	280,494	356,684
Gain from sale of capital assets	52,706	274,266
Total revenues	22,972,621	21,536,203
Expenses:		
General government	4,965,892	4,134,266
Judicial	2,303,243	1,856,239
Public safety	10,668,710	10,734,372
Health and welfare	486,507	640,210
Roads and highways	3,882,420	3,431,564
Interest on long-term debt	144,006	161,552
Total expenses	22,450,778	20,958,203
Change in net assets	521,843	578,000
Net assets, beginning	18,918,386	14,935,909
Prior period adjustment	-	3,404,477
Net assets, ending	\$ 19,440,229	\$ 18,918,386

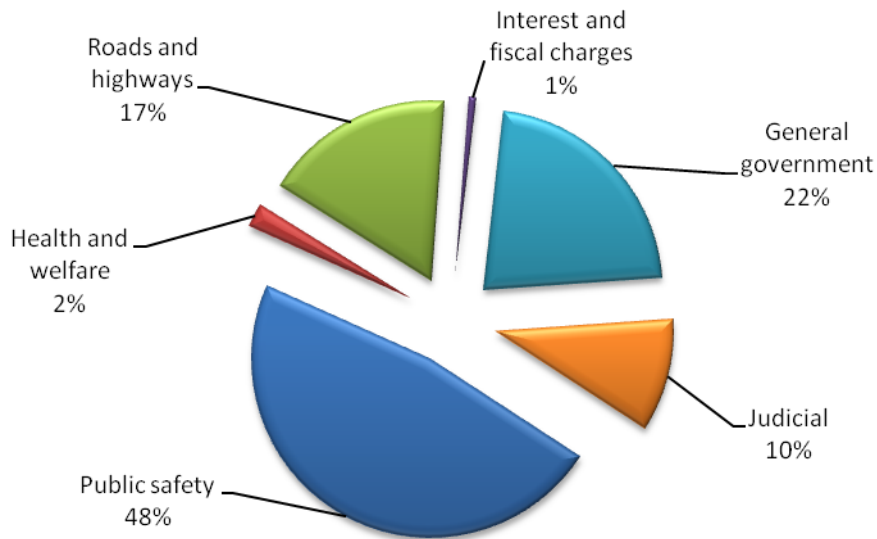
Property taxes increased by \$1,013,880 (9%), offsetting the reduction in the amount reported as judicial revenue for a net increase in total revenues of \$1,436,418 (7%). The increase in property taxes is the result of an increase in the taxable value of property in Navarro County.



Revenues by Source – Governmental Activities



Expenses by Function – Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

Governmental Funds

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

At September 30, 2008, the County's governmental funds reported combined ending fund balances of \$5,943,480 an increase of \$981,966 in comparison with the prior year. Approximately \$5,220,208 (88%) of the combined fund balances constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed to pay debt service (\$158,929), Capital Projects (\$349,659), and prepaid items (\$214,468).

The General Fund is the chief operating fund of Navarro County. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$3,286,889.

During the year, actual expenditures in the Flood Control Fund were less than budgetary estimates by \$369,765 (68%). This resulted in a positive variance in the anticipated ending fund balance of \$368,886. This variance arose as a result of expected professional services for aerial mapping which will actually be expended over multiple budgetary periods.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original expenditure budget and the final amended budget of the General Fund resulted in an increase of \$800,057 in appropriations.

During the year, actual revenues exceeded budgetary estimates by \$748,041. Actual expenditures were less than budgetary estimates by \$802,945. The net effect of over-realization of revenue and under-utilization of appropriations resulted in a positive variance of \$298,155.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Navarro County's investment in capital assets for its governmental type activities as of September 30, 2008, amounts to \$12,097,837 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

NAVARRO COUNTY'S CAPITAL ASSETS

	Governmental Activities	
	2008	2007
Land	\$ 1,074,962	\$ 1,074,962
Buildings and improvements	5,742,192	6,141,509
Machinery and equipment	2,266,010	2,283,456
Infrastructure	<u>3,014,673</u>	<u>3,297,569</u>
Total capital assets	<u>\$ 12,097,837</u>	<u>\$ 12,797,496</u>

Additional information regarding the County's capital assets can be found in Note II, C on pages 29 – 30 of this report.

Long-term Debt. At September 30, 2008, the County had total long-term debt outstanding of \$3,527,466. The County's bonded debt carries a rating of "AAAm" from Moody's Investor Services.

NAVARRO COUNTY'S OUTSTANDING DEBT AT YEAR-END (Certificates of Obligation and Capital Leases)

	Governmental Activities	
	2008	2007
Refunding bonds	\$ 3,200,289	\$ 3,586,759
Capital leases	184,152	442,482
Compensated absences	<u>143,025</u>	<u>139,116</u>
	<u>\$ 3,527,466</u>	<u>\$ 4,168,357</u>

The net amount of refunding bonds and capital leases decreased by \$644,800, this decrease is a result of the liquidation of outstanding bonds and capital leases. Additional information on Navarro County's long-term debt can be found in Note II, E on pages 30 – 32 of this report.

County officials and investors will find the ratio of net general bonded debt outstanding and the amount of bonded debt per capita as useful indicators of the County's debt position. These indicators are shown in the statistical section (unaudited) of this report on pages 70 – 71.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commissioners' Court adopted the County's budget for the fiscal year ended September 30, 2008, on September 13, 2008. The budget was adopted based on estimated balances that would be available at the end of fiscal year 2008 and estimated revenues to be received in fiscal year 2009. The total available resources for all funds for fiscal year 2008 are \$5,217,631. For the County's General Fund, the 2009 budget utilizes \$2,093,985 of available funds.

The 2008 property tax rate was \$0.5828/\$100 valuation, an increase of \$0.0074/\$100 valuation over the previous year. As a result of an 8.68% increase in taxable value, the County expects tax revenue collected during fiscal year 2009 to increase 10.18% over projected collections for fiscal year 2008. Additionally, the County's budget anticipates all other sources of revenue to remain at approximately the same levels as fiscal year 2008.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County'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, 300 West Third Avenue, Suite 10, Corsicana, Texas 75110.

**BASIC
FINANCIAL STATEMENTS**

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**REQUIRED
SUPPLEMENTARY INFORMATION**

**BUDGETARY
COMPARISON SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Road and Bridge Funds – These funds, reported by Commissioners' Precinct, are used to account for revenues and expenditures relating to road construction and maintenance.

District Attorney Forfeiture Fund – This fund is used to account for money and property forfeited to the District Attorney's office as a result of drug seizures under Chapter 59 of the *Texas Code of Criminal Procedure*.

Sheriff Seizure Fund – This fund is used to account for money and property forfeited to the County Sheriff's office as a result of drug seizures under Chapter 59 of the *Texas Code of Criminal Procedure*.

TEEX Emergency Management (SHSP) Fund – This fund is used to account for revenues and expenditures relating to grant funds received through the State Homeland Security Program for enhancement of the County's emergency response system.

DEBT SERVICE FUND

The *Debt Service Fund* is used to account for the accumulation of resources and the subsequent disbursement of such resources to pay principal, interest and related costs on general long-term debt.

CAPITAL PROJECTS FUND

The *Capital Projects Fund* is used to account for expenditures for renovation of the historic courthouse structure.

AGENCY FUNDS

Agency Funds are used to account for assets held by the County as an agent for individual private organizations and other governments. The following are the County's Fiduciary Funds:

County Treasurer – This fund is used as a clearing account for the allocation of resources collected by fee offices, pending audit and distribution to other entities.

District Clerk – This fund is used to account for monies held on behalf of individuals in accordance with court ordered decrees by the District Clerk.

Tax Collector – This fund is used to record tax collections which are deposited intact pending audit and distribution to the state and other taxing authorities.

State Fees – This fund is used to account for fees collected on behalf of the State of Texas.

Juvenile Probation and Corrections – This fund is used to account for funds received from the State of Texas for supervision, rehabilitation and placement of juvenile probationers.

Community Supervision and Corrections – This fund is used to account for funds received from the State of Texas for supervision, rehabilitation and placement of adult probationers.

Inmate Commissary – This fund is used to account for inmate deposits which may be used by inmates to purchase miscellaneous personal items.

Richland Chambers – This fund is used to account for mortgage payments received from property owners and held in escrow for improvement due to default on a performance bond.

Special Forfeiture – This fund is used to account for cash seized by law enforcement personnel prior to court order as to its disposition.

Economic Development – This fund is used to account for funds available to the Corsicana Navarro County Economic Development commission to be used to further economic development in Navarro County.

STATISTICAL SECTION

COMPLIANCE SECTION