

NAVARRO COUNTY, TEXAS

Comprehensive Annual Financial Report

**For The Year Ended
September 30, 2011**

**Kathy B. Hollomon, CPA
County Auditor**

NAVARRO COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

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NAVARRO COUNTY AUDITOR'S OFFICE

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County Auditor

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March 29, 2012

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, 2011. 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 Pattillo, 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, 2011, 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 empresario 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 recently released 2010 Census, the estimated population for the County was 47,812.

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 July, August and September, 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 industrial development team, working in conjunction with the Chamber of Commerce and the Navarro College Small Business Development Center, as well as tax abatements offered by most governmental entities in the County. These benefits have been responsible for a number of larger companies considering the County as a desirable area for expansion and development.

Although Navarro County has been resilient to the majority of the downturn in the global economy, during 2011 the County saw some impact on local businesses. Snyder's-Lance Inc., opened in 1963 as Tom's Foods, announced plans for closure of the Corsicana facility to reduce operating costs while consolidating production costs into other manufacturing locations. As a result, in February 2012, approximately 102 employees have been laid off. Sew Team No. 3 - Corsicana, located on West Highway 31 with approximately 38 employees, closed due to the loss of its largest contract to an offshore company located in the Dominican Republic. Also, Columbia Manufacturing closed both of its Corsicana manufacturing facilities resulting in the lay-off of approximately 10 employees. The company officials cited decline in market share, increased competition, and decreasing demand as reasons for the closure.

However, the commitment of our local industries toward supporting Navarro County remains solid. In January 2011, the expansions of Pactiv Corporation and Russell Stover Candies were added to the property tax rolls. The Pactiv Corporation expansion is valued at \$3,175,000 and created 20 new full time jobs. Russell Stover Candies completed its addition of two new product lines totaling \$2,249,238 and creating a total of 55 new fulltime jobs.

During the spring of 2011, Corsicana Bedding, Inc. (CBI), an important strategic partner with Corsicana since 1971, relocated its corporate offices to 3001 South US Highway 287, on property that was formerly owned by National Envelope, Inc. In addition, CBI acquired the former Adams Brand Hats property, located at 1101 North I-45 Business, to facilitate an extension of its manufacturing operation into location. During 2011, CBI created 239 new fulltime jobs in Navarro County. During the summer of 2011, Southern Marketing Affiliates, Inc. (SMA) relocated its distribution center across town to 4000 East Texas Highway 31, on property that was formerly owned by JELD-WEN, Inc. Also in 2011, CorsiTech, Inc. purchased property formerly owned by Primex Plastics, Inc. to be used for expansion of the Navarro County operation.

Navarro County has a long history associated with the oil and natural gas industry. United Pipe & Steel Corporation selected Corsicana as the home for its expansion project during 2011. The company has moved into the former Chattanooga Glass manufacturing facility located at the intersection of US Highway 287 and I-45.

The Applebee's Neighborhood Grill and Bar opened on November 14, 2011. The restaurant is located in the Corsicana Crossing retail center and directly along the newly constructed Mountain Drive that connects the IH-45 northbound frontage road with Corsicana Crossing Drive. Also during 2011, The Other Place Restaurant reopened its doors after being closed for several months. And the Pollo Regio Restaurant opened in the repurposed former Long John Silver's property on 7th Avenue.

During the year 2011, Navarro County added a number of new commercial and retail stores including Ag Solutions, Hometown Pharmacy, D&S Produce Plus, Beth's Bling-It Creations, and Cowgirl Click. The growth of the medical and health care industry has resulted in positive growth for Navarro County as well. In July 2011, this growth is underscored by the grand opening of the TRISUN Care Center-Corsicana, conveniently located along Texas Highway 22 directly across from the Navarro Regional Hospital. Moreover, TRISUN expanded its presence in Navarro County when it acquired Heritage Oaks Retirement Village and the Heritage Oaks-West Nursing Center.

Lott Physical Therapy has also expanded into Navarro County, constructing a new therapeutic facility along 2nd Avenue and adjacent to the law offices of Moe and Dunn, PLLC. Other medical and health care related businesses opened facilities in Corsicana in 2011, including Guardian Healthwise, Picasso Dental-Corsicana, Global Care Home Health Agency, IntegraCare- Corsicana, and Navarro Dental Center.

Located at 3400 West 2nd Avenue, the Independent Order of Odd Fellows (I.O.O.F.) and Rebekah has been a cornerstone for Navarro County since its Children's Home was established in 1885 on 200 acres of land in Corsicana. On October 26, 2011, the Odd Fellows of Texas opened the new 20,000 square foot, 750-seat, I.O.O.F. Event Center in Corsicana. Immediately adjacent to the IOOF Events Center, the Grand Lodge Administrative Offices has been remodeled and repurposed to include state-of-the-art meeting rooms with storage areas for memorabilia. Other great special event centers that opened in 2011 include The Remington, located in the Corsicana Downtown Historic District at 122 West 3rd Avenue, and TAYLOROSA, located in the former First Christian Church building at 3704 W State Highway 22.

Just across 2nd Avenue from the I.O.O.F. and on the Navarro College-Corsicana campus, the Cook Education Center was expanded by approximately 9,000 square feet. This new expansion doubles the size of the atrium, increasing the center's capacity to over 500 seats, including a conference/meeting room that will accommodate 100 people. The center will be the new location for the well-known Robert Reading Indian Artifact Collection.

In the recent past, the economic condition of the County has been marginal at best. 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. 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.

Major Initiatives – During 2010, the County received a Texas Historic Courthouse Preservation Program planning grant for restoration of its beautiful courthouse. In conjunction with the Texas Historical Commission and local historical and preservation groups, the County engaged an architectural firm to develop plans for restoring the courthouse to its original beauty and functionality. The planning project continued through 2011, culminating in a December application for a restoration construction grant under the same program. The County learned in February 2012 that approximately one half of the estimated construction cost of \$9.7 million was awarded under the Texas Historic Courthouse Preservation Program. County management is currently considering financing alternatives and other factors related to the potential courthouse restoration project. The County is also searching for a suitable facility for viable temporary housing and a permanent courthouse annex.

In January 2011, the County entered into an Indigent Care Affiliation Agreement with the local hospital, Navarro Regional Hospital. Under the terms of the agreement, the County may, but is not required to, make periodic intergovernmental transfers to the Texas Health and Human Services Commission, thereby making the hospital eligible to receive supplemental payments from the Federal Medicaid Upper Payment Limit (UPL) program. The additional funds from the UPL program will enable the hospital and other health care providers to alleviate some of the County’s financial burden of providing indigent care. The County and hospital anticipate that the arrangement will enhance health care services for both indigent residents and the entire community.

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, 2010. 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 18th 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. Only 498 U.S. counties received the award for the 2010 fiscal year. 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 for his assistance in compiling demographic and statistical data for this report.

Sincerely,

A handwritten signature in black ink that reads "Kathy B. Hollomon". The signature is written in a cursive, flowing style.

Kathy B. Hollomon, CPA
Navarro 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, 2010

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.



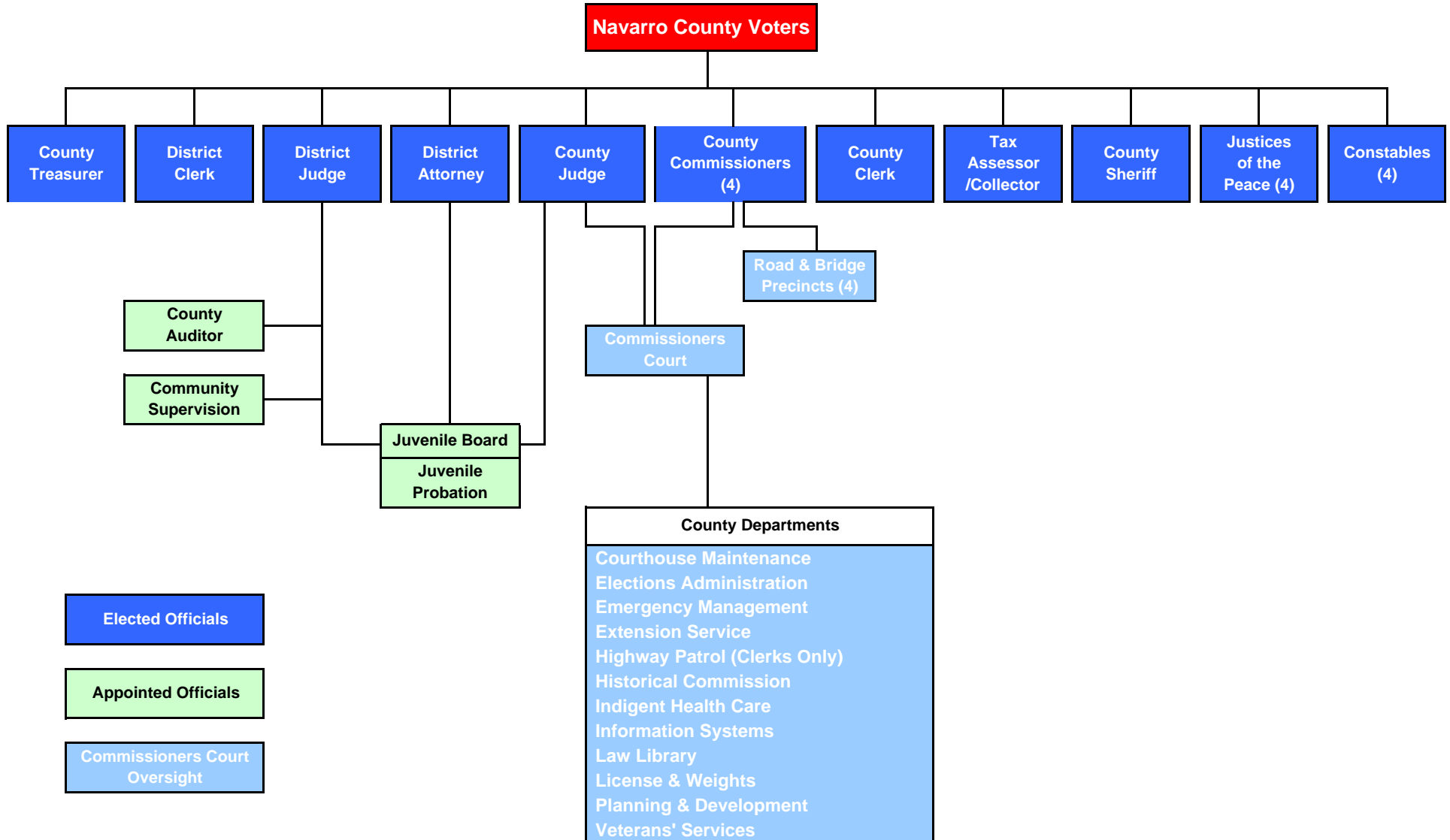
Linda C. Dandison

President

Jeffrey R. Egan

Executive Director

**NAVARRO COUNTY, TEXAS
ORGANIZATIONAL CHART
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**



NAVARRO COUNTY, TEXAS

PRINCIPAL OFFICIALS

FOR THE YEAR ENDING SEPTEMBER 30, 2011

Commissioners Court

H. M. Davenport, Jr.
Kit Herrington
Richard "Dick" Martin
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
Jackie Freeland
Connie Hickman

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
Mike Davis
David Foreman
Brad K. Butler
Tommy Grant
Chris Aldama *
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 B. Hollomon *
Frank Hull, III
Russell P. Hudson

County Auditor
County Treasurer
County Tax Assessor-Collector

Recording Officials

Joshua Tackett
Sherry Dowd

District Clerk
County Clerk

* Appointed officials. All others are elected.

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FINANCIAL SECTION

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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, 2011, 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, 2011, 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 March 29, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of funding progress on pages 3 through 11 and 40 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

March 29, 2012

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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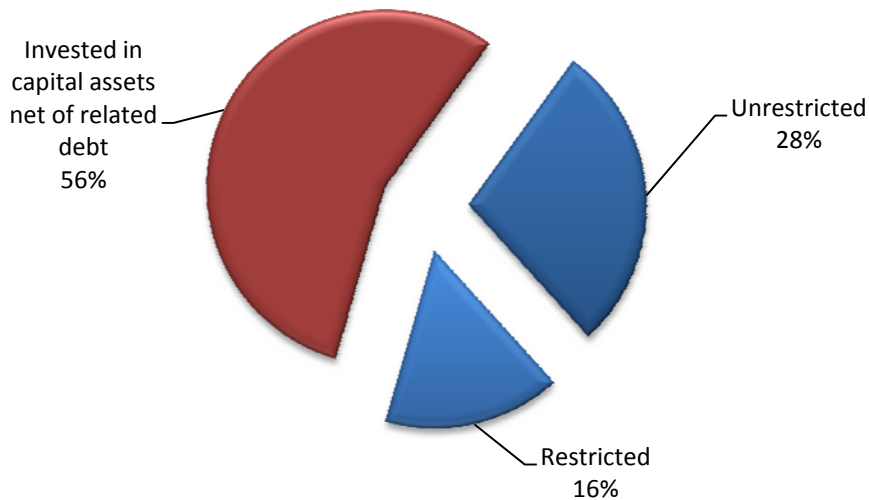
MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of Navarro County, Texas, (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with the independent auditors' report on page 1 and the County's basic financial statements that begin on page 12.

FINANCIAL HIGHLIGHTS

- The total government-wide assets of the County exceeded liabilities at the close of fiscal year 2011 by \$17,080,272 and is reported as total net assets. Of this amount, \$4,833,839 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, \$2,816,039 is restricted for specific purposes (restricted net assets) and \$9,430,394 is invested in capital assets, net of related debt.

Net Assets by Category



- In contrast to the government-wide financial statements, the fund statements report a combined fund balance at year-end of \$6,509,967 of which \$3,045,402 or 47% represents unassigned fund balances.
- At the end of the current fiscal year, the General Fund unassigned fund balance was \$3,045,402 or 17.8% of total General Fund expenditures.
- The County's long-term liability decreased by \$345,821. This decrease is a result of the liquidation of outstanding bonds and an increase in capital leases.

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.

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 13 governmental funds, 10 Special Revenue Funds, 1 Debt Service Fund, 1 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, and HIDTA Fund. These funds are considered to be major funds. Data from the other 11 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 – 39 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 the General Fund. The County adopts an annual budget for this fund. 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 40 – 43 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 44 – 59 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 \$17,080,272 as of September 30, 2011, a decrease of \$780,911 as compared with the previous fiscal year.

The County's net assets for the current fiscal year (28%) is made up of unrestricted net assets, which may be used to meet the County's ongoing obligations to citizens and creditors. The largest 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	
	2011	2010
Current and other assets	\$ 8,816,441	\$ 8,043,290
Capital assets	<u>11,969,040</u>	<u>12,249,831</u>
Total assets	<u>20,785,481</u>	<u>20,293,121</u>
Current and other liabilities	825,437	768,167
Long-term liabilities	<u>2,879,772</u>	<u>3,225,593</u>
Total liabilities	<u>3,705,209</u>	<u>3,993,760</u>
Net assets:		
Invested in capital assets, net of related debt	9,430,394	9,269,955
Restricted	2,816,039	2,930,176
Unrestricted	<u>4,833,839</u>	<u>4,099,230</u>
Total net assets	<u>\$ 17,080,272</u>	<u>\$ 16,299,361</u>

Assets as of September 30, 2011, reflect an increase of \$492,360, (2.4%) over assets at the end of fiscal year 2010. Cash and investments increased by \$564,182 (10.5%) as compared to the previous year. Accounts receivable decreased slightly as compared to the previous year. Of Navarro County's total assets, the largest components are 1) cash and investments of \$5,949,870, (28.6%), 2) property taxes receivable of \$1,161,418, (5.6%), 3) due from other governments of \$1,010,366 (4.9%) and 4) capital assets of \$11,969,040, (57.6%). Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations.

Total liabilities decreased \$288,551, (7.2%) in comparison with fiscal year 2010. The increase in current liabilities of \$57,270 was more than offset by a decrease in long-term debt in the amount of \$345,821. Long-term debt decreased primarily due to principal payments bonds payable net of an increase in capital leases.

Navarro County's assets exceeded liabilities by \$17,080,272 at the close of the fiscal year. Of this amount, \$2,816,039, (16.5%) 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, \$9,430,394, (55.2%) 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 \$4,833,839, (28.3%) represents unrestricted net assets, which may be used to meet the County's ongoing obligations to citizens and creditors.

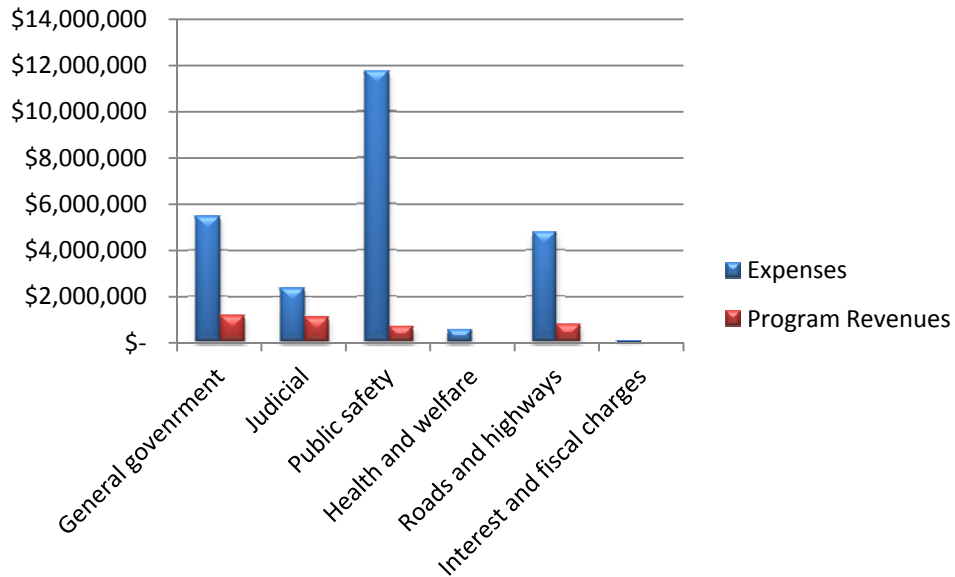
At the end of the current fiscal year, the County reported positive net assets in all three categories of net assets for its governmental activities.

Governmental Activities. Governmental activities increased the County's net assets by \$780,911 during the current fiscal year. Key elements of this increase are as follows:

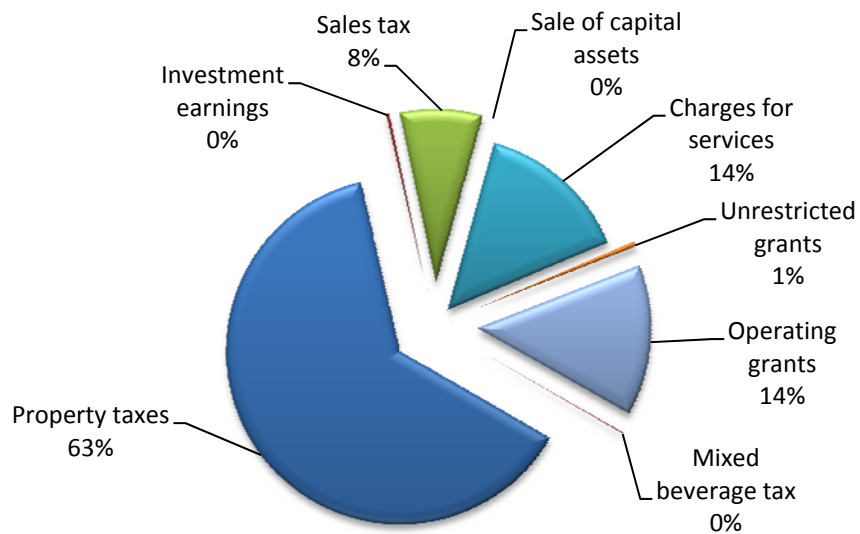
NAVARRO COUNTY, TEXAS' CHANGES IN NET ASSETS

	Governmental Activities	
	2011	2010
Revenues:		
Program Revenues:		
Charges for Services	\$ 3,670,020	\$ 4,315,233
Operating grants and contributions	3,739,851	3,096,307
General revenues:		
Property taxes	16,185,572	15,319,390
Sales tax	1,964,652	1,730,180
Taxes from the sale of alcohol	34,685	37,202
Miscellaneous	71,411	265,427
Earnings on investments	81,780	32,848
Total revenues	25,747,971	24,796,587
Expenses:		
General government	5,448,604	5,117,148
Judicial	2,366,579	2,424,728
Public safety	11,736,012	11,144,461
Health and welfare	556,640	684,043
Roads and highways	4,770,681	4,616,494
Interest on long-term debt	88,544	172,797
Total expenses	24,967,060	24,159,671
Change in net assets	780,911	636,916
Net assets, beginning	16,299,361	19,193,656
Change in accounting principle	-	(3,531,211)
Net assets, ending	\$ 17,080,272	\$ 16,299,361

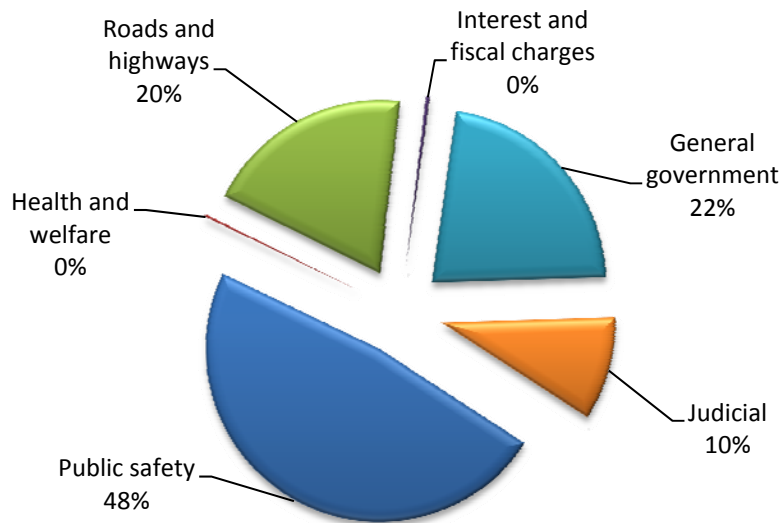
Collected charges for services decreased \$645,213 (15%). Operating grants and contributions increased by \$643,544 (20.8%), property taxes increased by \$866,182 (5.7%) and sales tax revenue increased by \$234,472 (13.6%), resulting in a net increase in total revenues of \$952,384 (3.8%). The increase in property taxes is the result of a slight 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, 2011, the County's governmental funds reported combined ending fund balances of \$6,509,967 an increase of \$678,367 in comparison with the prior year. Approximately \$3,045,402 (46.8%) of the combined fund balances constitutes unassigned fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is unspendable, restricted or committed. Fund balance is restricted for flood control (\$748,061), road and bridge (\$892,298), public safety, (\$440,895), debt service (\$90,007), and capital projects (\$356,017). Additionally, fund balance is committed for the subsequent year's budget (\$744,101) and spent on certain prepaid items (\$193,186).

The General Fund is the chief operating fund of Navarro County. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$3,045,402, while total fund balance reached \$3,982,689. The fund balance of the County's General Fund increased \$824,403 during the current fiscal year. Key factors in this growth include a slight increase in assessed property taxes which increased property tax revenues by approximately \$866,182 and increased sales tax revenues of approximately \$234,472. The increase in property and sales tax revenues, coupled with a decrease in other revenue streams and expenditures staying relatively level compared to the prior year, resulted in an increase in fund balance.

The other major fund, the HIDTA (North Texas High Intensity Drug Trafficking) Fund, has no fund balance because it is funded entirely by intergovernmental revenue on a reimbursement basis.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original expenditure budget and the final amended budget of the General Fund resulted in an increase of \$137,299 in appropriations.

During the year, actual revenues exceeded budgetary estimates by \$608,367. Actual expenditures were less than budgetary estimates by \$994,870. The net effect of over-realization of revenue and under-utilization of appropriations resulted in a positive variance of \$1,603,237.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Navarro County’s investment in capital assets for its governmental type activities as of September 30, 2011, amounts to \$11,969,040 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure. Land remained unchanged. Buildings and improvements increased by \$141,962 as a result of ARRA grants funding replacement of the jail roof with a new cool roof and 3 new HVAC systems. The Road and Bridge funds acquired \$710,733 of new equipment and traded in \$771,485 of old equipment. Infrastructure increased by \$303,400 expended on new or reconstructed bridges. Construction in progress includes the planning phase of the County Courthouse restoration.

NAVARRO COUNTY’S CAPITAL ASSETS

	Governmental Activities	
	2011	2010
Land	\$ 1,074,962	\$ 1,074,962
Construction in progress	406,316	147,333
Buildings and improvements	4,666,090	4,939,279
Machinery and equipment	3,110,627	3,219,662
Infrastructure	<u>2,711,045</u>	<u>2,868,595</u>
Total capital assets	<u>\$ 11,969,040</u>	<u>\$ 12,249,831</u>

Additional information regarding the County’s capital assets can be found in the notes to the financial statements.

Long-term Debt. At September 30, 2011, the County had total long-term debt outstanding of \$2,879,772. The County’s bonded debt carries a rating of “A1” from Moody’s Investor Services.

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

	Governmental Activities	
	2011	2010
Refunding bonds	\$ 1,935,879	\$ 2,387,349
Capital leases	611,297	592,527
Compensated absences	172,010	131,208
OPEB obligation	160,586	114,509
	\$ 2,879,772	\$ 3,225,593

The net amount of refunding bonds and capital leases decreased by \$432,700, this decrease is a result of the liquidation of outstanding bonds, net of an increase in capital leases. Additional information on Navarro County's long-term debt can be found in Note II, E on pages 31 – 34 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 74 – 75.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commissioners' Court adopted the County's budget for the fiscal year ended September 30, 2012, on September 12, 2011. The budget was adopted based on estimated balances that would be available at the end of fiscal year 2011 and estimated revenues to be received in fiscal year 2012. The total available resources for all funds for fiscal year 2012 are \$5,870,757. For the County's General Fund, the 2012 budget utilizes \$744,101 of available funds.

The 2011 property tax rate was \$0.6270/\$100 valuation, the same rate as the previous year. As a result of a 2.6% increase in taxable value, the County expects tax revenue collected during fiscal year 2011 to increase 2.5% over projected collections for fiscal year 2011. Additionally, the County's budget anticipates all other sources of revenue will remain at approximately the same levels as fiscal year 2011.

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.

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**BASIC
FINANCIAL STATEMENTS**

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NAVARRO COUNTY, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

ASSETS

Cash	\$ 4,191,193
Investments	1,758,677
Accounts receivable, net	454,096
Property taxes receivable, net	1,161,418
Due from other governments	1,010,366
Prepaid items	193,186
Bond issuance costs	47,505
Capital assets, net:	
Nondepreciable	1,481,278
Depreciable	<u>10,487,762</u>
Total assets	<u>20,785,481</u>

LIABILITIES

Accounts payable	816,056
Accrued interest	9,381
Noncurrent liabilities:	
Due within one year	696,126
Due in more than one year	<u>2,183,646</u>
Total liabilities	<u>3,705,209</u>

NET ASSETS

Invested in capital assets, net of related debt	9,430,394
Restricted for:	
Debt service	183,769
Capital projects	356,017
Public safety	763,164
Flood control	1,072,194
Road and bridge	440,895
Unrestricted	<u>4,833,839</u>
Total net assets	<u>\$ 17,080,272</u>

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

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NAVARRO COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenues and Changes in Net Assets
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary government				
Governmental activities:				
General government	\$ 5,448,604	\$ 1,153,912	\$ 365,268	\$(3,929,424)
Judicial	2,366,579	1,099,509	509,775	(757,295)
Public safety	11,736,012	675,639	2,711,380	(8,348,993)
Health and welfare	556,640	-	108	(556,532)
Roads and highways	4,770,681	740,960	153,320	(3,876,401)
Interest on long-term debt	88,544	-	-	(88,544)
Total governmental activities	24,967,060	3,670,020	3,739,851	(17,557,189)
Total primary government	\$ 24,967,060	\$ 3,670,020	\$ 3,739,851	(17,557,189)
General revenues:				
Taxes:				
Property				
				16,185,572
Sales				
				1,964,652
Mixed beverage				
				34,685
Interest on investments				
				71,411
Miscellaneous				
				81,780
Total general revenues				
				18,338,100
Change in net assets				
				780,911
Net assets, beginning				
				16,299,361
Net assets, ending				
				\$ 17,080,272

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

NAVARRO COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	General	HIDTA	Other Governmental Funds	Total
ASSETS				
Cash	\$ 2,732,618	\$ 2,146	\$ 1,456,429	\$ 4,191,193
Investments	823,321	-	935,356	1,758,677
Accounts receivable, net	418,401	-	35,695	454,096
Property taxes receivable, net	845,547	-	315,871	1,161,418
Due from other governments	730,496	262,764	17,106	1,010,366
Prepaid items	193,186	-	-	193,186
Due from other funds	185,496	-	147,688	333,184
Total assets	\$ 5,929,065	\$ 264,910	\$ 2,908,145	\$ 9,102,120
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 667,524	\$ 79,414	\$ 69,118	\$ 816,056
Due to other funds	134,082	185,496	13,606	333,184
Deferred revenue	1,144,770	-	298,143	1,442,913
Total liabilities	1,946,376	264,910	380,867	2,592,153
Fund balances:				
Nonspendable-prepaid items	193,186	-	-	193,186
Restricted for:				
Flood control	-	-	748,061	748,061
Road and bridge	-	-	892,298	892,298
Public safety	-	-	440,895	440,895
Debt service	-	-	90,007	90,007
Capital projects	-	-	356,017	356,017
Committed for subsequent year's budget	744,101	-	-	744,101
Unassigned	3,045,402	-	-	3,045,402
Total fund balances	3,982,689	-	2,527,278	6,509,967
Total liabilities and fund balances	\$ 5,929,065	\$ 264,910	\$ 2,908,145	\$ 9,102,120

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

NAVARRO COUNTY, TEXAS

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

SEPTEMBER 30, 2011

Total fund balances - governmental funds balance sheet \$ 6,509,967

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. Those assets consist of:

Land	\$ 1,074,962	
Construction in process	406,316	
Buildings and improvements, net of \$8,560,281 accumulated depreciation	4,666,090	
Machinery and equipment, net of \$4,948,007 accumulated depreciation	3,110,627	
Infrastructure, net of \$21,624,031 accumulated depreciation	<u>2,711,045</u>	
Total capital assets		11,969,040

Long-term liabilities applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized in the statement of net assets.

Accrued interest on bonds	(9,381)	
Refunding bonds payable	(1,970,000)	
Deferred loss on refunding bonds	34,121	
Capital leases payable	(611,297)	
Compensated absences	(172,010)	
Net OPEB obligation	<u>(160,586)</u>	
Total long-term liabilities		(2,889,153)

Cost associated with refunding bonds issued were reported as fund expenditures. These costs were accrued as assets in the statement of net assets.

Bond issuance costs		47,505
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Long-term assets are not available to pay for current period expenditures and, therefore are not reported in the funds.

Fines and court costs	1,082,091	
Property taxes	<u>360,822</u>	
Total long-term assets		<u>1,442,913</u>

Net assets of governmental activities		\$ <u><u>17,080,272</u></u>
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The accompanying notes are an integral part of these financial statements.

NAVARRO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General	HIDTA	Other Governmental Funds	Total Governmental
REVENUES				
Property taxes	\$ 12,699,616	\$ -	\$ 3,498,383	\$ 16,197,999
Intergovernmental	2,698,370	2,669,898	320,693	5,688,961
License and permits	-	-	740,960	740,960
Fees of office	1,399,448	-	-	1,399,448
Fines and forfeitures	580,769	-	532,198	1,112,967
Interest on investments	57,041	-	14,364	71,405
Other	469,136	-	53,900	523,036
Total revenues	17,904,380	2,669,898	5,160,498	25,734,776
EXPENDITURES				
Current:				
General government	4,758,612	-	59,817	4,818,429
Judicial	2,301,761	-	59,965	2,361,726
Public safety	8,401,267	2,669,898	-	11,071,165
Health and welfare	556,545	-	-	556,545
Roads and highways	-	-	4,225,633	4,225,633
Debt service:				
Principal	-	-	648,714	648,714
Interest and fiscal charges	-	-	104,333	104,333
Capital outlay	679,609	-	393,510	1,073,119
Intergovernmental:				
Tax increment reinvestment	388,866	-	35,944	424,810
Total expenditures	17,086,660	2,669,898	5,527,916	25,284,474
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	817,720	-	(367,418)	450,302
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	6,683	-	13,898	20,581
Capital lease issued	-	-	207,484	207,484
Total other financing sources and uses	6,683	-	221,382	228,065
NET CHANGE IN FUND BALANCES	824,403	-	(146,036)	678,367
FUND BALANCES, BEGINNING	3,158,286	-	2,673,314	5,831,600
FUND BALANCES, ENDING	\$ 3,982,689	\$ -	\$ 2,527,278	\$ 6,509,967

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

NAVARRO COUNTY, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

Net change in fund balances - total governmental funds		\$ 678,367
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 1,257,528	
Retirement of capital assets	(290,224)	
Depreciation expense	<u>(1,248,095)</u>	
Net adjustment		(280,791)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:		
Certificates of obligation	460,000	
Capital lease	<u>188,714</u>	
Net adjustment		648,714

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Accounts receivable:		
Fines and court costs	25,622	
Property taxes	<u>(12,427)</u>	
Net adjustment		13,195

The issuance of long-term debt (e.g., capital 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.

(207,484)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are recognized for transactions that are normally paid with expendable, available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized as an expenditure under the modified accrual basis of accounting until due, rather than as it accrues.

Interest on long-term debt	36,196	
Compensated absences	(40,802)	
OPEB obligation	(46,077)	
Amortization of bond issuance costs	<u>(20,407)</u>	
Net adjustment		<u>(71,090)</u>

Change in net assets of governmental activities		\$ <u>780,911</u>
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The accompanying notes are an integral part of these financial statements.

NAVARRO COUNTY, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
SEPTEMBER 30, 2011

ASSETS

Cash	\$ 3,977,485
Investments	<u>535,643</u>
Total assets	<u>\$ 4,513,128</u>

LIABILITIES

Due to others	\$ <u>4,513,128</u>
Total liabilities	<u>\$ 4,513,128</u>

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

NAVARRO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Navarro 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 governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. 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).

A financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the elected officials of the County are financially accountable, or the relationship to the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the County's operations and so data from these units are combined with data of the County. Each discretely presented component unit on the other hand, is reported in a separate column under component unit on the government-wide statements to emphasize that it is legally separate from the primary government.

No component units are reported in this financial report for the fiscal year ended September 30, 2011.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements

The government-wide statements include the statement of net assets and the statement of activities. Government-wide statements report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions.

The statement of activities reflects the degree to which the direct expenses of the given function or segment is 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 and fiduciary funds even though the latter are excluded from the government-wide financial statement. The General Fund and the HIDTA Grant Fund meet criteria as major governmental funds. Each major fund is reported as a separate column in the fund financial statements. Nonmajor funds include other Special Revenue, Capital Projects and Debt Service funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within combining and individual fund statements and schedules.

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

The government-wide fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the fiscal year for which the taxes are levied. Major revenue types that have been accrued are district clerk and county clerk fees, justice of the peace fees, intergovernmental revenues and charges for services. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property taxes, sales taxes, licenses and interest associated with the current fiscal period are 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 government.

The County reports the following major governmental funds:

The ***General Fund*** is the County's primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

The ***HIDTA Grant Fund*** accounts for all activities related to the North Texas High Intensity Drug Trafficking Area (HIDTA) through a grant from the Federal Office of National Control Policy. The purpose of this grant is to provide resources to help federal, state and local law enforcement organizations invest in infrastructure and joint initiatives to confront drug-trafficking organizations in North Texas.

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

The County records investments at fair value in accordance with 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 and 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" or "due from" other funds. Interfund activity reflected in "due to" or "due from" other funds is eliminated in the government-wide statements.

Property taxes are levied based on taxable value at the prior January 1 and become due on October 1 of the year in which assessed. Taxes are due and payable, without penalty or interest, from October 1 of the year in which levied until January 31 of the following year. Accordingly, receivables and revenues for property taxes are reflected in the government-wide statements based on the full accrual method of accounting. Property tax receivables for the prior year's levy are shown net of an allowance for uncollectible amounts.

Accounts receivables from other governments include amounts due from grantor agencies for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include land, buildings and improvements, machinery and equipment, and infrastructure assets (e.g., roads and bridges), are reported in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure assets include County-owned roads and bridges.

In the case of the initial capitalization of infrastructure assets, the County chose to include all such items regardless of their acquisition date or amount. The County was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the County constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and recorded at historical cost. The reported cost excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the County values these capital assets at the estimated fair value of the item at the date of its donation.

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

<u>Assets</u>	<u>Years</u>
Buildings	30
Infrastructure	25
Furniture and fixtures	10
Trucks	10
General equipment	5
Computer hardware	5
Cars	5

5. *Compensated Absences*

It is the County's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees separate from service with the County.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. *Compensated Absences* (Continued)

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.

Vacation pay is accrued when incurred in the government-wide financial statements. A liability for this amount is reported in the 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 under governmental activities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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 Balance*

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. *Fund Balance* (Continued)

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by resolution of Commissioners' Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent is determined by Commissioners' Court.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

8. *Net Assets*

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

9. *Estimates*

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

II. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

As of September 30, 2011, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 2,294,110	34

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

The County's investment pools represent investments in TexPool, investment pools for state and local governments in Texas. The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an Advisory Board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

TexPool is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value is the same as the value of shares.

Interest Rate Risk – In accordance with its investment policy, the County manages its exposure to declines in fair market values by limiting the average dollar weighted maturity of its investment portfolios to a maximum of 270 days.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and Investments (Continued)

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2011, the County’s deposit balance was collateralized with securities held by the pledging financial institution in the County’s name or by FDIC insurance.

Credit Risk – It is the County’s policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The County’s investment pool is rated AAAM by Standard & Poor’s Investors Service.

B. Property Taxes and Other Receivables

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Property taxes are levied by October 1 of the year in which assessed, or as soon thereafter as practicable. Taxes are due and payable, without penalty or interest, from October 1 of the year in which levied until January 31 of the following year. Taxes become delinquent February 1 of each year and are subject to simple interest and penalty of 7% in February, 9% in March, 11% in April, 13% in May, 15% in June, 18 % in July and interest continues to accrue at 1% per month.

The County’s taxes on real property are a lien against such property until paid. The County may foreclose on real property upon which it has a lien for unpaid taxes. The exception is homestead property belonging to persons 65 years of age or older who file for deferral or abatement. The County does make considerable effort to collect delinquent taxes before foreclosure proceedings. Delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title of the property.

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

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

B. Property Taxes and Other Receivables (Continued)

Collections of the property taxes and subsequent remittances to the proper entities are accounted for in the Tax Assessor and Collector’s Agency Fund. Tax collections deposited for the County are distributed to the General, Road and Bridge, Flood Control and Debt Service Funds of the County. This distribution is based on the tax rate established for each fund by order of the Commissioners Court for the tax year for which the collections are made.

The County participates in Tax Increment Finance (TIF) Districts. When a TIF District is created, with the approval of all participating governmental entities, the property included in the District has its assessed valuation frozen at that time for the duration of the District. As projects are developed, increasing the assessed valuation of the property, the incremental increases are returned to the entity which initially financed the improvements, i.e., County contribution, County bond funds or developer advances.

The following is a summary by fund of delinquent taxes receivable at September 30, 2011.

Property taxes receivable:	
General fund	\$ 901,759
Road and bridge funds	206,747
Debt service fund	113,164
Flood control fund	17,434
Less: allowance for uncollectibles	(77,686)
	<u>\$ 1,161,418</u>

Article VIII, Section 9 of the Texas Constitution imposes a limit of \$0.80 per \$100 assessed valuation for general governmental services, including the payment of premium and interest on general obligation long-term debt in the Jury, General, Permanent Improvement and Road and Bridge Funds. In addition, a Special Road Tax of \$0.15 per \$100 valuation has been authorized by Article 6790, VACS, and a Farm-to-Market and Lateral Road Tax of \$0.30 per \$100 valuation has been authorized by Article 7048a, VACS; however, of a total tax rate of \$1.25 authorized for the County, only \$0.6270 was levied for the 2010 tax roll.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

B. Property Taxes and Other Receivables (Continued)

Receivables at year-end for the government's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Miscellaneous	\$ 65,580	\$ 35,695	\$ 101,275
Court fines	<u>17,641,062</u>	<u>-</u>	<u>17,641,062</u>
	<u>17,706,642</u>	<u>35,695</u>	<u>17,742,337</u>
Less: allowance for uncollectibles	<u>17,288,241</u>	<u>-</u>	<u>17,288,241</u>
	<u>17,288,241</u>	<u>-</u>	<u>17,288,241</u>
Total	<u>\$ 418,401</u>	<u>\$ 35,695</u>	<u>\$ 454,096</u>

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* reported in the governmental funds were as follows:

	<u>Unavailable</u>
General fund	
Delinquent property taxes	\$ 783,949
Court fines	<u>360,821</u>
Total general fund	<u>1,144,770</u>
Nonmajor governmental funds	
Delinquent property taxes	<u>298,143</u>
Total nonmajor governmental funds	<u>298,143</u>
Total governmental funds	<u>\$ 1,442,913</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital assets activity for the year ended September 30, 2011, are as follows:

Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,074,962	\$ -	\$ -	\$ 1,074,962
Construction in progress	147,333	258,983	-	406,316
Total assets not being depreciated	<u>1,222,295</u>	<u>258,983</u>	<u>-</u>	<u>1,481,278</u>
Capital assets, being depreciated:				
Buildings and improvements	13,084,409	141,962	-	13,226,371
Machinery and equipment	8,119,386	710,733	771,485	8,058,634
Infrastructure	24,189,226	145,850	-	24,335,076
Total capital assets being depreciated	<u>45,393,021</u>	<u>998,545</u>	<u>771,485</u>	<u>45,620,081</u>
Less accumulated depreciation:				
Buildings and improvements	(8,145,130)	(415,151)	-	(8,560,281)
Machinery and equipment	(4,899,724)	(529,544)	(481,261)	(4,948,007)
Infrastructure	(21,320,631)	(303,400)	-	(21,624,031)
Total accumulated depreciation	<u>(34,365,485)</u>	<u>(1,248,095)</u>	<u>(481,261)</u>	<u>(35,132,319)</u>
Total capital assets being depreciated, net	<u>11,027,536</u>	<u>(249,550)</u>	<u>290,224</u>	<u>10,487,762</u>
Governmental activities capital assets, net	<u>\$ 12,249,831</u>	<u>\$ 9,433</u>	<u>\$ 290,224</u>	<u>\$ 11,969,040</u>

Depreciation expense for fiscal year 2011 was charged to functions and programs of the County as follows:

General government	\$ 67,179
Public safety	641,898
Roads and highways	<u>539,018</u>
	<u>\$ 1,248,095</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Receivables and Payables

In the fund financial statements, interfund balances are the result of normal transactions between funds that will be liquidated in the subsequent fiscal year. The following is a summary of amounts due from and due to other funds:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	HIDTA	\$ 185,496
General	Nonmajor governmental	134,082
Nonmajor governmental	Nonmajor governmental	<u>13,606</u>
		<u>\$ 333,184</u>

Expenditures incurred for the HIDTA grant program are paid by the General Fund and reimbursed by the granting agency. As a result, appropriate interfund balance entries are recorded to reflect these activities. The interfund balance between the General Fund and Nonmajor governmental funds resulted from the time lag between the dates that payments between funds were made.

E. Long-term Debt

General obligation refunding bonds are direct obligations and pledge the full faith and credit of the government. The refunding bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Debt reduction	3.0 - 3.5%	\$ 1,970,000

Annual debt service requirements to maturity for the refunding bonds are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 470,000	\$ 58,095	\$ 528,095
2013	480,000	43,010	523,010
2014	490,000	26,880	516,880
2015	<u>530,000</u>	<u>9,275</u>	<u>539,275</u>
Total	<u>\$ 1,970,000</u>	<u>\$ 137,260</u>	<u>\$ 2,107,260</u>

In fiscal year 2005, the County defeased certain bonds by placing the proceeds of the new bonds in an irrevocable trust to provide future debt service payments on the old bonds. As of September 30, 2011, the County does not have bonds considered defeased and outstanding.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Capital Lease Obligation (Continued)

Capital lease obligations as of September 30, 2011, are composed of the following individual issues:

Equipment lease with the original principal amount of \$167,478; payable in monthly installments of \$3,849, including principal and interest at 4.90%, due September 1, 2013; secured by one Caterpillar motor grader purchased during fiscal year 2009.	\$ 87,832
Equipment lease with the original principal amount of \$28,895; payable in monthly installments of \$665, including principal and interest at 4.99%, due September 1, 2013; secured by one belly dump trailer purchased in fiscal 2009.	15,166
Equipment lease with the original principal amount of \$175,501; payable in monthly installments of \$2,787, including principal and interest at 5.19%, due September 1, 2013; secured by two 2009 GU Mack trucks purchased during fiscal year 2009.	122,172
Equipment lease with the original principal amount of \$37,400; payable in monthly installments of \$835, including principal and interest at 3.4%, due November 1, 2013; secured by a Kubota tractor, loader and bucket purchased during fiscal year 2010.	20,889
Equipment lease with the original principal amount of \$130,200; payable in monthly installments of \$2,905, including principal and interest at 3.4%, due November 1, 2014; secured by one Case motor grader purchased during fiscal year 2010.	75,407
Equipment lease with the original principal amount of \$87,815; payable in monthly installments of \$1,622, including principal and interest at 4.12%, due March 1, 2015; secured by one John Deere backhoe purchased during fiscal year 2010.	63,343

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Equipment lease with the original principal amount of \$80,375; payable in monthly installments of \$1,811, including principal and interest at 3.88%, due May 1, 2014; secured by one Case backhoe purchased in fiscal 2010.	\$ 54,963
Equipment lease with the original principal amount of \$34,310; payable in monthly installments of \$814, including principal and interest at 6.50%, due November 15, 2014; secured by one John Deere tractor mower purchased during fiscal year 2011.	27,877
Equipment lease with the original principal amount of \$173,174; payable in monthly installments of \$3,150, including principal and interest at 3.50%, due October 1, 2015; secured by one Case motograder purchased during fiscal year 2011.	<u>143,648</u>
Total capital leases	<u>\$ 611,297</u>

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Machinery and equipment	\$ 863,945
Less: accumulated depreciation	<u>(128,761)</u>
Balance	<u>\$ 735,184</u>

The annual debt service requirements to maturity for capital lease obligations are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 200,254	\$ 20,691	\$ 220,945
2013	208,539	12,409	220,948
2014	119,585	5,451	125,036
2015	77,024	5,268	82,292
2016	<u>5,895</u>	<u>17</u>	<u>5,912</u>
	<u>\$ 611,297</u>	<u>\$ 43,836</u>	<u>\$ 655,133</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2011, was as follows:

	Balance 09/30/10	Additions	Reductions	Balance 09/30/11	Due Within One Year
Bonds payable:					
G.O. Refunding - 2005	\$ 2,430,000	\$ -	\$ 460,000	\$ 1,970,000	\$ 470,000
Deferred loss on refunding	(42,651)	-	(8,530)	(34,121)	(8,530)
Capital leases	592,527	207,484	188,714	611,297	200,254
Compensated absences	131,208	172,010	131,208	172,010	34,402
OPEB obligation	<u>114,509</u>	<u>76,179</u>	<u>30,102</u>	<u>160,586</u>	<u>-</u>
Governmental activity liabilities	<u>\$ 3,225,593</u>	<u>\$ 455,673</u>	<u>\$ 801,494</u>	<u>\$ 2,879,772</u>	<u>\$ 696,126</u>

The compensated absences and OPEB liability attributable to the governmental activities was liquidated primarily by the General Fund and Road and Bridge Funds in prior years.

III. OTHER INFORMATION

A. Risk Management

The County maintains third party insurance coverage for general liability, property, automobile liability, public officials' liability, employee health and workers' compensation. There was no significant change in coverage from the prior year and settlements did not exceed insurance coverage for fiscal years 2009, 2010, or 2011.

B. Contingent Liabilities and Commitments

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

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

(continued)

III. OTHER INFORMATION (Continued)

C. Employee Retirement System

Plan Description

Navarro County provides retirement 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 618 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

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

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

Funding Policy

Navarro County has elected the annually determined contribution rate (variable-rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

(continued)

III. OTHER INFORMATION (Continued)

C. Employee Retirement System (Continued)

The County contributed using the actuarially determined rate of 9.20% for the months of the accounting year in 2010, and 9.21% for the months of the accounting year in 2011.

The deposit rate payable by the employee members for calendar year 2010 and 2011 is the rate of 7.00% as adopted by the Commissioners Court.

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, 2008 and December 31, 2009, the basis for determining the contribution rates for calendar years 2010 and 2011. The December 31, 2010 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actual Valuation Date	12/31/08	12/31/09	12/31/10
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period in years	20	20	20
Asset valuation method	SAF: 10-yr smoothed value, ESF: fund value	SAF: 10-yr smoothed value, ESF: fund value	SAF: 10-yr smoothed value, ESF: fund value
Actuarial Assumptions:			
Investment return*	8.0%	8.0%	8.0%
Projected salary increases	5.3%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

* Includes inflation at the stated rate

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

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/2009	\$ 913,179	100%	-
09/30/2010	911,796	100%	-
09/30/2011	1,068,197	100%	-

(continued)

III. OTHER INFORMATION (Continued)

C. Employee Retirement System (Continued)

The funded status as of December 31, 2010, is presented as follows:

<u>Year</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (1) (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2010	\$ 29,321,848	\$ 33,542,132	\$ 4,220,284	87.42%	\$ 11,610,840	36.35%

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

D. Postemployment Health Care

Plan description and Funding Policy. In addition to the pension benefits described above, the Commissioners Court established a medical insurance benefit plan for retirees. The County administers this single-employer defined benefit medical plan (“the Retiree Medical Plan”). The Retiree Medical Plan does not issue a publicly available financial report. Eligible retirees will be provided medical insurance benefits and eligible retirees may also cover their eligible dependents if elected within 60 days. Retirees are responsible for paying the premiums. A retiree is defined as someone who is receiving lifetime monthly Texas County and District retirement pension benefit payments and who retired directly from active employment with Navarro County. The County will stop insurance coverage on the retiree and dependent on the last day of the month when one of the following occurs”

1. the retiree reaches age 65; or
2. the retiree fails to submit the required set premium rate.

(continued)

III. OTHER INFORMATION (Continued)

D. Postemployment Health Care (Continued)

Annual OPEB Cost and Net OPEB Obligation. The County's annual other postemployment benefit (OPEB) cost is calculated based on annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's OPEB obligation to the postemployment medical plan.

Fiscal Year	<u>2011</u>
Annual Required Contribution (ARC)	\$ 75,800
Interest on Net OPEB Obligation	5,153
Adjustment to the ARC	(4,774)
Annual OPEB Cost	76,179
Contributions Made	(30,102)
Increase in Net OPEB Obligation	46,077
Net OPEB Obligation, beginning of year	<u>114,509</u>
Net OPEB Obligation, ending of year	<u>\$ 160,586</u>

The County's annual OPEB cost, amount contributed to the plan, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending September 30, 2009, 2010 and 2011, are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Employer Amount Contributed</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
09/30/2009	\$ 69,942	\$ 10,790	15.4%	\$ 59,152
09/30/2010	72,236	16,879	23.4%	114,509
09/30/2011	76,179	30,102	39.5%	160,586

Funded Status and Funding Progress. The funding status of the post employment medical plan as of the most recent actuarial valuation date is as follows:

<u>Actuarial Valuation Date as of 12/31</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio a/b</u>	<u>Covered Payroll</u>	<u>UAAC as a Percentage of Covered Payroll</u>
2010	\$ -	\$ 691,249	\$ 691,249	0.0%	\$ 11,610,840	5.95%

(continued)

III. OTHER INFORMATION (Continued)

D. Postemployment Health Care (Continued)

Actuarial valuation of an ongoing plan involve estimates of the value reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress presents multi-trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

Inflation rate	3.00% per annum
Investment rate of return	4.50%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Salary growth	3.00% per annum
Health care cost trend rate	Initial rate of 9.0% declining to an ultimate rate of 4.50% after 9 years

E. Accounting Change

For fiscal year 2011, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the County reclassifying fund balances of its governmental funds.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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NAVARRO COUNTY, TEXAS

GENERAL FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 12,561,014	\$ 12,561,014	\$ 12,699,616	\$ 138,602
Intergovernmental	2,221,214	2,281,214	2,698,370	417,156
Fees of office	1,461,300	1,461,300	1,399,448	(61,852)
Fines and forfeitures	620,000	620,000	580,769	(39,231)
Interest on investments	20,000	20,000	57,041	37,041
Other	352,485	352,485	469,136	116,651
Total revenues	17,236,013	17,296,013	17,904,380	608,367
EXPENDITURES				
General government:				
Salaries	1,792,108	1,790,406	1,783,648	6,758
Benefits	623,739	623,302	614,438	8,864
Supplies	202,300	200,285	179,120	21,165
Other services	2,928,146	3,020,786	2,440,389	580,397
Capital outlay	1,000	1,000	1,300	(300)
Intergovernmental	220,000	220,000	388,866	(168,866)
Total general government	5,767,293	5,855,779	5,407,761	448,018
Judicial:				
Salaries	1,244,922	1,240,479	1,228,473	12,006
Benefits	393,248	387,503	369,751	17,752
Supplies	32,870	34,220	26,213	8,007
Other services	830,539	828,189	677,324	150,865
Total judicial	2,501,579	2,490,391	2,301,761	188,630
Public safety:				
Salaries	4,953,855	4,953,855	4,851,482	102,373
Benefits	1,917,542	1,918,646	1,829,868	88,778
Supplies	825,228	860,570	820,802	39,768
Other services	1,068,567	1,054,727	925,115	129,612
Capital outlay	273,700	317,684	393,326	(75,642)
Total public safety	9,038,892	9,105,482	8,820,593	284,889
Health and welfare:				
Salaries	68,760	68,760	20,378	48,382
Benefits	25,159	25,159	6,933	18,226
Supplies	2,200	2,200	23	2,177
Other services	540,348	533,759	529,211	4,548
Total health and welfare	636,467	629,878	556,545	73,333
Total expenditures	17,944,231	18,081,530	17,086,660	994,870
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(708,218)	(785,517)	817,720	1,603,237
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	6,683	6,683	6,683	-
Total other financing sources and uses	6,683	6,683	6,683	-
NET CHANGE IN FUND BALANCES	(701,535)	(778,834)	824,403	1,603,237
FUND BALANCES, BEGINNING	3,158,286	3,158,286	3,158,286	-
FUND BALANCES, ENDING	\$ 2,456,751	\$ 2,379,452	\$ 3,982,689	\$ 1,603,237

NAVARRO COUNTY, TEXAS

NOTES TO BUDGETARY SCHEDULE

SEPTEMBER 30, 2011

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the HIDTA Grant, TDRA Grant, Victim Assistance Grant, and Capital Projects Funds, which adopt project-length budgets. All annual appropriations lapse at the end of the fiscal year.

Elected officials and department heads submit requests for appropriations to the budget officer, the County Judge, so that a budget may be prepared. The proposed budget is presented to the Commissioners Court for review by the second Monday in July. The Commissioners Court holds public work sessions and public hearings. A final budget must be prepared and adopted no later than September 30.

The appropriated budget is prepared by fund, function and department. The County's department heads may make transfers of appropriations within a department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

Encumbrance accounting, under which funds are reserved for purchase orders, contracts and other commitments, is employed in the General and Special Revenue funds. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitment will be honored in the next fiscal year. Such encumbrances are reappropriated in the next budget year. There were no outstanding encumbrances at year-end.

NAVARRO COUNTY, TEXAS

SCHEDULE OF FUNDING PROGRESS FOR EMPLOYEE RETIREMENT SYSTEM

SEPTEMBER 30, 2011

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/08	\$ 25,927,537	\$ 29,671,166	\$ 3,743,629	87.38%	\$ 10,952,548	34.18%
12/31/09	28,700,312	32,324,787	3,624,475	88.79%	11,397,444	31.80%
12/31/10	29,321,848	33,542,132	4,220,284	87.42%	11,610,840	36.35%

NAVARRO COUNTY, TEXAS

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

SEPTEMBER 30, 2011

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/08	\$ -	\$ 512,204	\$ 512,204	- %	\$ 10,952,548	4.68%
12/31/10	-	691,249	691,249	- %	11,610,840	5.95%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

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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.

Flood Control Fund – This fund is used to account for revenues and expenditures relating to specific flood control projects. Revenues in this fund are derived from restricted property taxes.

Road and Bridge Funds – These funds, reported by Commissioners' Precinct, are used to account for revenues and expenditures relating to road construction and maintenance. Revenues in these funds are derived from restricted property taxes.

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*.

TDRA Grant Fund – This fund is used to account for revenues and expenditures relating to the Texas Department of Rural Affairs Program related to flood repairs.

Victim Assistance Grant Fund – This fund is used to account for a grant from the Texas Office of Attorney General for a special victim coordinator.

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.

NAVARRO COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	<u>Flood Control</u>	<u>Road and Bridge Precinct 1</u>	<u>Road and Bridge Precinct 2</u>	<u>Road and Bridge Precinct 3</u>
ASSETS				
Cash	\$ 744,736	\$ 33,514	\$ 160,469	\$ 14,408
Investments	2,111	131,266	175,199	146,478
Accounts receivable	-	8,925	8,920	8,925
Property taxes receivable, net	16,317	48,447	48,449	48,448
Due from other governments	-	-	-	-
Due from other funds	<u>-</u>	<u>36,922</u>	<u>36,922</u>	<u>36,922</u>
Total assets	<u>\$ 763,164</u>	<u>\$ 259,074</u>	<u>\$ 429,959</u>	<u>\$ 255,181</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 29,370	\$ 13,558	\$ 2,908
Due to other funds	-	-	-	-
Deferred revenue	<u>15,103</u>	<u>44,974</u>	<u>44,974</u>	<u>44,975</u>
Total liabilities	<u>15,103</u>	<u>74,344</u>	<u>58,532</u>	<u>47,883</u>
Fund balances:				
Restricted for:				
Flood control	748,061	-	-	-
Road and bridge	-	184,730	371,427	207,298
Public safety	-	-	-	-
Debt service	-	-	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>748,061</u>	<u>184,730</u>	<u>371,427</u>	<u>207,298</u>
Total liabilities and fund balances	<u>\$ 763,164</u>	<u>\$ 259,074</u>	<u>\$ 429,959</u>	<u>\$ 255,181</u>

Road and Bridge Precinct 4	District Attorney Forfeiture	Sheriff Seizure	TDRA Grant	Victim Assistance Grant	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
\$ 52,697	\$ 13,362	\$ 170,648	\$ -	\$ -	\$ 15,284	\$ 251,311	\$ 1,456,429
45,959	109,845	147,689	-	-	72,103	104,706	935,356
8,925	-	-	-	-	-	-	35,695
48,447	-	-	-	-	105,763	-	315,871
-	-	-	3,500	13,606	-	-	17,106
<u>36,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>147,688</u>
<u>\$ 192,950</u>	<u>\$ 123,207</u>	<u>\$ 318,337</u>	<u>\$ 3,500</u>	<u>\$ 13,606</u>	<u>\$ 193,150</u>	<u>\$ 356,017</u>	<u>\$ 2,908,145</u>
\$ 19,133	\$ -	\$ 649	\$ 3,500	\$ -	\$ -	\$ -	\$ 69,118
-	-	-	-	13,606	-	-	13,606
44,974	-	-	-	-	103,143	-	298,143
<u>64,107</u>	<u>-</u>	<u>649</u>	<u>3,500</u>	<u>13,606</u>	<u>103,143</u>	<u>-</u>	<u>380,867</u>
-	-	-	-	-	-	-	748,061
128,843	-	-	-	-	-	-	892,298
-	123,207	317,688	-	-	-	-	440,895
-	-	-	-	-	90,007	-	90,007
-	-	-	-	-	-	356,017	356,017
<u>128,843</u>	<u>123,207</u>	<u>317,688</u>	<u>-</u>	<u>-</u>	<u>90,007</u>	<u>356,017</u>	<u>2,527,278</u>
<u>\$ 192,950</u>	<u>\$ 123,207</u>	<u>\$ 318,337</u>	<u>\$ 3,500</u>	<u>\$ 13,606</u>	<u>\$ 193,150</u>	<u>\$ 356,017</u>	<u>\$ 2,908,145</u>

NAVARRO COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Flood Control</u>	<u>Road and Bridge Precinct 1</u>	<u>Road and Bridge Precinct 2</u>	<u>Road and Bridge Precinct 3</u>
REVENUES				
Property taxes	\$ 233,823	\$ 686,584	\$ 686,583	\$ 686,585
Intergovernmental	-	25,830	25,830	25,830
Licenses and permits	-	185,240	185,240	185,240
Fines and forfeitures	-	120,059	120,059	120,059
Interest on investments	3,365	1,614	1,813	1,679
Other	-	1,471	659	50,000
Total revenues	<u>237,188</u>	<u>1,020,798</u>	<u>1,020,184</u>	<u>1,069,393</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial	-	-	-	-
Roads and highways	223,903	932,033	909,214	963,278
Debt service:				
Principal	-	76,787	60,209	35,179
Interest	-	16,044	6,399	5,932
Capital outlay	-	207,474	52,108	109,150
Intergovernmental:				
Tax increment reinvestment	-	8,986	8,986	8,986
Total expenditures	<u>223,903</u>	<u>1,241,324</u>	<u>1,036,916</u>	<u>1,122,525</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>13,285</u>	<u>(220,526)</u>	<u>(16,732)</u>	<u>(53,132)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	13,898	-	-
Capital lease issued	-	207,484	-	-
Total other financing sources (uses)	<u>-</u>	<u>221,382</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	13,285	856	(16,732)	(53,132)
FUND BALANCES, BEGINNING	<u>734,776</u>	<u>183,874</u>	<u>388,159</u>	<u>260,430</u>
FUND BALANCES, ENDING	<u>\$ 748,061</u>	<u>\$ 184,730</u>	<u>\$ 371,427</u>	<u>\$ 207,298</u>

<u>Road and Bridge Precinct 4</u>	<u>District Attorney Forfeiture</u>	<u>Sheriff Seizure</u>	<u>TDRA Grant</u>	<u>Victim Assistance Grant</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 686,582	\$ -	\$ -	\$ -	\$ -	\$ 518,226	\$ -	\$ 3,498,383
25,830	-	-	157,556	59,817	-	-	320,693
185,240	-	-	-	-	-	-	740,960
120,059	41,401	10,561	-	-	-	-	532,198
1,497	252	1,177	-	-	1,494	1,473	14,364
1,438	-	-	-	-	-	332	53,900
<u>1,020,646</u>	<u>41,653</u>	<u>11,738</u>	<u>157,556</u>	<u>59,817</u>	<u>519,720</u>	<u>1,805</u>	<u>5,160,498</u>
-	-	-	-	59,817	-	-	59,817
-	33,136	26,829	-	-	-	-	59,965
1,039,649	-	-	157,556	-	-	-	4,225,633
16,539	-	-	-	-	460,000	-	648,714
2,929	-	-	-	-	73,029	-	104,333
-	-	24,778	-	-	-	-	393,510
8,986	-	-	-	-	-	-	35,944
<u>1,068,103</u>	<u>33,136</u>	<u>51,607</u>	<u>157,556</u>	<u>59,817</u>	<u>533,029</u>	<u>-</u>	<u>5,527,916</u>
(47,457)	8,517	(39,869)	-	-	(13,309)	1,805	(367,418)
-	-	-	-	-	-	-	13,898
-	-	-	-	-	-	-	207,484
-	-	-	-	-	-	-	221,382
(47,457)	8,517	(39,869)	-	-	(13,309)	1,805	(146,036)
<u>176,300</u>	<u>114,690</u>	<u>357,557</u>	<u>-</u>	<u>-</u>	<u>103,316</u>	<u>354,212</u>	<u>2,673,314</u>
<u>\$ 128,843</u>	<u>\$ 123,207</u>	<u>\$ 317,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,007</u>	<u>\$ 356,017</u>	<u>\$ 2,527,278</u>

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**BUDGETARY
COMPARISON SCHEDULES**

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NAVARRO COUNTY, TEXAS

FLOOD CONTROL

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 235,779	\$ 235,779	\$ 233,823	\$(1,956)
Interest on investments	<u>2,000</u>	<u>2,000</u>	<u>3,365</u>	<u>1,365</u>
Total revenues	<u>237,779</u>	<u>237,779</u>	<u>237,188</u>	<u>(591)</u>
EXPENDITURES				
Roads and highways:				
Other services	<u>400,000</u>	<u>400,000</u>	<u>223,903</u>	<u>176,097</u>
Total expenditures	<u>400,000</u>	<u>400,000</u>	<u>223,903</u>	<u>176,097</u>
NET CHANGE IN FUND BALANCES	(162,221)	(162,221)	13,285	175,506
FUND BALANCES, BEGINNING	<u>734,776</u>	<u>734,776</u>	<u>734,776</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 572,555</u>	<u>\$ 572,555</u>	<u>\$ 748,061</u>	<u>\$ 175,506</u>

NAVARRO COUNTY, TEXAS

ROAD AND BRIDGE FUND - PRECINCT 1

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 681,307	\$ 681,307	\$ 686,584	\$ 5,277
Intergovernmental	23,000	23,000	25,830	2,830
License and permits	225,000	225,000	185,240	(39,760)
Fines and forfeitures	135,000	135,000	120,059	(14,941)
Interest on investments	1,000	1,000	1,614	614
Other	-	-	1,471	1,471
Total revenues	1,065,307	1,065,307	1,020,798	(44,509)
EXPENDITURES				
Roads and highways:				
Salaries	327,752	301,252	269,623	31,629
Benefits	122,043	122,043	98,310	23,733
Supplies	414,000	405,500	408,113	(2,613)
Other services	105,300	150,800	145,392	5,408
Debt service:				
Principal	40,797	90,841	87,382	3,459
Interest	5,395	12,804	16,044	(3,240)
Capital outlay	49,000	1,547	207,474	(205,927)
Intergovernmental	-	-	8,986	(8,986)
Total expenditures	1,064,287	1,084,787	1,241,324	(156,537)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	1,020	(19,480)	(220,526)	(201,046)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	13,898	13,898
Capital lease issued	-	-	207,484	207,484
Total other financing sources (uses)	-	-	221,382	221,382
NET CHANGE IN FUND BALANCES	1,020	(19,480)	856	20,336
FUND BALANCES, BEGINNING	183,874	183,874	183,874	-
FUND BALANCES, ENDING	\$ 184,894	\$ 164,394	\$ 184,730	\$ 20,336

NAVARRO COUNTY, TEXAS

ROAD AND BRIDGE FUND - PRECINCT 2

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 681,307	\$ 681,307	\$ 686,583	\$ 5,276
Intergovernmental	23,000	23,000	25,830	2,830
License and permits	225,000	225,000	185,240	(39,760)
Fines and forfeitures	135,000	135,000	120,059	(14,941)
Interest on investments	1,000	1,000	1,813	813
Other	-	-	659	659
Total revenues	<u>1,065,307</u>	<u>1,065,307</u>	<u>1,020,184</u>	<u>(45,123)</u>
EXPENDITURES				
Roads and highways:				
Salaries	372,971	372,971	331,497	41,474
Benefits	156,682	156,682	129,691	26,991
Supplies	365,000	358,000	317,596	40,404
Other services	404,100	404,100	130,430	273,670
Debt service:				
Principal	60,527	60,527	60,209	318
Interest	6,081	6,081	6,399	(318)
Capital outlay	-	7,000	52,108	(45,108)
Intergovernmental	-	-	8,986	(8,986)
Total expenditures	<u>1,365,361</u>	<u>1,365,361</u>	<u>1,036,916</u>	<u>328,445</u>
NET CHANGE IN FUND BALANCES	(300,054)	(300,054)	(16,732)	283,322
FUND BALANCES, BEGINNING	<u>388,159</u>	<u>388,159</u>	<u>388,159</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 88,105</u>	<u>\$ 88,105</u>	<u>\$ 371,427</u>	<u>\$ 283,322</u>

NAVARRO COUNTY, TEXAS

ROAD AND BRIDGE FUND - PRECINCT 3

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 681,307	\$ 681,307	\$ 686,585	\$ 5,278
Intergovernmental	23,000	23,000	25,830	2,830
License and permits	225,000	225,000	185,240	(39,760)
Fines and forfeitures	135,000	135,000	120,059	(14,941)
Interest on investments	1,000	1,000	1,679	679
Other	-	-	50,000	50,000
Total revenues	1,065,307	1,065,307	1,069,393	4,086
EXPENDITURES				
Roads and highways:				
Salaries	361,545	361,545	353,646	7,899
Benefits	148,198	148,198	140,748	7,450
Supplies	474,000	475,000	366,255	108,745
Other services	114,163	113,163	102,629	10,534
Debt service:				
Principal	33,280	33,280	35,179	(1,899)
Interest	8,073	8,073	5,932	2,141
Capital outlay	-	-	109,150	(109,150)
Intergovernmental	-	-	8,986	(8,986)
Total expenditures	1,139,259	1,139,259	1,122,525	16,734
NET CHANGE IN FUND BALANCES	(73,952)	(73,952)	(53,132)	20,820
FUND BALANCES, BEGINNING	260,430	260,430	260,430	-
FUND BALANCES, ENDING	\$ 186,478	\$ 186,478	\$ 207,298	\$ 20,820

NAVARRO COUNTY, TEXAS

ROAD AND BRIDGE FUND - PRECINCT 4

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 681,307	\$ 681,307	\$ 686,582	\$ 5,275
Intergovernmental	23,000	23,000	25,830	2,830
License and permits	225,000	225,000	185,240	(39,760)
Fines and forfeitures	135,000	135,000	120,059	(14,941)
Interest on investments	750	750	1,497	747
Total revenues	<u>1,065,057</u>	<u>1,065,057</u>	<u>1,020,646</u>	<u>(44,411)</u>
EXPENDITURES				
Roads and highways:				
Salaries	349,759	349,759	301,727	48,032
Benefits	139,146	139,146	111,892	27,254
Supplies	550,000	535,000	517,282	17,718
Other services	102,750	117,750	108,748	9,002
Debt service:				
Principal	16,482	16,482	16,539	(57)
Interest	2,986	2,986	2,929	57
Capital outlay	35,000	35,000	-	35,000
Intergovernmental	-	-	8,986	(8,986)
Total expenditures	<u>1,196,123</u>	<u>1,196,123</u>	<u>1,068,103</u>	<u>128,020</u>
NET CHANGE IN FUND BALANCES	(131,066)	(131,066)	(47,457)	83,609
FUND BALANCES, BEGINNING	<u>176,300</u>	<u>176,300</u>	<u>176,300</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 45,234</u>	<u>\$ 45,234</u>	<u>\$ 128,843</u>	<u>\$ 83,609</u>

NAVARRO COUNTY, TEXAS

DISTRICT ATTORNEY FORFEITURE FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Forfeitures	\$ -	\$ -	\$ 41,401	\$ 41,401
Interest on investments	<u>500</u>	<u>500</u>	<u>252</u>	<u>(248)</u>
Total revenues	<u>500</u>	<u>500</u>	<u>41,653</u>	<u>41,153</u>
EXPENDITURES				
Judicial:				
Other services	<u>2,500</u>	<u>2,500</u>	<u>33,136</u>	<u>(30,636)</u>
Total expenditures	<u>2,500</u>	<u>2,500</u>	<u>33,136</u>	<u>(30,636)</u>
NET CHANGE IN FUND BALANCES	(2,000)	(2,000)	8,517	10,517
FUND BALANCES, BEGINNING	<u>114,690</u>	<u>114,690</u>	<u>114,690</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 112,690</u>	<u>\$ 112,690</u>	<u>\$ 123,207</u>	<u>\$ 10,517</u>

NAVARRO COUNTY, TEXAS

SHERIFF SEIZURE FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Forfeitures	\$ -	\$ -	\$ 10,561	\$ 10,561
Interest on investments	<u>1,000</u>	<u>1,000</u>	<u>1,177</u>	<u>177</u>
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>11,738</u>	<u>10,738</u>
EXPENDITURES				
Public safety:				
Supplies	4,500	4,500	2,010	2,490
Other services	<u>32,000</u>	<u>32,000</u>	<u>24,819</u>	<u>7,181</u>
Total expenditures	<u>36,500</u>	<u>61,500</u>	<u>51,607</u>	<u>9,893</u>
NET CHANGE IN FUND BALANCES	(35,500)	(60,500)	(39,869)	20,631
FUND BALANCES, BEGINNING	<u>357,557</u>	<u>357,557</u>	<u>357,557</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 322,057</u>	<u>\$ 297,057</u>	<u>\$ 317,688</u>	<u>\$ 20,631</u>

NAVARRO COUNTY, TEXAS

DEBT SERVICE FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 467,542	\$ 467,542	\$ 518,226	\$ 50,684
Interest on investments	<u>500</u>	<u>500</u>	<u>1,494</u>	<u>994</u>
Total revenues	<u>468,042</u>	<u>468,042</u>	<u>519,720</u>	<u>51,678</u>
EXPENDITURES				
Debt service:				
Principal	460,000	460,000	460,000	-
Interest	<u>73,029</u>	<u>73,029</u>	<u>73,029</u>	<u>-</u>
Total expenditures	<u>533,029</u>	<u>533,029</u>	<u>533,029</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(64,987)	(64,987)	(13,309)	51,678
FUND BALANCES, BEGINNING	<u>103,316</u>	<u>103,316</u>	<u>103,316</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 38,329</u>	<u>\$ 38,329</u>	<u>\$ 90,007</u>	<u>\$ 51,678</u>

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.

NAVARRO COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Balance October 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2011</u>
<u>COUNTY TREASURER</u>				
Assets:				
Cash	\$ 1,060,760	\$ 69,332,867	\$ 68,522,297	\$ 1,871,330
Investments	<u>1,073,688</u>	<u>941,332</u>	<u>1,746,174</u>	<u>268,846</u>
Total assets	<u>\$ 2,134,448</u>	<u>\$ 70,274,199</u>	<u>\$ 70,268,471</u>	<u>\$ 2,140,176</u>
Liabilities:				
Due to others	<u>\$ 2,134,448</u>	<u>\$ 70,274,199</u>	<u>\$ 70,268,471</u>	<u>\$ 2,140,176</u>
Total liabilities	<u>\$ 2,134,448</u>	<u>\$ 70,274,199</u>	<u>\$ 70,268,471</u>	<u>\$ 2,140,176</u>
<u>DISTRICT CLERK</u>				
Assets:				
Cash	<u>\$ 302,878</u>	<u>\$ 311,804</u>	<u>\$ 292,315</u>	<u>\$ 322,367</u>
Total assets	<u>\$ 302,878</u>	<u>\$ 311,804</u>	<u>\$ 292,315</u>	<u>\$ 322,367</u>
Liabilities:				
Due to others	<u>\$ 302,878</u>	<u>\$ 311,804</u>	<u>\$ 292,315</u>	<u>\$ 322,367</u>
Total liabilities	<u>\$ 302,878</u>	<u>\$ 311,804</u>	<u>\$ 292,315</u>	<u>\$ 322,367</u>
<u>TAX ASSESSOR AND COLLECTOR</u>				
Assets:				
Cash	<u>\$ 969,159</u>	<u>\$ 40,910,599</u>	<u>\$ 40,652,104</u>	<u>\$ 1,227,654</u>
Total assets	<u>\$ 969,159</u>	<u>\$ 40,910,599</u>	<u>\$ 40,652,104</u>	<u>\$ 1,227,654</u>
Liabilities:				
Due to others	<u>\$ 969,159</u>	<u>\$ 40,910,599</u>	<u>\$ 40,652,104</u>	<u>\$ 1,227,654</u>
Total liabilities	<u>\$ 969,159</u>	<u>\$ 40,910,599</u>	<u>\$ 40,652,104</u>	<u>\$ 1,227,654</u>

(continued)

NAVARRO COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES**

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Balance October 1, 2010	Additions	Deductions	Balance September 30, 2011
<u>JUVENILE PROBATION AND CORRECTIONS</u>				
Assets:				
Cash	\$ 192	\$ 645,572	\$ 592,335	\$ 53,429
Investments	<u>151,050</u>	<u>135,315</u>	<u>205,720</u>	<u>80,645</u>
Total assets	<u>\$ 151,242</u>	<u>\$ 780,887</u>	<u>\$ 798,055</u>	<u>\$ 134,074</u>
Liabilities:				
Due to others	<u>151,242</u>	<u>780,887</u>	<u>798,055</u>	<u>134,074</u>
Total liabilities	<u>\$ 151,242</u>	<u>\$ 780,887</u>	<u>\$ 798,055</u>	<u>\$ 134,074</u>
<u>COMMUNITY SUPERVISION AND CORRECTIONS</u>				
Assets:				
Cash	\$ 13,459	\$ 1,678,161	\$ 1,364,256	\$ 327,364
Investments	<u>398,505</u>	<u>256,964</u>	<u>564,530</u>	<u>90,939</u>
Total assets	<u>\$ 411,964</u>	<u>\$ 1,935,125</u>	<u>\$ 1,928,786</u>	<u>\$ 418,303</u>
Liabilities:				
Due to others	<u>411,964</u>	<u>1,935,125</u>	<u>1,928,786</u>	<u>418,303</u>
Total liabilities	<u>\$ 411,964</u>	<u>\$ 1,935,125</u>	<u>\$ 1,928,786</u>	<u>\$ 418,303</u>
<u>INMATE COMMISSARY</u>				
Assets:				
Cash	\$ 151,874	\$ 542,529	\$ 519,498	\$ 174,905
Total assets	<u>\$ 151,874</u>	<u>\$ 542,529</u>	<u>\$ 519,498</u>	<u>\$ 174,905</u>
Liabilities:				
Due to others	<u>\$ 151,874</u>	<u>\$ 542,529</u>	<u>\$ 519,498</u>	<u>\$ 174,905</u>
Total liabilities	<u>\$ 151,874</u>	<u>\$ 542,529</u>	<u>\$ 519,498</u>	<u>\$ 174,905</u>

(continued)

NAVARRO COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES
(Continued)**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>Balance October 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2011</u>
<u>SPECIAL LAKE</u>				
Assets:				
Cash	\$ 225	\$ 2	\$ -	\$ 227
Investments	<u>92,985</u>	<u>125</u>	<u>-</u>	<u>93,110</u>
Total assets	<u>\$ 93,210</u>	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 93,337</u>
Liabilities:				
Due to others	<u>\$ 93,210</u>	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 93,337</u>
Total liabilities	<u>\$ 93,210</u>	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 93,337</u>
<u>SPECIAL FORFEITURE</u>				
Assets:				
Cash	<u>\$ 3,707</u>	<u>\$ 1,694</u>	<u>\$ 5,401</u>	<u>\$ -</u>
Total assets	<u>\$ 3,707</u>	<u>\$ 1,694</u>	<u>\$ 5,401</u>	<u>\$ -</u>
Liabilities:				
Due to others	<u>\$ 3,707</u>	<u>\$ 1,694</u>	<u>\$ 5,401</u>	<u>\$ -</u>
Total liabilities	<u>\$ 3,707</u>	<u>\$ 1,694</u>	<u>\$ 5,401</u>	<u>\$ -</u>
<u>ECONOMIC DEVELOPMENT</u>				
Assets:				
Cash	\$ 206	\$ 3	\$ -	\$ 209
Investments	<u>2,100</u>	<u>3</u>	<u>-</u>	<u>2,103</u>
Total assets	<u>\$ 2,306</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 2,312</u>
Liabilities:				
Due to others	<u>\$ 2,306</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 2,312</u>
Total liabilities	<u>\$ 2,306</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 2,312</u>

(continued)

NAVARRO COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES**

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	<u>Balance October 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2011</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
Assets:				
Cash	\$ 2,502,460	\$ 113,423,231	\$ 111,948,206	\$ 3,977,485
Investments	<u>1,718,328</u>	<u>1,333,739</u>	<u>2,516,424</u>	<u>535,643</u>
Total assets	<u>\$ 4,220,788</u>	<u>\$ 114,756,970</u>	<u>\$ 114,464,630</u>	<u>\$ 4,513,128</u>
Liabilities:				
Due to others	<u>4,220,788</u>	<u>114,756,970</u>	<u>114,464,630</u>	<u>4,513,128</u>
Total liabilities	<u>\$ 4,220,788</u>	<u>\$ 114,756,970</u>	<u>\$ 114,464,630</u>	<u>\$ 4,513,128</u>

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STATISTICAL SECTION

(Unaudited)

This part of Navarro County, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	60
Revenue Capacity These schedules contain trend information to help the reader assess the factors affecting the County's ability to generate its property taxes.	69
Debt Capacity These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future	74
Demographic and Economic Information These schedules offer economic and demographic information indicators to help the reader understand the environment within the County's financial activities take place and to help make comparisons over time and with other governments.	79
Operating Information These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	81
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	

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NAVARRO COUNTY, TEXAS

NET ASSETS BY COMPONENT

LAST NINE FISCAL YEARS

(Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities:									
Invested in capital assets, net of related debt	\$ 9,430,394	\$ 9,269,955	\$ 9,225,606	\$ 8,796,531	\$ 8,863,264	\$ 5,402,943	\$ 5,262,282	\$ 5,158,950	\$ 9,681,996
Restricted	2,816,039	2,930,176	2,669,973	590,630	540,403	216,243	209,410	117,970	88,174
Unrestricted	<u>4,833,839</u>	<u>4,099,230</u>	<u>7,298,077</u>	<u>10,053,068</u>	<u>9,514,719</u>	<u>9,316,723</u>	<u>11,852,277</u>	<u>10,325,277</u>	<u>748,001</u>
Total governmental activities net assets	<u>\$ 17,080,272</u>	<u>\$ 16,299,361</u>	<u>\$ 19,193,656</u>	<u>\$ 19,440,229</u>	<u>\$ 18,918,386</u>	<u>\$ 14,935,909</u>	<u>\$ 17,323,969</u>	<u>\$ 15,602,197</u>	<u>\$ 10,518,171</u>
Primary government:									
Invested in capital assets, net of related debt	\$ 9,430,394	\$ 9,269,955	\$ 9,225,606	\$ 8,796,531	\$ 8,863,264	\$ 5,402,943	\$ 5,262,282	\$ 5,158,950	\$ 9,681,996
Restricted	2,816,039	2,930,176	2,669,973	590,630	540,403	216,243	209,410	117,970	88,174
Unrestricted	<u>4,833,839</u>	<u>4,099,230</u>	<u>7,298,077</u>	<u>10,053,068</u>	<u>9,514,719</u>	<u>9,316,723</u>	<u>11,852,277</u>	<u>10,325,277</u>	<u>748,001</u>
Total primary government net assets	<u>\$ 17,080,272</u>	<u>\$ 16,299,361</u>	<u>\$ 19,193,656</u>	<u>\$ 19,440,229</u>	<u>\$ 18,918,386</u>	<u>\$ 14,935,909</u>	<u>\$ 17,323,969</u>	<u>\$ 15,602,197</u>	<u>\$ 10,518,171</u>

Source: Navarro County financial records.

Note: Ten years of information is not available. The County did not implement GASB 34 until fiscal year 2003.

TABLE 2

NAVARRO COUNTY, TEXAS

CHANGES IN NET ASSETS

LAST NINE FISCAL YEARS

(Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
EXPENSES									
Governmental activities:									
General government	\$ 5,448,604	\$ 5,117,148	\$ 5,161,840	\$ 4,965,892	\$ 4,134,266	\$ 4,657,019	\$ 3,487,974	\$ 2,865,783	\$ 3,163,495
Judicial	2,366,579	2,424,728	2,320,480	2,303,243	1,856,239	1,712,038	1,572,895	1,475,290	1,426,165
Public safety	11,736,012	11,144,461	11,031,850	10,668,710	10,734,372	9,904,223	9,271,062	8,403,798	9,366,019
Health and welfare	556,640	684,043	577,654	486,507	640,210	552,226	739,859	541,610	638,390
Roads and highways	4,770,681	4,616,494	4,622,991	3,882,420	3,431,564	3,336,241	3,343,359	2,995,184	3,236,163
Interest on long-term debt	88,544	172,797	121,427	144,006	161,552	169,560	193,267	324,278	409,133
Total expenses	<u>24,967,060</u>	<u>24,159,671</u>	<u>23,836,242</u>	<u>22,450,778</u>	<u>20,958,203</u>	<u>20,331,307</u>	<u>18,608,416</u>	<u>16,605,943</u>	<u>18,239,365</u>
PROGRAM REVENUES									
Governmental activities:									
Fees, fines and charges for services:									
General government	\$ 1,153,912	\$ 1,438,917	\$ 1,513,036	\$ 1,547,567	\$ 1,634,983	\$ 1,502,162	\$ 1,166,698	\$ 1,207,523	\$ 1,060,256
Judicial	1,099,509	1,205,051	1,053,547	1,242,365	1,396,525	2,300,723	3,520,074	2,976,422	1,790,354
Public safety	675,639	789,429	629,777	729,243	365,659	511,194	355,940	298,091	492,310
Health and welfare	-	-	-	-	-	-	13,364	36,286	110,750
Roads and highways	740,960	881,836	905,724	924,256	849,518	955,394	974,603	957,431	1,080,451
Operating grants and contributions	3,739,851	3,096,307	3,202,347	3,092,844	3,136,177	3,107,358	2,854,546	2,939,574	3,200,367
Capital grants and contributions	-	-	359,550	-	-	-	-	-	-
Total governmental activities program revenues	<u>7,409,871</u>	<u>7,411,540</u>	<u>7,663,981</u>	<u>7,536,275</u>	<u>7,382,862</u>	<u>8,376,831</u>	<u>8,885,225</u>	<u>8,415,327</u>	<u>7,734,488</u>
NET (EXPENSE) REVENUES									
Governmental activities	\$(17,557,189)	\$(16,748,131)	\$(16,172,261)	\$(14,914,503)	\$(13,575,341)	\$(11,954,476)	\$(9,723,191)	\$(8,190,616)	\$(10,504,877)
Total primary government net expense	<u>(17,557,189)</u>	<u>(16,748,131)</u>	<u>(16,172,261)</u>	<u>(14,914,503)</u>	<u>(13,575,341)</u>	<u>(11,954,476)</u>	<u>(9,723,191)</u>	<u>(8,190,616)</u>	<u>(10,504,877)</u>

(continued)

TABLE 2

NAVARRO COUNTY, TEXAS

CHANGES IN NET ASSETS
(Continued)
LAST NINE FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS									
Governmental activities:									
Taxes									
Property taxes	\$ 16,185,572	\$ 15,319,390	\$ 13,658,077	\$ 12,640,920	\$ 11,627,040	\$ 10,761,523	\$ 10,180,808	\$ 9,154,236	\$ 8,103,709
Sales tax	1,964,652	1,730,180	1,998,786	2,251,771	1,769,539	1,744,918	1,553,432	1,477,607	1,353,292
Mixed beverage	34,685	37,202	37,065	33,948	36,163	29,620	27,864	24,675	31,103
Unrestricted grants and contribution	-	-	-	-	89,649	74,851	43,730	48,990	25,517
Investment earnings	71,411	32,848	79,340	280,494	356,684	299,310	174,064	61,053	46,609
Miscellaneous	81,780	265,427	136,644	176,507	-	-	-	-	-
Gain from sale of capital assets	-	-	15,776	52,706	274,266	-	-	-	-
Total governmental activities	<u>18,338,100</u>	<u>17,385,047</u>	<u>15,925,688</u>	<u>15,436,346</u>	<u>14,153,341</u>	<u>12,910,222</u>	<u>11,979,898</u>	<u>10,766,561</u>	<u>9,560,230</u>
Total primary government	<u>18,338,100</u>	<u>17,385,047</u>	<u>15,925,688</u>	<u>15,436,346</u>	<u>14,153,341</u>	<u>12,910,222</u>	<u>11,979,898</u>	<u>10,766,561</u>	<u>9,560,230</u>
CHANGE IN NET ASSETS									
Governmental activities	<u>780,911</u>	<u>636,916</u>	<u>(246,573)</u>	<u>521,843</u>	<u>578,000</u>	<u>955,746</u>	<u>2,256,707</u>	<u>2,575,945</u>	<u>(944,647)</u>
Total primary government	<u>\$ 780,911</u>	<u>\$ 636,916</u>	<u>\$(246,573)</u>	<u>\$ 521,843</u>	<u>\$ 578,000</u>	<u>\$ 955,746</u>	<u>\$ 2,256,707</u>	<u>\$ 2,575,945</u>	<u>\$(944,647)</u>
Prior period adjustment/									
Change in accounting principle	<u>\$ -</u>	<u>\$(3,531,211)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,404,477</u>	<u>\$(3,343,806)</u>	<u>\$(541,025)</u>	<u>\$ 2,508,171</u>	<u>\$ -</u>

Source: Navarro County financial records

Note: Ten years of information is not available. The County did not implement GASB 34 until fiscal year 2003.

NAVARRO COUNTY, TEXAS

**FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2011	2010	2009	2008
General fund				
Reserved for prepaid items	\$ -	\$ 215,777	\$ 184,587	\$ 214,468
Unreserved, undesignated	-	2,942,509	2,611,547	3,286,889
Nonspendable	193,186	-	-	-
Committed	744,101	-	-	-
Unassigned	<u>3,045,402</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general fund	<u>\$ 3,982,689</u>	<u>\$ 3,158,286</u>	<u>\$ 2,796,134</u>	<u>\$ 3,501,357</u>
All other governmental funds				
Reserved for:				
Debt service	\$ -	\$ 103,316	\$ 117,781	\$ 158,929
Capital projects fund	-	354,212	353,519	349,659
Grant expenditures	-	-	-	216
Prepaid items	-	-	3,452	-
Unreserved, reported in:				
Special revenue funds	-	2,215,786	2,020,173	1,933,319
Restricted	<u>2,527,278</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 2,527,278</u>	<u>\$ 2,673,314</u>	<u>\$ 2,494,925</u>	<u>\$ 2,442,123</u>

Source: Navarro County financial records

Note: In fiscal year 2011 the County implemented GASB Statement No. 54.

TABLE 3

Fiscal Year					
<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,948,940	2,507,319	2,311,517	2,706,245	286,858	356,625
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ <u>2,948,940</u>	\$ <u>2,507,319</u>	\$ <u>2,311,517</u>	\$ <u>2,706,245</u>	\$ <u>286,858</u>	\$ <u>356,625</u>
\$ 157,029	\$ 225,128	\$ 217,512	\$ 146,289	\$ 25,731	\$ 6,611
338,521	6,705	9,002	8,770	8,673	8,562
145	-	-	61	53,770	-
-	-	-	-	-	-
1,458,115	1,396,483	1,395,960	1,658,723	1,709,670	2,260,553
-	-	-	-	-	-
\$ <u>1,953,810</u>	\$ <u>1,628,316</u>	\$ <u>1,622,474</u>	\$ <u>1,813,843</u>	\$ <u>1,797,844</u>	\$ <u>2,275,726</u>

NAVARRO COUNTY, TEXAS

CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)
(Unaudited)

	Fiscal Year			
	2011	2010	2009	2008
REVENUES				
Property taxes	\$ 16,197,999	\$ 15,136,228	\$ 13,578,686	\$ 12,582,395
Intergovernmental	5,688,961	4,829,871	5,306,197	5,365,900
Licenses and permits	740,960	881,836	905,724	924,256
Fees of office	1,399,448	1,694,932	1,805,455	1,932,416
Fines and forfeitures	1,112,967	1,411,351	1,201,555	1,525,735
Interest on investments	71,405	32,837	79,338	280,371
Other	523,036	664,126	552,934	473,659
Total revenues	25,734,776	24,651,181	23,429,889	23,084,732
EXPENDITURES				
General government	4,818,429	4,957,144	4,987,296	4,769,753
Judicial	2,361,726	2,417,668	2,313,420	2,303,243
Public safety	11,071,165	10,499,944	10,450,626	10,137,780
Health and welfare	556,545	683,546	577,157	486,507
Roads and highways	4,225,633	4,078,947	4,143,951	3,429,274
Capital outlay	1,073,119	985,149	1,246,781	321,583
Debt service				
Principal	648,714	571,523	564,714	653,330
Interest and fiscal charges	104,333	110,943	102,557	124,645
Intergovernmental	424,810	143,882	115,916	146,065
Total expenditures	25,284,474	24,448,746	24,502,418	22,372,180
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	450,302	202,435	(1,072,529)	712,552

TABLE 4

Fiscal Year					
2007	2006	2005	2004	2003	2002
\$ 11,658,503	\$ 10,893,689	\$ 9,862,193	\$ 9,862,193	\$ 8,539,840	\$ 7,478,450
5,007,527	5,074,899	4,409,319	4,409,319	4,771,585	4,764,121
845,302	953,756	957,100	957,100	939,268	988,011
2,034,084	1,791,271	1,511,807	1,511,807	1,354,578	1,289,472
1,223,117	1,219,525	1,066,236	1,066,236	808,452	919,013
351,055	299,310	61,054	61,054	46,608	120,510
385,414	469,856	400,837	400,837	517,417	336,860
<u>21,505,002</u>	<u>20,702,306</u>	<u>18,268,546</u>	<u>18,268,546</u>	<u>16,977,748</u>	<u>15,896,437</u>
4,084,834	4,632,701	2,867,002	2,867,002	3,028,314	3,211,878
1,861,415	1,708,627	1,468,486	1,468,486	1,359,930	1,564,788
10,143,012	9,299,401	7,808,514	7,808,514	8,448,497	8,030,163
640,522	547,236	541,133	541,133	633,710	630,842
2,982,327	3,187,307	2,823,374	2,823,374	2,956,964	3,240,903
731,251	998,598	196,725	196,725	476,811	679,002
617,348	615,824	548,029	548,029	752,201	629,970
129,902	150,667	327,352	327,352	368,969	397,897
-	-	-	-	-	-
<u>21,190,611</u>	<u>21,140,361</u>	<u>16,580,615</u>	<u>16,580,615</u>	<u>18,025,396</u>	<u>18,385,443</u>
314,391	(438,055)	1,687,931	1,687,931	(1,047,648)	(2,489,006)

(continued)

NAVARRO COUNTY, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

(Continued)

LAST TEN FISCAL YEARS

(Modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2011	2010	2009	2008
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Increase in obligations - capital lease	207,484	335,790	371,479	-
Proceeds from sale of capital assets	20,581	2,316	48,629	68,706
Payment to escrow agent	-	-	-	-
Issuance of refunding bonds	-	-	-	-
Total other financing sources (uses)	<u>228,065</u>	<u>338,106</u>	<u>420,108</u>	<u>68,706</u>
NET CHANGE IN FUND BALANCES	<u>\$ 678,367</u>	<u>\$ 540,541</u>	<u>\$ (652,421)</u>	<u>\$ 781,258</u>
PRIOR PERIOD ADJUSTMENT	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,708</u>
DEBT SERVICES (PRINCIPAL AND INTEREST) AS PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>3.10%</u>	<u>2.91%</u>	<u>2.87%</u>	<u>4.37%</u>

Source: Navarro County financial records

TABLE 4

Fiscal Year					
<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 10,000	\$ -	\$ 84,568	\$ 313,500	\$ 202,701	\$ 10,000
(10,000)	-	(84,568)	(313,500)	(202,701)	(10,000)
125,301	639,700	-	-	500,000	-
336,758	-	-	-	-	-
-	-	(4,410,297)	-	-	-
<u>-</u>	<u>-</u>	<u>4,445,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>462,059</u>	<u>639,700</u>	<u>34,703</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
<u>\$ 776,450</u>	<u>\$ 201,645</u>	<u>\$ 1,722,634</u>	<u>\$ 1,687,931</u>	<u>\$ (547,648)</u>	<u>\$ (2,489,006)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (541,025)</u>	<u>\$ 2,508,171</u>	<u>\$ -</u>	<u>\$ -</u>
<u>3.79%</u>	<u>3.96%</u>	<u>4.30%</u>	<u>5.64%</u>	<u>6.82%</u>	<u>6.16%</u>

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NAVARRO COUNTY, TEXAS

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Real Property			Personal Property	Less: Tax-exempt Property	Total Taxable Assessed Value ^a	Total Direct Tax Rate
	Residential Property	Commercial Property	Other Property				
2011	\$ 1,513,783,990	\$ 852,681,050	\$ 622,943,740	\$ 843,596,443	\$ 794,462,630	\$ 3,038,542,593	0.6270
2010	1,487,441,940	825,815,170	609,080,740	806,975,884	809,535,410	2,919,778,324	0.6270
2009	1,443,665,630	817,263,660	592,679,730	804,211,720	838,148,310	2,819,672,430	0.5754
2008	1,289,921,330	735,093,369	534,895,630	783,600,909	718,573,800	2,624,937,438	0.5828
2007	777,115,025	719,526,624	493,320,350	701,804,640	733,375,809	1,958,390,830	0.5828
2006	719,863,922	673,271,469	445,306,700	583,501,447	681,554,017	1,740,389,521	0.5973
2005	671,447,079	628,723,124	434,236,080	537,220,183	647,100,552	1,624,525,914	0.6243
2004	624,334,936	596,809,076	429,097,850	536,426,767	632,946,588	1,553,722,041	0.6246
2003	578,691,976	569,551,126	416,400,550	535,156,144	614,082,568	1,485,717,228	0.6246
2002	542,428,141	552,251,146	411,706,820	531,502,550	606,677,868	1,431,210,789	0.5860

Source: Navarro County Appraisal District

Notes:

- a - Property is assessed at actual value; therefore, the assessed values are equal to actual value.
- b - Tax rates are per \$100 of assessed value.

NAVARRO COUNTY, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATE (PER \$ 100 ASSESSED VALUE)

LAST TEN FISCAL YEARS

(Unaudited)

	Fiscal Year			
	2011	2010	2009	2008
County direct rates				
General	\$ 0.4909	\$ 0.4909	\$ 0.4509	\$ 0.4583
Debt Service	0.0200	0.0200	0.0200	0.0200
Road and bridge	0.1071	0.1071	0.0955	0.0955
Flood control	0.0090	0.0090	0.0090	0.0090
Total direct rate	0.6270	0.6270	0.5754	0.5828
Cities				
Barry	0.3349	0.3393	0.3393	0.3237
Blooming Grove	0.4900	0.4859	0.4859	0.4653
Corsicana	0.6272	0.6272	0.6272	0.6272
Dawson	0.4000	0.3783	0.3783	0.3783
Emhouse	0.3072	0.3072	0.3072	0.3072
Frost	0.5000	0.5000	0.5000	0.5000
Goodlow	0.0897	0.0897	0.0897	0.0897
Kerens	0.6434	0.6434	0.6434	0.6434
Rice	0.4700	0.4200	0.4200	0.3700
Richland	0.2056	0.2056	0.2056	0.2056
School Districts				
Blooming Grove	1.1300	1.1300	1.1200	1.1200
Corsicana	1.2830	1.2830	1.2830	1.2857
Dawson	1.2900	1.2900	1.2900	1.2900
Frost	1.2550	1.2550	1.2550	1.2850
Kerens	1.1100	1.1100	1.1200	1.1227
Mildred	1.2798	1.2798	1.2498	1.2838
Rice	1.4200	1.4200	1.4200	1.4200
Colleges				
Navarro College	0.1190	0.1190	0.1190	0.1190

Source: Navarro County Appraisal District

Note: Overlapping rates are those of other governments that apply to property owners within Navarro County. Not all overlapping rates apply to all County property owners. For example, although the total Direct Rate for Navarro County applies to all County property owners, a specific City's tax rate applies only to those taxpayers whose property is located within the City's geographic boundaries. The Navarro College rate applies to all County property owners.

TABLE 6

		Fiscal Year									
		2007	2006	2005	2004	2003	2002				
\$	0.4583	\$	0.4739	\$	0.4870	\$	0.4818	\$	0.4686	\$	0.4367
	0.0200		0.0313		0.0363		0.0442		0.0574		0.0575
	0.0955		0.0831		0.0920		0.0896		0.0896		0.0828
	0.0090		0.0090		0.0090		0.0090		0.0090		0.0090
	0.5828		0.5973		0.6243		0.6246		0.6246		0.5860
	0.3237		0.3279		0.3345		0.3345		0.3380		0.3380
	0.4653		0.5000		0.4940		0.4514		0.4383		0.4365
	0.6272		0.6272		0.6272		0.6273		0.5995		0.5995
	0.3783		0.4143		0.4516		0.4470		0.4335		0.4334
	0.3332		0.3332		0.3341		0.3600		0.3377		0.3377
	0.5000		0.5000		0.5000		0.5000		0.4834		0.4983
	0.8970		0.1000		0.1000		0.1000		0.1000		0.1000
	0.6329		0.6584		0.6107		0.5500		0.5500		0.5500
	0.3100		0.3200		0.3063		0.2850		0.2675		0.2500
	0.2068		0.2009		0.2056		0.2026		0.2082		0.2079
	1.1231		1.4530		1.5830		1.5685		1.5781		1.5000
	1.2850		1.5038		1.6746		1.6746		1.5208		1.4908
	1.2900		1.3700		1.5000		1.5000		1.5000		1.5000
	1.1150		1.4600		1.5650		1.5650		1.5300		1.4300
	1.1000		1.3060		1.4000		1.4000		1.4000		1.4000
	1.2427		1.3027		1.4220		1.4220		1.4220		1.4220
	1.1809		1.4882		1.5896		1.5896		1.5720		1.5822
	0.1200		0.1350		0.1405		0.1405		0.1405		0.1405

TABLE 7

NAVARRO COUNTY, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

Taxpayer	Property Tax Year					
	2010			2001		
	Taxable Assessed Value ^a	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Energy Transfer Fuel, LP	\$ 73,045,150	1	3.18%	\$ -		- %
HD USA 5147	46,870,610	2	2.04%	-		- %
Russell Stover Candies	46,518,140	3	2.03%	27,777,700	4	2.05%
Oncor Electric Delivery Co.	43,925,930	4	1.91%	32,000,680	2	2.36%
Natl. Ind. Portfolio Borrowers	36,936,320	5	1.61%	-		- %
True Value Company	32,697,650	6	1.42%	24,422,630	5	1.80%
Guardian Industries - Abated	28,643,210	7	1.25%	30,768,800	3	2.27%
Corsicana Technologies, Inc	25,664,420	8	1.12%	-		- %
Guardian Industries Corp.	22,251,050	9	0.97%	15,423,700	6	1.14%
Magellan Pipeline	21,925,300	10	0.95%	-		- %
K-Mart Corporation	-		- %	55,438,870	1	4.09%
Pactive Foam	-		- %	13,081,380	7	0.97%
Southwestern Bell Telephone	-		- %	12,809,440	8	0.94%
Exxon Mobil Pipeline	-		- %	11,427,090	9	0.84%
Tru-Serv Corporation	-		- %	11,115,930	10	0.82%
Total	\$ 378,477,780		13.30%	\$ 234,266,220		17.28%
Total taxable assessed value	\$ 2,296,586,414		100.00%	\$ 1,355,535,304		100.00%

Source: Navarro Central Appraisal District

NAVARRO COUNTY, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Tax Levy as of Fiscal Year End ^a	Collected within the Fiscal Year of the Levy		Subsequent Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 15,971,578	\$15,029,327	94.10%	\$ -	\$15,029,327	94.10%
2010	15,531,325	14,513,973	93.45%	-	14,513,973	93.45%
2009	14,028,658	13,567,457	96.71%	246,351	13,813,808	98.47%
2008	12,873,626	12,388,389	96.23%	362,780	12,751,169	99.05%
2007	11,705,948	11,393,385	97.33%	239,544	11,632,929	99.38%
2006	10,897,426	10,486,115	96.23%	349,250	10,835,365	99.43%
2005	10,185,754	9,501,283	93.28%	636,759	10,138,042	99.53%
2004	9,741,985	8,984,655	92.23%	714,183	9,698,838	99.56%
2003	8,736,464	7,861,313	89.98%	840,147	8,701,460	99.60%
2002	7,891,809	6,878,775	87.16%	986,167	7,864,942	99.66%

Source: Navarro County Tax Assessor/Collector

Note: a - Tax levies consider supplemental value changes during the initial fiscal year.

NAVARRO COUNTY, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Governmental Activities			Total Long-term Debt	Percentage of Personal Income ^{b,c}	Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Capital Leases			
2011	\$ 1,970,000	\$ -	\$ 614,899	\$ 2,584,899	N/A	54.06
2010	2,430,000	-	592,527	3,022,527	0.34%	63.32
2009	2,850,000	-	398,344	3,248,344	0.55%	65.70
2008	3,260,000	-	184,153	3,444,153	0.40%	70.36
2007	3,655,000	-	442,482	4,097,482	0.33%	83.71
2006	4,060,000	-	550,605	4,610,605	0.39%	95.16
2005	4,445,000	-	141,728	4,586,728	0.41%	94.19
2004	-	4,625,000	268,308	4,893,308	0.46%	101.68
2003	-	4,900,000	541,337	5,441,337	0.54%	114.87
2002	-	5,150,000	543,538	5,693,538	0.57%	121.60

Source: Navarro County financial records

Notes: a - Details regarding the County's outstanding debt can be found in the notes to the financial statements.

b - See Table 13 for personal income and population data.

NAVARRO COUNTY, TEXAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING^a

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	General Bonded Debt Outstanding			Less: Amounts Available for Debt Service	Net General Bonded Debt	Percentage of Actual Taxable Property Value ^b	Per Capita ^c
	General Obligation Bonds	Certificates of Obligation	Total				
2011	\$ 1,970,000	\$ -	\$ 1,970,000	\$ 107,392	\$ 1,862,608	0.06%	\$ 38.96
2010	2,430,000	-	2,430,000	103,316	2,326,684	0.08%	48.74
2009	2,850,000	-	2,850,000	117,781	2,732,219	0.09%	55.26
2008	3,655,000	-	3,655,000	143,082	3,511,918	0.13%	71.75
2007	3,260,000	-	3,260,000	279,195	2,980,805	0.15%	60.89
2006	4,060,000	-	4,060,000	225,128	3,834,872	0.22%	79.15
2005	4,445,000	-	4,445,000	217,512	4,227,488	0.26%	86.82
2004	-	4,625,000	4,625,000	146,289	4,478,711	0.29%	93.07
2003	-	4,900,000	4,900,000	25,731	4,874,269	0.33%	102.90
2002	-	5,150,000	5,150,000	6,611	5,143,389	0.36%	109.85

Source: Navarro County financial records

Notes: a - Details regarding the County's outstanding debt can be found in the notes to the financial statements.

b - See Table 5 for property value data.

c - See Table 13 for population data.

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TABLE 11

NAVARRO COUNTY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2011
(Unaudited)

Taxing Jurisdiction	Percentage Overlapping Navarro County	Net Debt	Subtotals
County-wide			
Navarro County	100.00%	\$ 2,584,899	
Total direct debt	100.00%		\$ 2,584,899
Cities			
Angus	100.00%	-	
Barry	100.00%	-	
Blooming Grove	100.00%	101,290	
Corsicana	100.00%	58,525,000	
Dawson	100.00%	309,266	
Emhouse	100.00%	-	
Eureka	100.00%	-	
Frost	100.00%	266,000	
Goodlow	100.00%	-	
Kerens	100.00%	309,980	
Mildred	100.00%	-	
Navarro Valley	100.00%	-	
Oak Valley	100.00%	-	
Powell	100.00%	-	
Retreat	100.00%	-	
Rice	100.00%	-	
Richland	100.00%	<u>325,000</u>	
Total Cities		59,836,536	
School District (% of assessed value)			
Blooming Grove	100.00%	2,203,789	
Bynum	0.63%	15,255	
Corsicana	100.00%	63,505,000	
Dawson	100.00%	4,667,712	
Ennis	0.42%	847,265	
Fairfield	3.65%	1,128,517	
Frost	98.71%	1,056,028	
Kerens	100.00%	2,634,595	
Mildred	100.00%	14,852,758	
Rice	100.00%	12,634,592	
Wortham	100.00%	<u>8,259,251</u>	
Total School Districts		111,804,762	
Colleges			
Navarro College	100.00%	<u>32,001,116</u>	
Total indirect debt	100.00%		<u>203,642,414</u>
Total direct and overlapping debt			<u>\$ 206,227,313</u>

Source: Net debt information in this table was obtained by direct contact with each jurisdiction without further verification, except school districts. School district information obtained from TEA website.

Note: The Percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the taxing entity's taxable value that is within the County's boundaries and dividing it by the taxing entity's total taxable assessed value.

NAVARRO COUNTY, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

	Fiscal Year			
	2011	2010	2009	2008
Assessed value of real property	\$ 3,038,542,593	\$ 2,919,778,324	\$ 2,816,672,430	\$ 2,624,937,438
Debt limit rate	<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>
Debt limit	<u>151,927,130</u>	<u>145,988,916</u>	<u>140,833,622</u>	<u>131,246,872</u>
Debt applicable to limit:				
Total bonded debt	1,970,000	2,430,000	2,850,000	3,655,000
Less: amount set aside for repayment	<u>94,083</u>	<u>107,392</u>	<u>177,069</u>	<u>143,082</u>
Total net debt applicable to limit	<u>1,875,917</u>	<u>2,322,608</u>	<u>2,672,931</u>	<u>3,511,918</u>
Legal debt margin	<u>\$ 150,051,213</u>	<u>\$ 143,666,308</u>	<u>\$ 138,160,691</u>	<u>\$ 127,734,954</u>
Total net debt applicable to the limit as a percentage of debt limit	1.23%	1.59%	1.90%	2.68%

Source: Navarro County financial records

Under Legislative provision, any county, any political subdivision of a county, any number of adjoining counties, or any political subdivision of the state, or any defined district now or hereafter to be described and defined within the State of Texas, and which may or may not include towns, villages, or municipal corporations, upon a vote of two-thirds majority of the resident property taxpayers voting thereon who are qualified electors of such district or territory to be affected thereby, in addition to all other debts, any issue bonds or otherwise lend its credit in any amount not to exceed one-fourth of the assessed valuation of the real property of such district or territory, except that the total bonded indebtedness of any city or town shall never exceed the limits imposed by other provisions of this Constitution, and levy and collect taxes to pay the interest thereon and provide a sinking fund for the redemption thereof.

TABLE 12

Fiscal Year					
2007	2006	2005	2004	2003	2002
\$ 1,958,390,830	\$ 1,740,389,521	\$ 1,624,525,914	\$ 1,553,722,041	\$ 1,485,717,228	\$ 1,431,210,789
<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>	<u>5%</u>
<u>97,919,542</u>	<u>87,019,476</u>	<u>81,226,296</u>	<u>77,686,102</u>	<u>74,285,861</u>	<u>71,560,539</u>
3,655,000	4,060,000	4,445,000	4,625,000	4,900,000	5,150,000
<u>215,793</u>	<u>225,128</u>	<u>217,512</u>	<u>146,289</u>	<u>25,731</u>	<u>6,611</u>
<u>3,439,207</u>	<u>3,834,872</u>	<u>4,227,488</u>	<u>4,478,711</u>	<u>4,874,269</u>	<u>5,143,389</u>
<u>\$ 94,480,335</u>	<u>\$ 83,184,604</u>	<u>\$ 76,998,808</u>	<u>\$ 73,207,391</u>	<u>\$ 69,411,592</u>	<u>\$ 66,417,150</u>
3.51%	4.41%	5.20%	5.77%	6.56%	7.19%

NAVARRO COUNTY, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

(Unaudited)

Calendar Year	County					State of Texas	United States
	Estimated Population ^a	Personal Income (thousands of dollars) ^a	Per Capita Personal Income ^a	School Enrollment ^b	Unemployment Rate ^c	Per Capita Personal Income ^a	Per Capita Personal Income ^a
2011	47,812	N/A	N/A	11,790	6.1%	N/A	N/A
2010	47,735	\$ 895,079	\$ 18,751	9,644	9.3%	\$ 37,706	\$ 39,945
2009	49,440	892,886	18,060	9,493	8.3%	38,546	39,626
2008	48,950	856,760	16,874	9,439	5.7%	37,774	40,208
2007	48,950	1,234,910	25,228	9,570	5.0%	37,187	38,611
2006	48,450	1,196,404	24,359	9,421	4.9%	35,058	36,629
2005	48,695	1,126,606	23,136	N/A	5.1%	33,160	34,685
2004	48,123	1,067,445	22,182	N/A	5.7%	30,887	33,072
2003	47,371	1,012,538	21,375	N/A	7.6%	29,340	31,466
2002	46,820	993,636	21,222	N/A	6.5%	28,793	30,795

Sources:

- a - Texas Workforce Commission , U. S Census Bureau , Bureau of Economic Analysis
- b - Texas Education Agency
- c - U. S. Department of Commerce, Bureau of Economic Analysis

Certain of above data have been left blank as the information is not available to Navarro County at this time.

NAVARRO COUNTY, TEXAS

PRINCIPAL EMPLOYERS

SEPTEMBER 30, 2011

(Unaudited)

Employer	Nature of Business	2011	
		Employees	Percentage of Total County Employment ^a
Russell Stover Candies	Candy Manufacturing	825	4.09%
Corsicana I.S.D	Government/Education	802	3.98%
Kohl's Distribution Center/ Call Center	Warehousing/retail	500	2.48%
Guardian Industries	Glass Manufacturing	390	1.94%
Navarro Regional Hospital	Hospital	350	1.74%
Corsicana State Home	Texas State Commission	338	1.68%
City of Corsicana	Government/City	304	1.51%
Navarro County	Government/County	284	1.41%
Home Depot Distribution Center	Building Materials	265	1.32%
Navarro College	College	264	1.31%
Oil City Iron Works	Castings	200	0.99%
Corsicana Bedding	Bedding	190	0.94%
Lance Manufacturing	Snack Foods	170	0.84%
Trinity Mother Francis	Health Care	156	0.77%
Medical Arts Clinic	Health Care	156	0.77%
Tru- Serve / True Value Distribution	Hardware store distribution center	152	0.75%
Navarro Pecan Company	Pecan Shellers	150	0.74%
PACTIV	Polysterene food Containers	139	0.69%
JELD-WEN , Inc	Vinyl windows and doors	135	0.67%
Gander Mountain	Outdoor retail supplier	73	0.36%
Texas Industries (TXI)	Road Materials	70	0.35%
Trimings	Candle, Decorator Outlet	69	0.34%
Collin Street Bakery	Fruitcakes (seasonal)	66	0.33%
Northdrop Grunman Information Technology	Information Technology	60	0.30%
Falcon Business Forms	Printed Business Forms	55	0.27%
Cresline	Plastic Pipe	50	0.25%
Mobil/Exxon Pipeline	Storage Facility	50	0.25%
Aetna Glass	Glass Fabricators	45	0.22%
Firestone Building Products	Building Materials	35	0.17%
Total		<u>6,343</u>	<u>31.48%</u>

Source: Corsicana/Navarro County Chamber of Commerce

Note: Information for 2002 is not available.

a - September 30, 2011, total employment per Texas Workforce Commission

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NAVARRO COUNTY, TEXAS
FULLTIME EMPLOYEES BY FUNCTION
LAST NINE FISCAL YEARS
(Unaudited)

Function/Program	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government									
Elected/appointed officials	5	5	5	5	5	5	5	5	5
Clerical	37	37	36	44	42	42	40	38	38
Building maintenance	3	3	3	3	3	3	3	3	3
Environmental	2	2	2	2	2	2	2	1	1
Judicial									
Judges/justices of the peace	6	6	6	7	6	6	6	6	6
Criminal District Attorney	1	1	1	1	1	1	1	1	1
Assistant prosecutors	5	5	5	4	4	4	4	4	4
Paraprofessionals	5	5	4	5	6	6	6	6	6
Clerical	13	13	14	13	11	10	10	5	8
Public safety									
County sheriff	1	1	1	1	1	1	1	1	1
Constables	4	4	4	4	4	4	4	4	4
Patrol/CID	28	40	34	29	29	26	27	30	31
Jailers	72	77	67	78	79	64	66	63	64
Administration	12	18	20	15	23	27	19	14	29
Juvenile probation	1	1	1	-	1	1	1	1	1
Communications	13	13	13	-	-	-	-	-	-
Health and welfare									
Indigent health care	2	2	2	2	2	2	2	2	2
Roads and highways									
County Commissioners	4	4	4	4	4	4	4	4	4
Road employees	<u>34</u>	<u>34</u>	<u>33</u>	<u>33</u>	<u>32</u>	<u>36</u>	<u>34</u>	<u>35</u>	<u>39</u>
Total	<u>248</u>	<u>271</u>	<u>255</u>	<u>250</u>	<u>255</u>	<u>244</u>	<u>235</u>	<u>223</u>	<u>247</u>

Source: Navarro County Treasurer

Note: Information from 2002 is not available.

NAVARRO COUNTY, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST NINE FISCAL YEARS

(Unaudited)

Function/Program	Fiscal Year				
	2011	2010	2009	2008	2007
General Government					
Auditor's office					
Accounts payable checks issued	8,474	9,232	11,576	9,389	9,673
Treasurer's office					
Payroll checks issued	1,568	1,706	1,906	2,192	2,573
Cash receipts issued	3,538	2,727	2,611	2,959	2,456
County clerk					
Marriage licenses issued	400	395	380	377	425
Declarations of informal marriage	9	14	4	7	12
Birth certificates issued	474	470	650	1,864	1,938
Death certificates issued	379	393	553	451	468
Tax office					
Title transactions	10,554	10,079	9,873	11,343	11,043
Registration transactions	49,015	48,819	48,746	48,077	46,857
Tax certificates issued	1,569	1,602	1,496	1,731	1,868
Liquor receipts issued	16	25	39	32	36
Beer and wine receipts issued	13	44	53	45	52
Elections administration					
Number of registered voters	26,448	26,233	26,949	25,067	27,555
Judicial					
District court					
Civil cases filed	1,264	1,377	1,413	1,422	1,468
Civil cases disposed	1,035	1,401	1,330	1,307	1,666
Criminal cases filed	827	777	696	730	1,058
Criminal cases disposed	876	873	791	814	730
Juvenile cases filed	28	51	62	41	46
Juvenile cases disposed	28	55	67	44	59
County court					
Civil cases filed	1,264	183	138	109	111
Civil cases disposed	1,035	144	121	94	99
Criminal cases filed	827	1,382	1,476	1,948	2,783
Criminal cases disposed	876	1,702	2,074	2,054	2,534
Justices of the peace					
Civil cases filed	549	475	462	764	524
Civil cases disposed	403	402	511	491	421
Criminal cases filed	6,813	8,130	7,246	10,256	10,917
Criminal cases disposed	7,285	7,915	6,563	10,595	10,465

Source: Various County Departments

Notes: Miles of roadway are estimated.

Information from 2002 is not available.

TABLE 16

Fiscal Year			
2006	2005	2004	2003
9,655	11,513	11,387	13,914
2,870	3,215	3,411	3,776
2,315	2,744	2,878	3,069
435	432	402	483
5	7	6	9
1,918	1,897	2,046	1,940
461	427	439	438
11,144	1,593	10,806	10,952
46,561	44,930	42,901	41,994
1,606	1,988	1,844	2,061
17	70	22	7
54	41	28	N/A
27,122	27,396	26,670	27,270
1,545	1,146	1,366	1,354
1,435	1,289	1,478	1,446
881	762	759	686
675	707	744	643
51	45	66	48
44	58	65	42
144	96	148	116
89	99	118	86
2,663	2,551	2,277	1,815
2,425	2,311	1,882	1,727
495	453	484	561
410	358	422	438
11,414	11,775	12,301	10,228
9,660	10,220	9,680	9,851

(continued)

NAVARRO COUNTY, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM (Continued) LAST NINE FISCAL YEARS (Unaudited)

Function/Program	Fiscal Year				
	2011	2010	2009	2008	2007
Public Safety					
County jail					
Detention officers	72	72	72	78	63
Total persons jailed	4,232	4,201	3,813	3,806	3,832
Average prisoner days	205	194	190	231	233
Cost per prisoner day	\$ 65.74	\$ 71.70	\$ 76.19	\$ 105.33	\$ 50.97
County sheriff					
Administration officers	12	12	12	15	12
Patrol officers	24	24	24	24	24
Detectives	7	7	7	7	7
Environmental officers	2	2	2	2	2
Arrests - NCSO	1,406	1,406	1,447	1,366	1,444
Warrants served- NCSO	633	699	693	674	812
Communications					
Communications officers	13	13	13	13	13
911 calls	22,177	20,532	20,792	20,585	19,600
Calls for service	16,841	17,443	18,013	17,883	18,004
NCSO vehicles					
Vehicles in fleet	66	66	69	56	60
Miles driven	1,216,911	932,488	920,401	959,457	869,662
Average miles per vehicle	18,438	14,129	13,945	17,133	14,494
Gasoline used (gallons)	64,484	64,720	61,420	57,971	65,435
Health and welfare					
Number of pauper burial/cremation	2	6	2	5	7
Indigent health care					
Applications approved for assistance	-	192	155	97	120
Texas AgriLife Extension Service					
Number of educational presentations	338	332	454	243	410
Number of participants in educational presentations	11,825	20,405	16,564	9,930	14,866
Roads and highways					
Miles of roadways chip sealed	16	1	2.0	1.6	-
Miles of roadways reconstructed	30	82	12.0	3.7	2.2
Miles of roadways overlaid	16	35	-	33.7	0.0
Number of culverts installed	95	47	45	49	76

Source: Various County Departments

Notes: Miles of roadway are estimated.

Information from 2002 is not available.

Fiscal Year

2006	2005	2004	2003
51	50	53	51
4,077	4,194	4,178	3,880
205	212	198	198
\$ 50.05	\$ 45.27	\$ 43.58	\$ 45.56
12	12	12	12
24	23	20	20
7	7	7	6
2	2	1	1
1,378	1,470	1,243	1,181
729	793	595	545
13	13	13	13
20,200	N/A	N/A	N/A
18,931	19,602	17,951	16,134
66	64	56	57
980,468	867,876	959,457	947,434
14,418	13,506	17,133	17,018
57,958	53,081	57,971	57,657
7	4	5	6
109	121	97	80
258	238	243	220
12,243	10,502	9,930	9,097
4.1	6.9	1.6	1.7
6.4	5.0	3.7	3.8
34.8	37.8	33.7	22.3
72	45	49	65

NAVARRO COUNTY, TEXAS

CAPITAL ASSETS AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM

LAST NINE FISCAL YEARS
(Unaudited)

Function/Program	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government									
Courthouse	1	1	1	1	1	1	1	1	1
Touchscreen voting machines	135	135	135	135	135	135	120	-	-
Security scan systems	3	3	3	3	3	3	-	-	-
Public safety									
Justice center	1	1	1	1	1	1	1	1	1
Sheriff's vehicles	67	68	68	69	60	66	64	56	57
Emergency management									
Mobile command center	1	1	1	1	1	1	1	1	-
Emergency operations center	1	1	1	1	1	1	1	-	-
Roads and highways									
County maintenance facilities	5	5	5	4	4	5	5	5	5
Miles of road	916	916	916	916	916	916	928	928	928
Bridges	85	85	85	84	84	84	87	87	87

Sources:

County Auditor - Capital Asset Listing
 Sheriff's Office
 Texas Department of Transportation
 County Commissioners

Note: Information from 2002 is not available.

COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Navarro County, Texas (the "County") as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 29, 2012. 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 the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (Items 2011-1 and 2011-2). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's response and accordingly, we express no opinion on it.

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

March 29, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Navarro County, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. Navarro County, Texas' major federal 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 programs is the responsibility of Navarro County, Texas' management. Our responsibility is to express an opinion on Navarro 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*. 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 program occurred. An audit includes examining, on a test basis, evidence about Navarro 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 of Navarro County, Texas' compliance with those requirements.

In our opinion, Navarro County, Texas, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

Management of Navarro County, Texas, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Navarro County, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Navarro County, Texas' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

March 29, 2012

NAVARRO COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U. S. Department of Housing and Urban Development</u>			
Passed through Texas Department of Rural Affairs:			
Community Development Block Grant	14.218	710017	\$ 157,556
Total Passed through Texas Department of Rural Affairs			<u>157,556</u>
Total U. S. Department of Housing and Urban Development			<u>157,556</u>
<u>U. S. Department of Justice</u>			
Direct Programs:			
State Criminal Alien Assistance Grant	16.572	2011-H4078-TX-AP	31,329
Total Direct Programs			<u>31,329</u>
Passed through Office of the Governor Criminal Justice Division			
Victim's Assistance Grant	16.575	VA-09-V30-21620-02	19,556
Victim's Assistance Grant	16.575	VA-11-V30-21620-03	4,477
Total Passed through Office of the Governor Criminal Justice Division			<u>24,033</u>
Total U. S. Department of Justice			<u>55,362</u>
<u>U. S. Elections Assistance Commission</u>			
Passed through Texas Secretary of State:			
HAVA - General Compliance	90.401	78650	18,224
Total Passed through Texas Secretary of State:			<u>18,224</u>
Total U.S. Elections Assistance Commission			<u>18,224</u>
<u>U. S. Office of National Drug Control Policy</u>			
Direct Programs:			
High Intensity Drug Trafficking Area (HIDTA)	95.001	18PNT501	35,336
High Intensity Drug Trafficking Area (HIDTA)	95.001	G09NT0001A	272,578
High Intensity Drug Trafficking Area (HIDTA)	95.001	G10NT0001A	1,453,409
High Intensity Drug Trafficking Area (HIDTA)	95.001	G11NT0001A	908,575
Total Direct Programs			<u>2,669,898</u>
Total U. S. Office of National Drug Control Policy			<u>2,669,898</u>
Total Expenditures of Federal Awards			<u>\$ 2,901,040</u>

NAVARRO COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2011

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Navarro County, Texas, for the year ended September 30, 2011. The County's reporting entity is defined in Note 1 to the County's financial statements. Federal financial assistance received directly from federal agencies and other agencies are included in the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's financial statements.

NAVARRO COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements
noted? None

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance
for major programs Unqualified

Any audit findings disclosed that are required
to be reported in accordance with Section
510(a) of OMB Circular A-133? None

Identification of major programs:

CFDA Number	Name of Federal Program:
95.001	High Intensity Drug Trafficking Areas Program

Dollar threshold used to distinguish between type A
and type B programs \$300,000

Auditee qualified as low-risk auditee? Yes

(continued)

NAVARRO COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

Item 2011-1:

<u>Condition:</u>	Clerks in the District Clerk's office share one cash drawer and one password when processing cash collections.
<u>Criteria:</u>	Internal controls should be in place to prevent or detect fraudulent activities.
<u>Cause:</u>	The controls over cash collections are not properly designed.
<u>Effect:</u>	The lack of controls creates an easy way for money to be taken or lost with no way of tracing the transaction.
<u>Recommendation:</u>	Each clerk who takes in cash should have their own cash drawer and their own password. In addition, passwords should not be shared with other clerks.
<u>Management's Response:</u>	Management will review the activities in the office and develop procedures to prevent and detect fraudulent activity.
<u>Contact Person Responsible for Corrective Action:</u>	Joshua Tackett – District Clerk
<u>Anticipated Completion Date:</u>	Fiscal year 2012

Item 2011-2:

<u>Condition:</u>	The revolving and clearing bank account is not reconciled to the general ledger monthly.
<u>Criteria:</u>	All bank reconciliations should be performed timely in order to detect errors intentional or unintentional.
<u>Cause:</u>	Internal controls to ensure the revolving and clearing bank account is reconciled timely are not implemented.

(continued)

NAVARRO COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

Item 2011-2: (Continued)

Effect: The lack of controls creates an environment in which errors could go undetected within a timely manner.

Recommendation: The revolving and clearing bank account should be reconciled monthly.

Management's Response: Management will review the process over revolving and clearing bank reconciliations.

Contact Person Responsible
for Corrective Action: Frank Hull – County Treasurer

Anticipated Completion Date: Fiscal year 2012

Findings and Questioned Costs for Federal Awards

None

ROBERTSON COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

None

Findings and Questioned Costs for Federal Awards

None