

NAVARRO COUNTY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT For The Fiscal Year Ended September 30, 2012



Navarro County Courthouse

NAVARRO COUNTY, TEXAS

Comprehensive Annual Financial Report

**For The Year Ended
September 30, 2012**

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

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INTRODUCTORY SECTION



NAVARRO COUNTY AUDITOR'S OFFICE

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Corsicana, TX 75110-4672
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Terri Gillen, First Assistant
Brittney Simon, Internal Auditor
Anne Johnson, Assistant
Natalie Robinson, Assistant
Gloria Turner, Assistant
Patty Wells, Assistant

Kathy B. Hollomon, CPA
County Auditor

Phone: (903) 654-3095 Fax: (903) 654-3097

April 29, 2013

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, 2012. 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, LLP, 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, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used; and evaluating the overall financial statement presentation. The independent auditors' report is presented as the first component of this report.

The independent audit of the basic financial statements of Navarro County was part of a broader, federally mandated *Single Audit* designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the basic financial statements, but also on the audited government's internal

controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented in the Compliance Section of the report.

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

PROFILE OF NAVARRO COUNTY

Navarro County is located in north central Texas and is strategically central to the economic regions of Texas, Louisiana, Arkansas, Oklahoma and New Mexico, as well as centrally located within the United States. The county region was opened for settlement by the Mexican colonization laws and was included in an impresario grant to Thomas J. Chambers on September 23, 1834. The first Texas legislature created the County from Robertson County on March 30, 1846 and designated the town of Corsicana as a temporary seat of justice. The County's name honors Jose Antonio Navarro, a Texas patriot who chose the name Corsicana in honor of the Isle of Corsica, his father's birthplace. The County encompasses an area of 1,086 square miles. According to the 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 – 2012 proved to be a challenging year with job losses and gains across the sectors of our local economy. Commencing in February, losses of jobs were realized after Snyder's-Lance Foods, Inc. closed the Corsicana plant and laid off approximately 100 employees. In late June, the Kohl's Call Center was relocated to San Antonio, resulting in 180 employees either being transferred or out of work. In July the Home Depot Distribution Center relocated to Dallas, and 180 employees were either transferred to the Dallas facility or became unemployed.

The good news is that new industrial jobs as well as new capital investment were created in Navarro County. In September, Pactiv Corporation announced that it is expanding its Corsicana operations by building a state-of-the-art 150,000 square foot addition to its existing facility on Highway 31. The Pactiv expansion project will add \$58 million in capital improvements and 200 new jobs for the Navarro County area over the next three years. Corsicana Bedding, Inc. added between 75 and 100 total employees during the year. Guardian Corporation, Inc. increased the number of full time employees by 14 during year, and Enterprise Precast Concrete, Inc. is creating approximately 75 new jobs related to its new capital investment of approximately \$3 million. Both of the former Columbia Manufacturing plants in Corsicana have new tenants. Screen Fab, LLC opened in Corsicana creating six new jobs in the facility located at 2235 South US Highway 75, and Freedom Fence created 15 jobs with its expansion into the facility located at 9001 Navarro Road.

The Navarro County medical community is growing. The City of Corsicana and Navarro County designated Navarro Regional Hospital as a Texas Enterprise Zone project, so it could invest approximately total \$11.4 million in capital improvements and retain approximately 434 existing jobs. In 2012, more than \$920,770 in capital assets were placed into service, including a replacement chiller, an ultrasound machine and computer equipment. Other medical and health related expansions include the new Lott's Physical Therapy and Fitness Center on Second Avenue, creating approximately 10 new jobs; and Navarro Dental Center, also on Second Avenue, creating eight new jobs.

During 2012, the Corsicana Downtown District experienced in excess of \$1.3 million in capital reinvestment, including 17 building rehabilitation projects and two new residential units. Navarro County has also experienced new openings in retail stores to include Steele's, creating approximately 25 new jobs, and Rue 21, creating approximately 25 new jobs, which were both opened in the College Park Mall as a result of repurposing entrances to 45th Street. In addition, Beall's retail store relocated to the north end of the College Park Mall and is now located in the space that was formerly Goody's. In the vicinity of the Corsicana Crossing at 3600 South US 287, a Dollar General Store was opened during the fall of 2012.

Long time favorite local eateries Roy's Café, Caleb's Diner, and Two Doors Down Coffee Shop were closed in 2012. However, the Corsicana Crossing retail center, located at the intersection of I-45 and US 287, will become the new home for a Schlotzsky's restaurant; and across the street, anew Whataburger restaurant will be located on Mountain Drive between Applebee's and the Collin Street Bakery.

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. Navarro County residents should be optimistic about the new development taking place as a result of the cooperative efforts of governmental entities and local businesses and residents. Our local economic development team continues to work diligently to create 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.

Major Initiatives – The County learned in February that approximately one half of the estimated construction cost of \$9.7 million was awarded under the Texas Historic Courthouse Preservation Program. County management has continued to work with the architectural firm to develop plans to solicit proposals for the construction phase of the restoration. Management has selected a new financial advisor and is considering financing alternatives and other factors related to the courthouse restoration project, including finding temporary housing and a permanent courthouse annex.

In December 2011, the County commissioners appointed a County Court at Law Judge, and the court began operating in 2012. The new court operates in conjunction with the 13th Judicial District court, and criminal and civil cases are assigned to each court on an alternating basis.

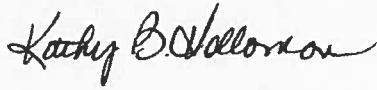
AWARDS AND ACKNOWLEDGEMENTS

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, 2011. 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 19th 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 cursive script that reads "Kathy B. Hollomon".

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, 2011

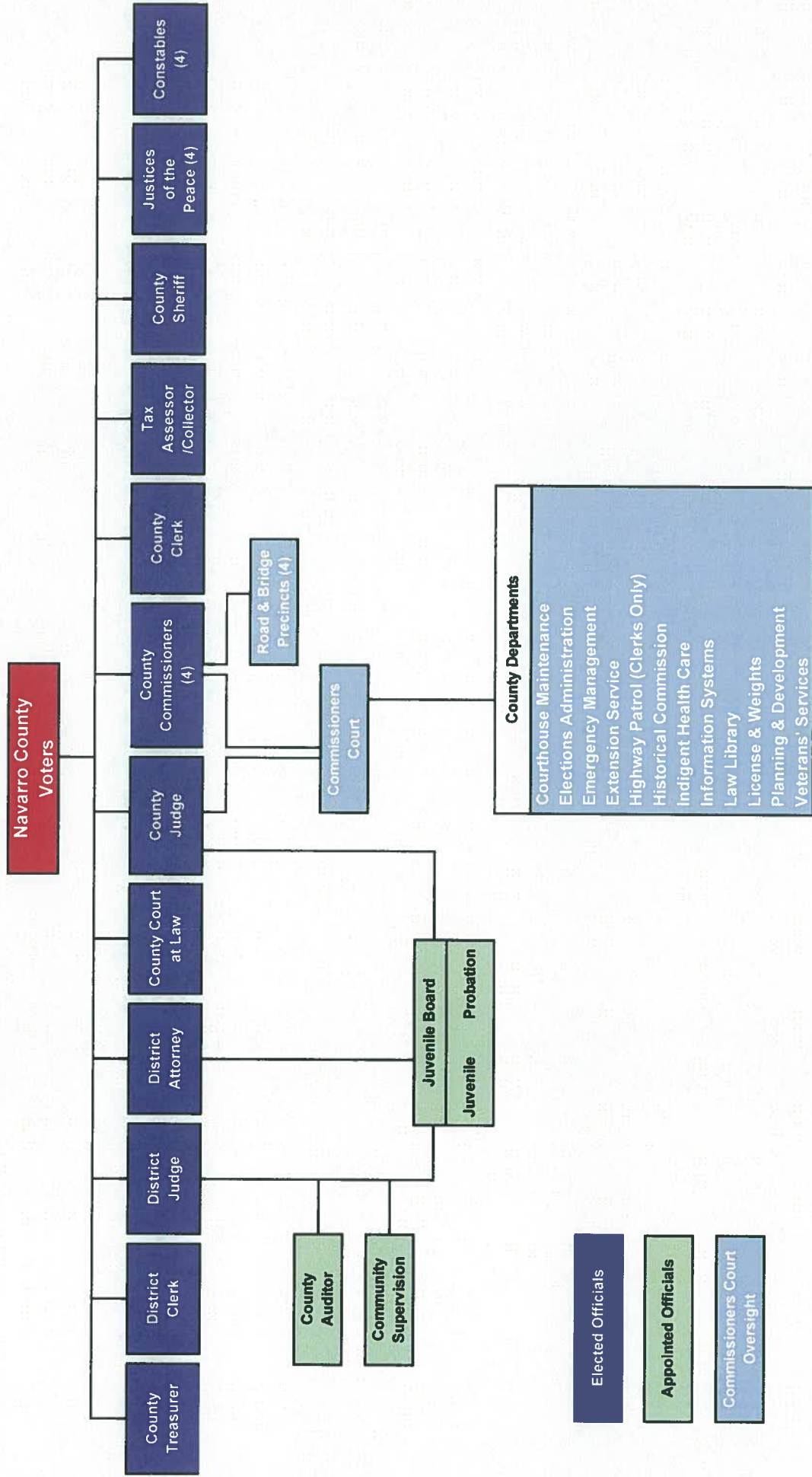
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



Christopher P. Morill
President

Jeffrey R. Emer
Executive Director

**NAVARRO COUNTY, TEXAS
ORGANIZATIONAL CHART
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**



NAVARRO COUNTY, TEXAS

PRINCIPAL OFFICIALS

AS OF SEPTEMBER 30, 2012

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
Amanda Putman*
Vicki Gray
Kirby Hill
Jackie Freeland
Connie Hickman

Judge, 13th Judicial District Court
Judge, County Court at Law
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
Vacant
Tommy Grant
Chris Aldama*
Melanie C. 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 L. Hull, III
Russell P. Hudson

County Auditor
County Treasurer
County Tax Assessor/Collector

Recording Officials

Joshua Tackett
Sherry Dowd

District Clerk
County Clerk

* Denotes appointed officials. All others listed are elected.

FINANCIAL SECTION



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

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, 2012, 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, 2012, and the respective changes in financial position thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government's Auditing Standards*, we have also issued a report dated April 29, 2013, 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.

April 29, 2013

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

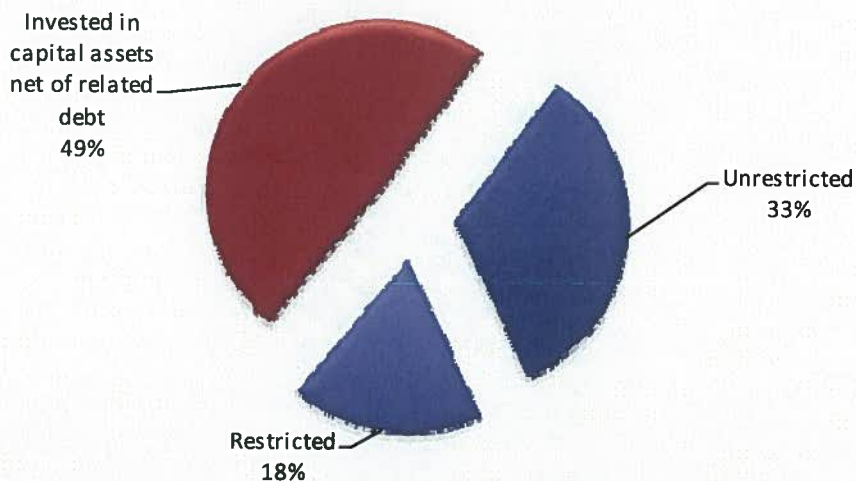
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012. 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 2012 by \$17,935,050 and is reported as total net assets. Of this amount, \$5,894,974 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, \$3,242,834 is restricted for specific purposes (restricted net assets) and \$8,797,242 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 \$7,970,896 of which \$4,014,022 or 50.36% represents unassigned fund balances.
- At the end of the current fiscal year, the General Fund unassigned fund balance was \$4,014,022 or 23.03% of total General Fund expenditures.
- The County's long-term liability decreased by \$656,390. This decrease is a result of the liquidation of outstanding bonds and 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 \$17,935,050 as of September 30, 2012, an increase of \$854,778 as compared with the previous fiscal year.

The County's net assets for the current fiscal year (33%) 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	
	2012	2011
Current and other assets	\$ 10,110,140	\$ 8,816,441
Capital assets	10,674,164	11,969,040
Total assets	<u>20,784,304</u>	<u>20,785,481</u>
Current and other liabilities	625,872	825,437
Long-term liabilities	2,223,382	2,879,772
Total liabilities	<u>2,849,254</u>	<u>3,705,209</u>
Net assets:		
Invested in capital assets, net of related debt	8,797,242	9,430,394
Restricted	3,242,834	2,816,039
Unrestricted	<u>5,894,974</u>	<u>4,833,839</u>
Total net assets	<u>\$ 17,935,050</u>	<u>\$ 17,080,272</u>

Assets as of September 30, 2012, reflect a decrease of \$1,177, (0.001%) over assets at the end of fiscal year 2011. Cash and investments increased by \$1,417,101 (23.8%) 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 \$7,366,971, (35.4%), 2) property taxes receivable of \$1,181,472, (5.7%), 3) due from other governments of \$740,235 (3.5%) and 4) capital assets of \$10,674,164, (51.4%). Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations.

Total liabilities decreased \$855,955, (23.1%) in comparison with fiscal year 2011 due to a decrease in current liabilities of \$199,565 and a decrease in long-term debt in the amount of \$656,390. Long-term debt decreased primarily due to principal payments bonds payable and capital leases.

Navarro County's assets exceeded liabilities by \$17,935,050 at the close of the fiscal year. Of this amount, \$3,242,834, (18%) represents *restricted net assets* which are resources that are subject to external restrictions on how they may be used. Restrictions include statutory requirements, bond covenants and grant conditions. Another portion of the County's net assets, \$8,797,242, (49%) 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 \$5,894,974, (33%) 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.

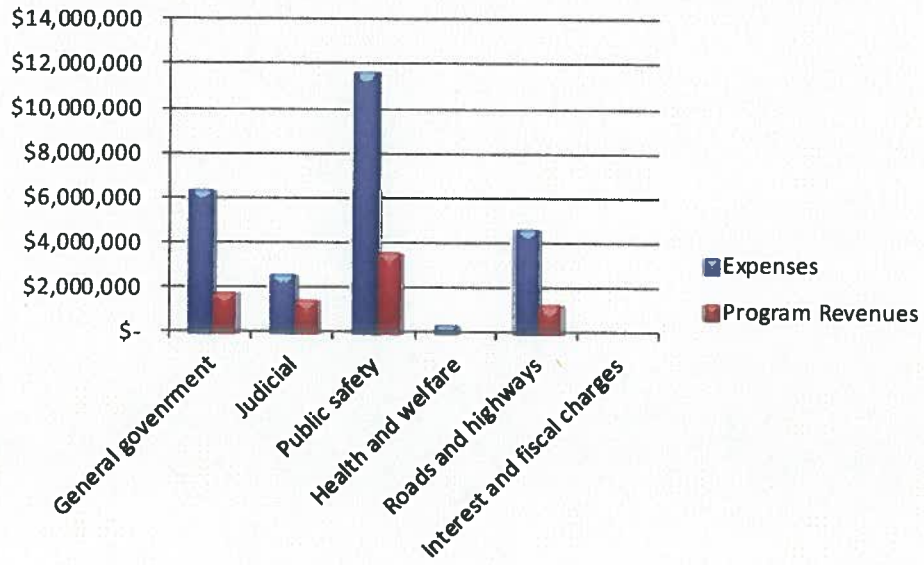
Governmental Activities. Governmental activities increased the County's net assets by \$854,778 during the current fiscal year. Key elements of this increase are as follows:

NAVARRO COUNTY, TEXAS' CHANGES IN NET ASSETS

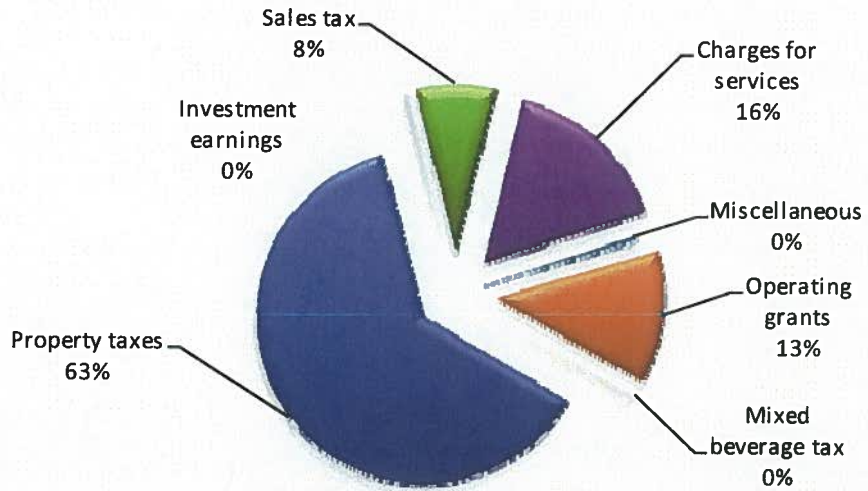
	Governmental Activities	
	2012	2011
Revenues:		
Program revenues:		
Charges for services	\$ 4,353,850	\$ 3,670,020
Operating grants and contributions	3,422,795	3,739,851
General revenues:		
Property taxes	16,697,629	16,185,572
Sales tax	2,028,797	1,964,652
Taxes from the sale of alcohol	35,789	34,685
Interest on investments	79,613	81,780
Miscellaneous	101,106	71,411
Total revenues	<u>26,719,579</u>	<u>25,747,971</u>
Expenses:		
General government	6,422,406	5,448,604
Judicial	2,577,079	2,366,579
Public safety	11,710,531	11,736,012
Health and welfare	381,695	556,640
Roads and highways	4,678,001	4,770,681
Interest on long-term debt	95,089	88,544
Total expenses	<u>25,864,801</u>	<u>24,967,060</u>
Change in net assets	854,778	780,911
Net assets, beginning	<u>17,080,272</u>	<u>16,299,361</u>
Net assets, ending	<u>\$ 17,935,050</u>	<u>\$ 17,080,272</u>

Collected charges for services increased \$683,830 (18%). Operating grants and contributions decreased by \$317,056 (8.4%), property taxes increased by \$512,057 (3.2%) and sales tax revenue increased by \$64,145 (3.3%), resulting in a net increase in total revenues of \$957,586 (3.7%). The increase in property taxes is the result of a slight increase in the taxable value of property in Navarro County.

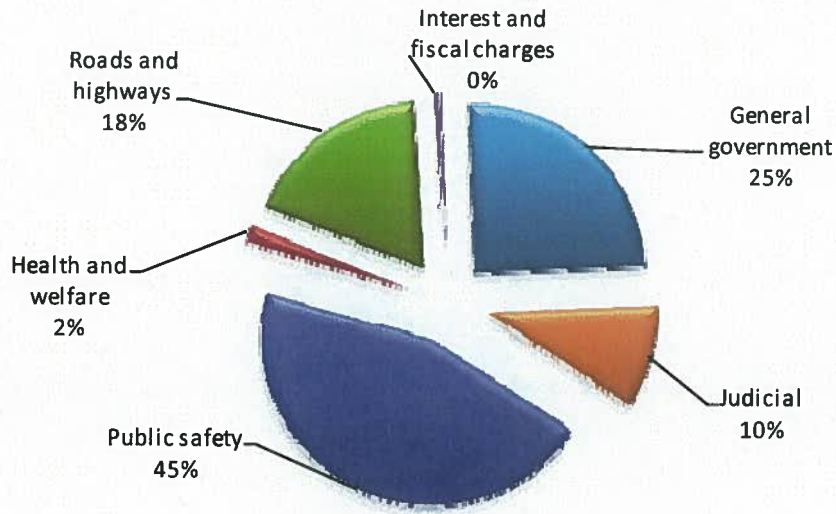
Expenses and Program Revenues – Governmental Activities



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, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At September 30, 2012, the County’s governmental funds reported combined ending fund balances of \$7,970,896 an increase of \$1,460,929 in comparison with the prior year. Approximately \$4,014,022 (50.4%) 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 to indicate that it is not available for new spending because it has been committed to pay flood control (\$608,819), road and bridge (\$1,336,644), public safety, (\$567,246), debt service (\$93,247), Capital Projects (\$358,061), prepaid items (\$174,495) and subsequent year’s budget (\$818,362).

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 \$4,014,022, while total fund balance reached \$5,006,879. The fund balance of the County’s General Fund increased \$1,024,190 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 \$442,048 and increased revenues from fees of approximately \$239,571. The increase in property tax revenues and fees, coupled with slight increases 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 Area) 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 \$403,391 in appropriations.

During the year, actual revenues exceeded budgetary estimates by \$461,194. Actual expenditures were less than budgetary estimates by \$1,226,325. The net effect of over-realization of revenue and under-utilization of appropriations resulted in a positive variance of \$1,687,519.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Navarro County's investment in capital assets for its governmental type activities as of September 30, 2012, amounts to \$10,674,164 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

NAVARRO COUNTY'S CAPITAL ASSETS

	Governmental Activities	
	2012	2011
Land	\$ 1,074,962	\$ 1,074,962
Construction in progress	602,790	406,316
Buildings and improvements	4,256,134	4,666,090
Machinery and equipment	2,235,315	3,110,627
Infrastructure	<u>2,504,963</u>	<u>2,711,045</u>
Total capital assets	\$ <u>10,674,164</u>	\$ <u>11,969,040</u>

Major capital asset events during the current fiscal year included:

- The purchase of various vehicles at a total cost of \$192,831.
- Additional construction of roads at a total cost of \$99,008.

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

Long-term Debt. At September 30, 2012, the County had total long-term debt outstanding of \$2,223,382. 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)**

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Refunding bonds	\$ 1,474,409	\$ 1,935,879
Capital leases	411,043	611,297
Compensated absences	129,727	172,010
OPEB obligation	<u>208,203</u>	<u>160,586</u>
	<u>\$ 2,223,382</u>	<u>\$ 2,879,772</u>

The net amount of refunding bonds and capital leases decreased by \$661,724, this decrease is a result of the liquidation of outstanding bonds and capital leases. Additional information on Navarro County's long-term debt can be found in Note II, E on pages 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 77 – 78.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commissioners' Court adopted the County's budget for the fiscal year ended September 30, 2013, on September 10, 2012. The budget was adopted based on estimated balances that would be available at the end of fiscal year 2012 and estimated revenues to be received in fiscal year 2013. The total available resources for all funds for fiscal year 2013 are \$7,796,401. For the County's General Fund, the 2013 budget utilizes \$818,362 of available funds.

The 2012 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 2012 to increase 2.5% over projected collections for fiscal year 2012. Additionally, the County's budget anticipates all other sources of revenue will remain at approximately the same levels as fiscal year 2012.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor's office, 300 West Third Avenue, Suite 10, Corsicana, Texas 75110.

**BASIC
FINANCIAL STATEMENTS**

NAVARRO COUNTY, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

ASSETS

Cash	\$ 5,763,618
Investments	1,603,353
Accounts receivable, net	611,339
Property taxes receivable, net	1,181,472
Due from other governments	740,235
Prepaid items	174,495
Bond issuance costs	35,628
Capital assets, net:	
Nondepreciable	1,677,752
Depreciable	<u>8,996,412</u>
Total assets	<u>20,784,304</u>

LIABILITIES

Accounts payable	601,079
Accrued interest	7,431
Unearned revenue	17,362
Noncurrent liabilities:	
Due within one year	705,954
Due in more than one year	<u>1,517,428</u>
Total liabilities	<u>2,849,254</u>

NET ASSETS

Invested in capital assets, net of related debt	8,797,242
Restricted for:	
Flood protection projects	626,171
Repairs and construction of roads and bridges	1,546,233
Law enforcement	567,246
Debt service	145,123
Capital projects	358,061
Unrestricted	<u>5,894,974</u>
Total net assets	\$ <u>17,935,050</u>

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

NAVARRO COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2012

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	\$ 6,422,406	\$ 1,434,271	\$ 270,888	\$(4,717,247)
Judicial	2,577,079	1,062,082	307,997	(1,207,000)
Public safety	11,710,531	807,349	2,709,644	(8,193,538)
Health and welfare	381,695	-	-	(381,695)
Roads and highways	4,678,001	1,050,148	134,266	(3,493,587)
Interest on long-term debt	95,089	-	-	(95,089)
Total governmental activities	<u>25,864,801</u>	<u>4,353,850</u>	<u>3,422,795</u>	<u>(18,088,156)</u>
Total primary government	<u>\$ 25,864,801</u>	<u>\$ 4,353,850</u>	<u>\$ 3,422,795</u>	<u>(18,088,156)</u>
General revenues:				
Taxes:				
Property				16,697,629
Sales				2,028,797
Mixed beverage				35,789
Interest on investments				79,613
Miscellaneous				101,106
Total general revenues				<u>18,942,934</u>
Change in net assets				854,778
Net assets, beginning				<u>17,080,272</u>
Net assets, ending				<u>\$ 17,935,050</u>

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

NAVARRO COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	<u>General</u>	<u>HIDTA</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash	\$ 3,722,900	\$ 14,397	\$ 2,026,321	\$ 5,763,618
Investments	822,841	-	780,512	1,603,353
Accounts receivable, net	511,713	-	99,626	611,339
Property taxes receivable, net	904,457	-	277,015	1,181,472
Due from other governments	522,882	207,560	9,793	740,235
Prepaid items	174,495	-	-	174,495
Due from other funds	<u>235,367</u>	<u>-</u>	<u>124,400</u>	<u>359,767</u>
Total assets	<u>\$ 6,894,655</u>	<u>\$ 221,957</u>	<u>\$ 3,317,667</u>	<u>\$ 10,434,279</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 519,053	\$ 197	\$ 81,829	\$ 601,079
Due to other funds	124,400	221,760	13,607	359,767
Deferred revenue	<u>1,244,323</u>	<u>-</u>	<u>258,214</u>	<u>1,502,537</u>
Total liabilities	<u>1,887,776</u>	<u>221,957</u>	<u>353,650</u>	<u>2,463,383</u>
Fund balances:				
Nonspendable-prepaid items	174,495	-	-	174,495
Restricted for:				
Flood protection projects	-	-	608,819	608,819
Repairs and construction of roads and bridges	-	-	1,336,644	1,336,644
Law enforcement	-	-	567,246	567,246
Debt service	-	-	93,247	93,247
Capital projects	-	-	358,061	358,061
Committed for subsequent year's budget	818,362	-	-	818,362
Unassigned	<u>4,014,022</u>	<u>-</u>	<u>-</u>	<u>4,014,022</u>
Total fund balances	<u>5,006,879</u>	<u>-</u>	<u>2,964,017</u>	<u>7,970,896</u>
Total liabilities and fund balances	<u>\$ 6,894,655</u>	<u>\$ 221,957</u>	<u>\$ 3,317,667</u>	<u>\$ 10,434,279</u>

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, 2012

Total fund balances - governmental funds balance sheet \$ 7,970,896

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. 10,674,164

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	\$(7,431)	
Refunding bonds payable	(1,500,000)	
Deferred loss on refunding bonds	25,591	
Capital leases payable	(411,043)	
Compensated absences	(129,727)	
Net OPEB obligation	<u>(208,203)</u>	
Total long-term liabilities		(2,230,813)

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	35,628
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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	1,124,354	
Property taxes	<u>360,821</u>	
Total long-term assets		<u>1,485,175</u>

Net assets of governmental activities	<u>\$ 17,935,050</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, 2012

	<u>General</u>	<u>HIDTA</u>	<u>Other Governmental Funds</u>	<u>Total Governmental</u>
REVENUES				
Property taxes	\$ 13,137,731	\$ -	\$ 3,613,552	\$ 16,751,283
Sales and other taxes	2,064,586	-	-	2,064,586
Intergovernmental	591,360	2,557,916	178,641	3,327,917
License and permits	-	-	1,033,756	1,033,756
Fees of office	1,850,034	-	134,266	1,984,300
Fines and forfeitures	564,574	-	690,188	1,254,762
Interest on investments	60,006	-	19,604	79,610
Other	<u>174,592</u>	<u>-</u>	<u>6,511</u>	<u>181,103</u>
Total revenues	<u>18,442,883</u>	<u>2,557,916</u>	<u>5,676,518</u>	<u>26,677,317</u>
EXPENDITURES				
Current:				
General government	5,244,317	-	55,678	5,299,995
Judicial	2,538,918	-	32,629	2,571,547
Public safety	8,466,976	2,557,916	-	11,024,892
Health and welfare	381,695	-	-	381,695
Roads and highways	-	-	4,147,150	4,147,150
Debt service:				
Principal	-	-	670,254	670,254
Interest and fiscal charges	-	-	76,632	76,632
Capital outlay	346,270	-	222,525	568,795
Intergovernmental:				
Tax increment reinvestment	<u>454,803</u>	<u>-</u>	<u>34,911</u>	<u>489,714</u>
Total expenditures	<u>17,432,979</u>	<u>2,557,916</u>	<u>5,239,779</u>	<u>25,230,674</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,009,904</u>	<u>-</u>	<u>436,739</u>	<u>1,446,643</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	<u>14,286</u>	<u>-</u>	<u>-</u>	<u>14,286</u>
Total other financing sources and uses	<u>14,286</u>	<u>-</u>	<u>-</u>	<u>14,286</u>
NET CHANGE IN FUND BALANCES	1,024,190	-	436,739	1,460,929
FUND BALANCES, BEGINNING	<u>3,982,689</u>	<u>-</u>	<u>2,527,278</u>	<u>6,509,967</u>
FUND BALANCES, ENDING	<u>\$ 5,006,879</u>	<u>\$ -</u>	<u>\$ 2,964,017</u>	<u>\$ 7,970,896</u>

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, 2012

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

Net change in fund balances - total governmental funds		\$ 1,460,929
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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	\$ 594,536	
Retirement of capital assets	(653,871)	
Depreciation expense	<u>(1,235,541)</u>	
Net adjustment		(1,294,876)

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

Repayments:		
Certificates of obligation	470,000	
Capital lease	<u>200,254</u>	
Net adjustment		670,254

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

Accounts receivable:		
Property taxes	<u>42,262</u>	
Net adjustment		42,262

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	1,950	
Compensated absences	42,283	
OPEB obligation	(47,617)	
Amortization of bond issuance costs	<u>(20,407)</u>	
Net adjustment		<u>(23,791)</u>

Change in net assets of governmental activities		\$ <u>854,778</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, 2012

ASSETS

Cash	\$ 4,207,781
Investments	<u>508,072</u>

Total assets	\$ <u>4,715,853</u>
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LIABILITIES

Due to others	\$ <u>4,715,853</u>
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Total liabilities	\$ <u>4,715,853</u>
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The accompanying notes are an integral part of these financial statements.

NAVARRO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

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, 2012.

(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, 2012, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool Prime	\$ 2,111,210	54

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 Prime, 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, 2012, 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, 2012.

Property taxes receivable:	
General fund	\$ 963,040
Road and bridge funds	209,728
Debt service fund	66,241
Flood control fund	17,599
Less: allowance for uncollectibles	(75,136)
	<u>\$ 1,181,472</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 2011 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	\$ 146,141	\$ 99,626	\$ 245,767
Court fines	<u>18,278,619</u>	<u>-</u>	<u>18,278,619</u>
	<u>18,424,760</u>	<u>99,626</u>	<u>18,524,386</u>
Less: allowance for uncollectibles	(17,913,047)	<u>-</u>	(17,913,047)
Total	<u>\$ 511,713</u>	<u>\$ 99,626</u>	<u>\$ 611,339</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>	<u>Unearned</u>
General fund		
Delinquent property taxes	\$ 838,106	\$ -
Court fines	365,572	-
Other	<u>-</u>	<u>40,645</u>
Total general fund	<u>1,203,678</u>	<u>40,645</u>
Nonmajor governmental funds		
Delinquent property taxes	<u>258,214</u>	<u>-</u>
Total nonmajor governmental funds	<u>258,214</u>	<u>-</u>
Total governmental funds	<u>\$ 1,461,892</u>	<u>\$ 40,645</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital assets activity for the year ended September 30, 2012, 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
Buildings and improvements	406,316	196,474	-	602,790
Total assets not being depreciated	<u>1,481,278</u>	<u>196,474</u>	<u>-</u>	<u>1,677,752</u>
Capital assets, being depreciated:				
Buildings and improvements	13,226,371	-	-	13,226,371
Machinery and equipment	8,058,634	299,054	786,190	7,571,498
Infrastructure	<u>24,335,076</u>	<u>99,008</u>	<u>-</u>	<u>24,434,084</u>
Total capital assets being depreciated	<u>45,620,081</u>	<u>398,062</u>	<u>786,190</u>	<u>45,231,953</u>
Less accumulated depreciation:				
Buildings and improvements	(8,560,281)	(409,956)	-	(8,970,237)
Machinery and equipment	(4,948,007)	(520,495)	(132,319)	(5,336,183)
Infrastructure	<u>(21,624,031)</u>	<u>(305,090)</u>	<u>-</u>	<u>(21,929,121)</u>
Total accumulated depreciation	<u>(35,132,319)</u>	<u>(1,235,541)</u>	<u>(132,319)</u>	<u>(36,235,541)</u>
Total capital assets being depreciated, net	<u>10,487,762</u>	<u>(837,479)</u>	<u>653,871</u>	<u>8,996,412</u>
Governmental activities capital assets, net	<u>\$ 11,969,040</u>	<u>\$ (641,005)</u>	<u>\$ 653,871</u>	<u>\$ 10,674,164</u>

Depreciation expense for fiscal year 2012 was charged to functions and programs of the County as follows:

General government	\$ 51,408
Public safety	659,893
Roads and highways	<u>524,240</u>
	<u>\$ 1,235,541</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	\$ 221,760
General	Nonmajor governmental	13,607
Nonmajor governmental	General	<u>124,400</u>
		<u>\$ 359,767</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	3.25 - 3.5%	\$ 1,500,000

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>	
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>\$ 1,500,000</u>	<u>\$ 79,165</u>	<u>\$ 1,579,165</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, 2012, 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, 2012, 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.	\$ 44,991
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.	7,771
Equipment lease with the original principal amount of \$175,501; payable in monthly installments of \$2,761, including principal and interest at 3.54%, due October 1, 2015; secured by two 2009 GU Mack trucks purchased during fiscal year 2009 and refinanced in fiscal year 2011.	93,027
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.	11,440
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.	42,604
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.	46,167

(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.	\$ 35,019
Equipment lease with the original principal amount of \$173,174; payable in monthly installments of \$3,150, including principal and interest at 3.5%, due October 1, 2015; secured by one Caterpillar motor grader purchased during fiscal year 2011.	110,341
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 1, 2014; secured by one John Deere tractor mower purchased during fiscal year 2011.	<u>19,683</u>
Total capital leases	<u>\$ 411,043</u>

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Machinery and equipment	\$ 863,945
Less: accumulated depreciation	(128,761)
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>
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>\$ 411,043</u>	<u>\$ 23,145</u>	<u>\$ 434,188</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, 2012, was as follows:

	Balance 09/30/11	Additions	Reductions	Balance 09/30/12	Due Within One Year
Bonds payable:					
G.O. Refunding - 2005	\$ 1,970,000	\$ -	\$ 470,000	\$ 1,500,000	\$ 480,000
Deferred loss on refunding	(34,121)	-	(8,530)	(25,591)	(8,530)
Capital leases	611,297	-	200,254	411,043	208,539
Compensated absences	172,010	129,727	172,010	129,727	25,945
OPEB obligation	<u>160,586</u>	<u>78,605</u>	<u>30,988</u>	<u>208,203</u>	<u>-</u>
Governmental activity liabilities	<u>\$ 2,879,772</u>	<u>\$ 208,332</u>	<u>\$ 864,722</u>	<u>\$ 2,223,382</u>	<u>\$ 705,954</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. Settlements did not exceed insurance coverage for fiscal years 2010 or 2011, but one settlement in fiscal year 2012 exceeded insurance coverage in the amount of \$46,282, including legal fees in excess of the limit.

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 9.21% for the months of the accounting year in 2011, and 9.67% for the months of the accounting year in 2012.

The deposit rate payable by the employee members for calendar year 2011 and 2012 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, 2009 and December 31, 2010, the basis for determining the contribution rates for calendar years 2011 and 2012. The December 31, 2011 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actual Valuation Date	12/31/09	12/31/10	12/31/11
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, 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	5.4%	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>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/2010	\$ 911,796	100%	-
09/30/2011	968,254	100%	-
09/30/2012	950,056	100%	-

(continued)

III. OTHER INFORMATION (Continued)

C. Employee Retirement System (Continued)

The funded status as of December 31, 2011, the most recent actuarial study, is presented as follows:

Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	\$ 30,760,414	\$ 35,776,477	\$ 5,016,063	85.98%	\$ 11,618,396	43.17%

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>2012</u>
Annual Required Contribution (ARC)	\$ 78,074
Interest on Net OPEB Obligation	7,226
Adjustment to the ARC	<u>(6,695)</u>
Annual OPEB Cost	78,605
Contributions Made	<u>(30,988)</u>
Increase in Net OPEB Obligation	47,617
Net OPEB Obligation, beginning of year	<u>160,586</u>
Net OPEB Obligation, ending of year	<u>\$ 208,203</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, 2010, 2011 and 2012, 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>
09/30/2010	\$ 72,236	\$ 16,879	23.4%	\$ 114,509
09/30/2011	76,179	30,102	39.5%	160,586
09/30/2012	78,605	30,988	39.4%	208,203

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>UAAL 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

**REQUIRED
SUPPLEMENTARY INFORMATION**

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, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 12,884,012	\$ 13,129,671	\$ 13,137,731	\$ 8,060
Sales and other taxes	1,835,000	1,835,000	2,064,586	229,586
Intergovernmental	238,792	454,959	591,360	136,401
Fees of office	1,780,283	1,780,283	1,850,034	69,751
Fines and forfeitures	596,725	596,725	564,574	(32,151)
Interest on investments	45,000	45,000	60,006	15,006
Other	138,000	140,051	174,592	34,541
Total revenues	17,517,812	17,981,689	18,442,883	461,194
EXPENDITURES				
General government:				
Salaries	2,029,949	2,015,566	2,002,204	13,362
Benefits	743,819	747,730	725,724	22,006
Supplies	192,400	218,721	203,021	15,700
Other services	2,491,943	2,664,431	2,313,368	351,063
Capital outlay	226,468	234,668	204,611	30,057
Intergovernmental	285,000	451,135	454,803	(3,668)
Total general government	5,969,579	6,332,251	5,903,731	428,520
Judicial:				
Salaries	1,375,357	1,418,726	1,410,469	8,257
Benefits	416,544	416,544	396,237	20,307
Supplies	51,885	52,185	38,015	14,170
Other services	760,813	768,863	694,197	74,666
Total judicial	2,604,599	2,656,318	2,538,918	117,400
Public safety:				
Salaries	5,029,427	5,029,427	4,898,625	130,802
Benefits	2,050,938	2,050,938	1,956,664	94,274
Supplies	854,275	836,725	669,894	166,831
Other services	1,069,345	1,085,895	941,793	144,102
Capital outlay	177,750	177,750	141,659	36,091
Total public safety	9,181,735	9,180,735	8,608,635	572,100
Health and welfare:				
Other services	500,000	490,000	381,695	108,305
Total health and welfare	500,000	490,000	381,695	108,305
Total expenditures	18,255,913	18,659,304	17,432,979	1,226,325
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(738,101)	(677,615)	1,009,904	1,687,519
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	14,286	14,286	-
Total other financing sources and uses	-	14,286	14,286	-
NET CHANGE IN FUND BALANCES	(738,101)	(663,329)	1,024,190	1,687,519
FUND BALANCES, BEGINNING	3,982,689	3,982,689	3,982,689	-
FUND BALANCES, ENDING	\$ 3,244,588	\$ 3,319,360	\$ 5,006,879	\$ 1,687,519

NAVARRO COUNTY, TEXAS

NOTES TO BUDGETARY SCHEDULE

SEPTEMBER 30, 2012

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. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances.

NAVARRO COUNTY, TEXAS

SCHEDULE OF FUNDING PROGRESS FOR EMPLOYEE RETIREMENT SYSTEM

SEPTEMBER 30, 2012

<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>
12/31/09	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%
12/31/11	30,760,414	35,776,477	5,016,063	85.98%	11,618,396	43.17%

NAVARRO COUNTY, TEXAS

SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

SEPTEMBER 30, 2012

<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**

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, 2012

	<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	\$ 621,501	\$ 175,498	\$ 251,172	\$ 88,332
Investments	2,115	87,392	175,453	119,651
Accounts receivable	771	24,100	26,555	24,100
Property taxes receivable, net	16,385	49,616	49,616	49,615
Due from other governments	-	-	-	-
Due from other funds	-	31,100	31,100	31,100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 640,772</u>	<u>\$ 367,706</u>	<u>\$ 533,896</u>	<u>\$ 312,798</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 16,600	\$ 8,018	\$ 18,775	\$ 15,859
Due to other funds	-	-	-	-
Deferred revenue	15,353	45,715	45,715	45,716
Total liabilities	<u>31,953</u>	<u>53,733</u>	<u>64,490</u>	<u>61,575</u>
Fund balances:				
Restricted for:				
Flood protection projects	608,819	-	-	-
Repairs and construction of roads and bridges	-	313,973	469,406	251,223
Law enforcement	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total fund balances	<u>608,819</u>	<u>313,973</u>	<u>469,406</u>	<u>251,223</u>
Total liabilities and fund balances	<u>\$ 640,772</u>	<u>\$ 367,706</u>	<u>\$ 533,896</u>	<u>\$ 312,798</u>

<u>Road and Bridge Precinct 4</u>	<u>District Attorney Forfeiture</u>	<u>Sheriff Seizure</u>	<u>Victim Assistance Grant</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 231,254	\$ 20,220	\$ 292,184	\$ 4,013	\$ 88,943	\$ 253,204	\$ 2,026,321
31,004	110,002	147,901	-	2,137	104,857	780,512
24,100	-	-	-	-	-	99,626
49,616	-	-	-	62,167	-	277,015
-	-	-	9,793	-	-	9,793
<u>31,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,400</u>
<u>\$ 367,074</u>	<u>\$ 130,222</u>	<u>\$ 440,085</u>	<u>\$ 13,806</u>	<u>\$ 153,247</u>	<u>\$ 358,061</u>	<u>\$ 3,317,667</u>
\$ 19,317	\$ 1,488	\$ 1,592	\$ 180	\$ -	\$ -	\$ 81,829
-	-	-	13,607	-	-	13,607
<u>45,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>258,214</u>
<u>65,032</u>	<u>1,488</u>	<u>1,592</u>	<u>13,787</u>	<u>60,000</u>	<u>-</u>	<u>353,650</u>
-	-	-	-	-	-	608,819
302,042	-	-	-	-	-	1,336,644
-	128,734	438,493	19	-	-	567,246
-	-	-	-	93,247	-	93,247
-	-	-	-	-	358,061	358,061
<u>302,042</u>	<u>128,734</u>	<u>438,493</u>	<u>19</u>	<u>93,247</u>	<u>358,061</u>	<u>2,964,017</u>
<u>\$ 367,074</u>	<u>\$ 130,222</u>	<u>\$ 440,085</u>	<u>\$ 13,806</u>	<u>\$ 153,247</u>	<u>\$ 358,061</u>	<u>\$ 3,317,667</u>

NAVARRO COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<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	\$ 240,988	\$ 710,303	\$ 710,302	\$ 710,301
Intergovernmental	-	-	-	-
Licenses and permits	-	258,439	258,439	258,439
Fees of office	-	30,604	32,732	39,244
Fines and forfeitures	-	164,167	164,167	164,167
Interest on investments	6,255	1,996	2,124	2,043
Other	-	2,477	3,816	218
Total revenues	<u>247,243</u>	<u>1,167,986</u>	<u>1,171,580</u>	<u>1,174,412</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial	-	-	-	-
Roads and highways	307,066	855,600	982,126	1,037,228
Debt service:				
Principal	-	84,342	62,198	36,539
Interest	-	9,418	1,505	4,571
Capital outlay	79,419	80,670	19,000	43,436
Intergovernmental:				
Tax increment reinvestment	-	8,713	8,772	8,713
Total expenditures	<u>386,485</u>	<u>1,038,743</u>	<u>1,073,601</u>	<u>1,130,487</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(139,242)	129,243	97,979	43,925
FUND BALANCES, BEGINNING	<u>748,061</u>	<u>184,730</u>	<u>371,427</u>	<u>207,298</u>
FUND BALANCES, ENDING	<u>\$ 608,819</u>	<u>\$ 313,973</u>	<u>\$ 469,406</u>	<u>\$ 251,223</u>

<u>Road and Bridge Precinct 4</u>	<u>District Attorney Forfeiture</u>	<u>Sheriff Seizure</u>	<u>Victim Assistance Grant</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 710,302	\$ -	\$ -	\$ -	\$ 531,356	\$ -	\$ 3,613,552
-	-	122,944	55,697	-	-	178,641
258,439	-	-	-	-	-	1,033,756
31,686	-	-	-	-	-	134,266
164,167	20,296	13,224	-	-	-	690,188
1,916	285	2,212	-	729	2,044	19,604
-	-	-	-	-	-	6,511
<u>1,166,510</u>	<u>20,581</u>	<u>138,380</u>	<u>55,697</u>	<u>532,085</u>	<u>2,044</u>	<u>5,676,518</u>
-	-	-	55,678	-	-	55,678
-	15,054	17,575	-	-	-	32,629
965,130	-	-	-	-	-	4,147,150
17,175	-	-	-	470,000	-	670,254
2,293	-	-	-	58,845	-	76,632
-	-	-	-	-	-	222,525
<u>8,713</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,911</u>
<u>993,311</u>	<u>15,054</u>	<u>17,575</u>	<u>55,678</u>	<u>528,845</u>	<u>-</u>	<u>5,239,779</u>
173,199	5,527	120,805	19	3,240	2,044	436,739
<u>128,843</u>	<u>123,207</u>	<u>317,688</u>	<u>-</u>	<u>90,007</u>	<u>356,017</u>	<u>2,527,278</u>
<u>\$ 302,042</u>	<u>\$ 128,734</u>	<u>\$ 438,493</u>	<u>\$ 19</u>	<u>\$ 93,247</u>	<u>\$ 358,061</u>	<u>\$ 2,964,017</u>

**BUDGETARY
COMPARISON SCHEDULES**

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, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 240,846	\$ 240,846	\$ 240,988	\$ 142
Interest on investments	2,300	2,300	6,255	3,955
Total revenues	243,146	243,146	247,243	4,097
EXPENDITURES				
Roads and highways:				
Other services	400,000	400,000	307,066	92,934
Capital outlay	-	-	79,419	(79,419)
Total expenditures	400,000	400,000	386,485	13,515
NET CHANGE IN FUND BALANCES	(156,854)	(156,854)	(139,242)	17,612
FUND BALANCES, BEGINNING	748,061	748,061	748,061	-
FUND BALANCES, ENDING	\$ 591,207	\$ 591,207	\$ 608,819	\$ 17,612

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, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 689,675	\$ 702,486	\$ 710,303	\$ 7,817
Intergovernmental	-	-	-	-
License and permits	225,000	225,000	258,439	33,439
Fees of office	23,000	23,368	30,604	7,236
Fines and forfeitures	135,000	135,000	164,167	29,167
Interest on investments	1,500	1,500	1,996	496
Other	-	-	2,477	2,477
Total revenues	<u>1,074,175</u>	<u>1,087,354</u>	<u>1,167,986</u>	<u>80,632</u>
EXPENDITURES				
Roads and highways:				
Salaries	302,928	292,928	267,262	25,666
Benefits	120,067	120,067	101,576	18,491
Supplies	352,000	345,000	346,076	(1,076)
Other services	187,900	214,900	140,686	74,214
Debt service:				
Principal	84,342	84,342	84,342	-
Interest	9,418	9,418	9,418	-
Capital outlay	20,000	10,000	80,670	(70,670)
Intergovernmental	-	8,713	8,713	-
Total expenditures	<u>1,076,655</u>	<u>1,085,368</u>	<u>1,038,743</u>	<u>46,625</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(2,480)	1,986	129,243	127,257
FUND BALANCES, BEGINNING	<u>184,730</u>	<u>184,730</u>	<u>184,730</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 182,250</u>	<u>\$ 186,716</u>	<u>\$ 313,973</u>	<u>\$ 127,257</u>

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, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 689,675	\$ 702,486	\$ 710,302	\$ 7,816
License and permits	225,000	225,000	258,439	33,439
Fees of office	23,000	25,496	32,732	7,236
Fines and forfeitures	135,000	135,000	164,167	29,167
Interest on investments	2,000	2,000	2,124	124
Other	-	-	3,816	3,816
Total revenues	<u>1,074,675</u>	<u>1,089,982</u>	<u>1,171,580</u>	<u>81,598</u>
EXPENDITURES				
Roads and highways:				
Salaries	353,015	353,015	312,404	40,611
Benefits	146,827	146,827	124,976	21,851
Supplies	400,000	402,496	270,878	131,618
Other services	331,100	331,100	273,868	57,232
Debt service:				
Principal	62,199	62,199	62,198	1
Interest	4,411	4,411	1,505	2,906
Capital outlay	20,000	20,000	19,000	1,000
Intergovernmental	-	8,713	8,772	(59)
Total expenditures	<u>1,317,552</u>	<u>1,328,761</u>	<u>1,073,601</u>	<u>255,160</u>
NET CHANGE IN FUND BALANCES	(242,877)	(238,779)	97,979	336,758
FUND BALANCES, BEGINNING	<u>371,427</u>	<u>371,427</u>	<u>371,427</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 128,550</u>	<u>\$ 132,648</u>	<u>\$ 469,406</u>	<u>\$ 336,758</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, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 689,675	\$ 702,486	\$ 710,301	\$ 7,815
License and permits	225,000	225,000	258,439	33,439
Fees of office	23,000	32,008	39,244	7,236
Fines and forfeitures	135,000	135,000	164,167	29,167
Interest on investments	1,500	1,500	2,043	543
Other	-	-	218	218
Total revenues	<u>1,074,175</u>	<u>1,095,994</u>	<u>1,174,412</u>	<u>78,418</u>
EXPENDITURES				
Roads and highways:				
Salaries	370,335	370,335	356,908	13,427
Benefits	160,315	160,315	146,098	14,217
Supplies	465,000	465,000	371,710	93,290
Other services	239,163	183,171	162,512	20,659
Debt service:				
Principal	36,539	36,539	36,539	-
Interest	4,571	4,571	4,571	-
Capital outlay	-	65,000	43,436	21,564
Intergovernmental	-	8,713	8,713	-
Total expenditures	<u>1,275,923</u>	<u>1,293,644</u>	<u>1,130,487</u>	<u>163,157</u>
NET CHANGE IN FUND BALANCES	(201,748)	(197,650)	43,925	241,575
FUND BALANCES, BEGINNING	<u>207,298</u>	<u>207,298</u>	<u>207,298</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 5,550</u>	<u>\$ 9,648</u>	<u>\$ 251,223</u>	<u>\$ 241,575</u>

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, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 689,675	\$ 702,486	\$ 710,302	\$ 7,816
License and permits	225,000	225,000	258,439	33,439
Fees of office	23,000	24,450	31,686	7,236
Fines and forfeitures	135,000	135,000	164,167	29,167
Interest on investments	1,700	1,700	1,916	216
Total revenues	<u>1,074,375</u>	<u>1,088,636</u>	<u>1,166,510</u>	<u>77,874</u>
EXPENDITURES				
Roads and highways:				
Salaries	355,790	355,790	294,513	61,277
Benefits	147,697	147,697	114,230	33,467
Supplies	535,000	536,450	432,745	103,705
Other services	175,500	175,500	123,642	51,858
Debt service:				
Principal	17,177	17,175	17,175	-
Interest	2,293	2,293	2,293	-
Capital outlay	35,000	35,000	-	35,000
Intergovernmental	-	8,713	8,713	-
Total expenditures	<u>1,268,457</u>	<u>1,278,618</u>	<u>993,311</u>	<u>285,307</u>
NET CHANGE IN FUND BALANCES	(194,082)	(189,982)	173,199	363,181
FUND BALANCES, BEGINNING	<u>128,843</u>	<u>128,843</u>	<u>128,843</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ (65,239)</u>	<u>\$ (61,139)</u>	<u>\$ 302,042</u>	<u>\$ 363,181</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, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Forfeitures	\$ 14,500	\$ 14,500	\$ 20,296	\$ 5,796
Interest on investments	<u>500</u>	<u>500</u>	<u>285</u>	<u>(215)</u>
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>20,581</u>	<u>5,581</u>
EXPENDITURES				
Judicial:				
Other services	<u>15,000</u>	<u>15,000</u>	<u>15,054</u>	<u>(54)</u>
Total expenditures	<u>15,000</u>	<u>15,000</u>	<u>15,054</u>	<u>(54)</u>
NET CHANGE IN FUND BALANCES	-	-	5,527	5,527
FUND BALANCES, BEGINNING	<u>123,207</u>	<u>123,207</u>	<u>123,207</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 123,207</u>	<u>\$ 123,207</u>	<u>\$ 128,734</u>	<u>\$ 5,527</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, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 122,944	\$ 122,944
Forfeitures	35,500	35,500	13,224	(22,276)
Interest on investments	-	1,000	2,212	1,212
Total revenues	<u>35,500</u>	<u>36,500</u>	<u>138,380</u>	<u>101,880</u>
EXPENDITURES				
Public safety:				
Supplies	4,500	4,500	1,690	2,810
Other services	32,000	32,000	15,885	16,115
Capital outlay	-	129,000	-	129,000
Total expenditures	<u>36,500</u>	<u>165,500</u>	<u>17,575</u>	<u>147,925</u>
NET CHANGE IN FUND BALANCES	(1,000)	(129,000)	120,805	249,805
FUND BALANCES, BEGINNING	<u>317,688</u>	<u>317,688</u>	<u>317,688</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 316,688</u>	<u>\$ 188,688</u>	<u>\$ 438,493</u>	<u>\$ 249,805</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, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 476,137	\$ 476,137	\$ 531,356	\$ 55,219
Interest on investments	1,500	1,500	729	(771)
Total revenues	477,637	477,637	532,085	54,448
EXPENDITURES				
Debt service:				
Principal	470,000	470,000	470,000	-
Interest	58,845	58,845	58,845	-
Total expenditures	528,845	528,845	528,845	-
NET CHANGE IN FUND BALANCES	(51,208)	(51,208)	3,240	54,448
FUND BALANCES, BEGINNING	90,007	90,007	90,007	-
FUND BALANCES, ENDING	\$ 38,799	\$ 38,799	\$ 93,247	\$ 54,448

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.

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.

Special Lake – 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, 2012

	<u>Balance October 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2012</u>
<u>COUNTY TREASURER</u>				
Assets:				
Cash	\$ 1,871,330	\$ 65,289,574	\$ 65,388,566	\$ 1,772,338
Investments	<u>268,846</u>	<u>385</u>	<u>-</u>	<u>269,231</u>
Total assets	\$ <u>2,140,176</u>	\$ <u>65,289,959</u>	\$ <u>65,388,566</u>	\$ <u>2,041,569</u>
Liabilities:				
Due to others	\$ <u>2,140,176</u>	\$ <u>65,289,959</u>	\$ <u>65,388,566</u>	\$ <u>2,041,569</u>
Total liabilities	\$ <u>2,140,176</u>	\$ <u>65,289,959</u>	\$ <u>65,388,566</u>	\$ <u>2,041,569</u>
<u>DISTRICT CLERK</u>				
Assets:				
Cash	\$ <u>322,367</u>	\$ <u>456,255</u>	\$ <u>150,301</u>	\$ <u>628,321</u>
Total assets	\$ <u>322,367</u>	\$ <u>456,255</u>	\$ <u>150,301</u>	\$ <u>628,321</u>
Liabilities:				
Due to others	\$ <u>322,367</u>	\$ <u>456,255</u>	\$ <u>150,301</u>	\$ <u>628,321</u>
Total liabilities	\$ <u>322,367</u>	\$ <u>456,255</u>	\$ <u>150,301</u>	\$ <u>628,321</u>
<u>TAX ASSESSOR AND COLLECTOR</u>				
Assets:				
Cash	\$ <u>1,227,654</u>	\$ <u>59,999,684</u>	\$ <u>60,108,564</u>	\$ <u>1,118,774</u>
Total assets	\$ <u>1,227,654</u>	\$ <u>59,999,684</u>	\$ <u>60,108,564</u>	\$ <u>1,118,774</u>
Liabilities:				
Due to others	\$ <u>1,227,654</u>	\$ <u>59,999,684</u>	\$ <u>60,108,564</u>	\$ <u>1,118,774</u>
Total liabilities	\$ <u>1,227,654</u>	\$ <u>59,999,684</u>	\$ <u>60,108,564</u>	\$ <u>1,118,774</u>

(continued)

NAVARRO COUNTY, TEXAS

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

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Balance October 1, 2011	Additions	Deductions	Balance September 30, 2012
<u>JUVENILE PROBATION AND CORRECTIONS</u>				
Assets:				
Cash	\$ 53,429	\$ 412,089	\$ 386,238	\$ 79,280
Investments	<u>80,645</u>	<u>112</u>	<u>30,000</u>	<u>50,757</u>
Total assets	\$ <u>134,074</u>	\$ <u>412,201</u>	\$ <u>416,238</u>	\$ <u>130,037</u>
Liabilities:				
Due to others	<u>134,074</u>	<u>412,201</u>	<u>416,238</u>	<u>130,037</u>
Total liabilities	\$ <u>134,074</u>	\$ <u>412,201</u>	\$ <u>416,238</u>	\$ <u>130,037</u>
<u>COMMUNITY SUPERVISION AND CORRECTIONS</u>				
Assets:				
Cash	\$ 327,364	\$ 1,155,012	\$ 1,129,612	\$ 352,764
Investments	<u>90,939</u>	<u>131</u>	<u>-</u>	<u>91,070</u>
Total assets	\$ <u>418,303</u>	\$ <u>1,155,143</u>	\$ <u>1,129,612</u>	\$ <u>443,834</u>
Liabilities:				
Due to others	<u>418,303</u>	<u>1,155,143</u>	<u>1,129,612</u>	<u>443,834</u>
Total liabilities	\$ <u>418,303</u>	\$ <u>1,155,143</u>	\$ <u>1,129,612</u>	\$ <u>443,834</u>
<u>INMATE COMMISSARY</u>				
Assets:				
Cash	\$ <u>174,905</u>	\$ <u>464,789</u>	\$ <u>443,167</u>	\$ <u>196,527</u>
Total assets	\$ <u>174,905</u>	\$ <u>464,789</u>	\$ <u>443,167</u>	\$ <u>196,527</u>
Liabilities:				
Due to others	\$ <u>174,905</u>	\$ <u>464,789</u>	\$ <u>443,167</u>	\$ <u>196,527</u>
Total liabilities	\$ <u>174,905</u>	\$ <u>464,789</u>	\$ <u>443,167</u>	\$ <u>196,527</u>

(continued)
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NAVARRO COUNTY, TEXAS

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

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>Balance October 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2012</u>
<u>SPECIAL LAKE</u>				
Assets:				
Cash	\$ 227	\$ 2	\$ -	\$ 229
Investments	<u>93,110</u>	<u>134</u>	<u>-</u>	<u>93,244</u>
Total assets	<u>\$ 93,337</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ 93,473</u>
Liabilities:				
Due to others	<u>\$ 93,337</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ 93,473</u>
Total liabilities	<u>\$ 93,337</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ 93,473</u>
<u>SPECIAL FORFEITURE</u>				
Assets:				
Cash	\$ -	\$ 79,823	\$ 20,485	\$ 59,338
Investments	<u>-</u>	<u>1,664</u>	<u>-</u>	<u>1,664</u>
Total assets	<u>\$ -</u>	<u>\$ 81,487</u>	<u>\$ 20,485</u>	<u>\$ 61,002</u>
Liabilities:				
Due to others	<u>\$ -</u>	<u>\$ 81,487</u>	<u>\$ 20,485</u>	<u>\$ 61,002</u>
Total liabilities	<u>\$ -</u>	<u>\$ 81,487</u>	<u>\$ 20,485</u>	<u>\$ 61,002</u>
<u>ECONOMIC DEVELOPMENT</u>				
Assets:				
Cash	\$ 209	\$ 1	\$ -	\$ 210
Investments	<u>2,103</u>	<u>3</u>	<u>-</u>	<u>2,106</u>
Total assets	<u>\$ 2,312</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 2,316</u>
Liabilities:				
Due to others	<u>\$ 2,312</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 2,316</u>
Total liabilities	<u>\$ 2,312</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 2,316</u>

(continued)

NAVARRO COUNTY, TEXAS

COMBINING STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Balance October 1, 2011	Additions	Deductions	Balance September 30, 2012
<u>TOTALS - ALL AGENCY FUNDS</u>				
Assets:				
Cash	\$ 3,977,485	\$ 127,857,229	\$ 127,626,933	\$ 4,207,781
Investments	<u>535,643</u>	<u>2,429</u>	<u>30,000</u>	<u>508,072</u>
Total assets	\$ <u>4,513,128</u>	\$ <u>127,859,658</u>	\$ <u>127,656,933</u>	\$ <u>4,715,853</u>
Liabilities:				
Due to others	<u>4,513,128</u>	<u>127,859,658</u>	<u>127,656,933</u>	<u>4,715,853</u>
Total liabilities	\$ <u>4,513,128</u>	\$ <u>127,859,658</u>	\$ <u>127,656,933</u>	\$ <u>4,715,853</u>

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.	72
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	77
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.	82
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.	84

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

NAVARRO COUNTY, TEXAS

NET ASSETS BY COMPONENT

LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year			
	2012	2011	2010	2009
Governmental activities:				
Invested in capital assets, net of related debt	\$ 8,797,242	\$ 9,430,394	\$ 9,269,955	\$ 9,225,606
Restricted	3,242,834	2,816,039	2,930,176	2,669,973
Unrestricted	<u>5,894,974</u>	<u>4,833,839</u>	<u>4,099,230</u>	<u>7,298,077</u>
Total governmental activities net assets	<u>\$ 17,935,050</u>	<u>\$ 17,080,272</u>	<u>\$ 16,299,361</u>	<u>\$ 19,193,656</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 8,797,242	\$ 9,430,394	\$ 9,269,955	\$ 9,225,606
Restricted	3,242,834	2,816,039	2,930,176	2,669,973
Unrestricted	<u>5,894,974</u>	<u>4,833,839</u>	<u>4,099,230</u>	<u>7,298,077</u>
Total primary government net assets	<u>\$ 17,935,050</u>	<u>\$ 17,080,272</u>	<u>\$ 16,299,361</u>	<u>\$ 19,193,656</u>

Source: Navarro County financial records.

TABLE 1

Fiscal Year					
<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 8,796,531	\$ 8,863,264	\$ 5,402,943	\$ 5,262,282	\$ 5,158,950	\$ 9,681,996
590,630	540,403	216,243	209,410	117,970	88,174
<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>
<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>
\$ 8,796,531	\$ 8,863,264	\$ 5,402,943	\$ 5,262,282	\$ 5,158,950	\$ 9,681,996
590,630	540,403	216,243	209,410	117,970	88,174
<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>
<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>

NAVARRO COUNTY, TEXAS

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS

(Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year			
	2012	2011	2010	2009
EXPENSES				
Governmental activities:				
General government	\$ 6,422,406	\$ 5,448,604	\$ 5,117,148	\$ 5,161,840
Judicial	2,577,079	2,366,579	2,424,728	2,320,480
Public safety	11,710,531	11,736,012	11,144,461	11,031,850
Health and welfare	381,695	556,640	684,043	577,654
Roads and highways	4,678,001	4,770,681	4,616,494	4,622,991
Interest on long-term debt	95,089	88,544	172,797	121,427
Total expenses	<u>25,864,801</u>	<u>24,967,060</u>	<u>24,159,671</u>	<u>23,836,242</u>
PROGRAM REVENUES				
Governmental activities:				
Fees, fines and charges for services:				
General government	\$ 1,434,271	\$ 1,153,912	\$ 1,438,917	\$ 1,513,036
Judicial	1,062,082	1,099,509	1,205,051	1,053,547
Public safety	807,349	675,639	789,429	629,777
Health and welfare	-	-	-	-
Roads and highways	1,050,148	740,960	881,836	905,724
Operating grants and contributions	3,422,795	3,739,851	3,096,307	3,202,347
Capital grants and contributions	-	-	-	359,550
Total governmental activities program revenues	<u>7,776,645</u>	<u>7,409,871</u>	<u>7,411,540</u>	<u>7,663,981</u>
NET (EXPENSE) REVENUES				
Governmental activities	\$(18,088,156)	\$(17,557,189)	\$(16,748,131)	\$(16,172,261)
Total primary government net expense	<u>(18,088,156)</u>	<u>(17,557,189)</u>	<u>(16,748,131)</u>	<u>(16,172,261)</u>

TABLE 2

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 4,965,892	\$ 4,134,266	\$ 4,657,019	\$ 3,487,974	\$ 2,865,783	\$ 3,163,495
2,303,243	1,856,239	1,712,038	1,572,895	1,475,290	1,426,165
10,668,710	10,734,372	9,904,223	9,271,062	8,403,798	9,366,019
486,507	640,210	552,226	739,859	541,610	638,390
3,882,420	3,431,564	3,336,241	3,343,359	2,995,184	3,236,163
144,006	161,552	169,560	193,267	324,278	409,133
<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>
\$ 1,547,567	\$ 1,634,983	\$ 1,502,162	\$ 1,166,698	\$ 1,207,523	\$ 1,060,256
1,242,365	1,396,525	2,300,723	3,520,074	2,976,422	1,790,354
729,243	365,659	511,194	355,940	298,091	492,310
-	-	-	13,364	36,286	110,750
924,256	849,518	955,394	974,603	957,431	1,080,451
3,092,844	3,136,177	3,107,358	2,854,546	2,939,574	3,200,367
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>
<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>
<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)

NAVARRO COUNTY, TEXAS

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

	Fiscal Year			
	2012	2011	2010	2009
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS				
Governmental activities:				
Taxes				
Property taxes	\$ 16,697,629	\$ 16,185,572	\$ 15,319,390	\$ 13,658,077
Sales tax	2,028,797	1,964,652	1,730,180	1,998,786
Mixed beverage	35,789	34,685	37,202	37,065
Unrestricted grants and contributions	-	-	-	-
Investment earnings	79,613	71,411	32,848	79,340
Miscellaneous	101,106	81,780	265,427	136,644
Gain from sale of capital assets	-	-	-	15,776
Total governmental activities	<u>18,942,934</u>	<u>18,338,100</u>	<u>17,385,047</u>	<u>15,925,688</u>
 Total primary government	<u>18,942,934</u>	<u>18,338,100</u>	<u>17,385,047</u>	<u>15,925,688</u>
 CHANGE IN NET ASSETS				
Governmental activities	<u>854,778</u>	<u>780,911</u>	<u>636,916</u>	<u>(246,573)</u>
 Total primary government	<u>\$ 854,778</u>	<u>\$ 780,911</u>	<u>\$ 636,916</u>	<u>\$ (246,573)</u>
 Prior period adjustment/				
Change in accounting principle	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,531,211)</u>	<u>\$ -</u>

Source: Navarro County financial records

TABLE 2

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 12,640,920	\$ 11,627,040	\$ 10,761,523	\$ 10,180,808	\$ 9,154,236	\$ 8,103,709
2,251,771	1,769,539	1,744,918	1,553,432	1,477,607	1,353,292
33,948	36,163	29,620	27,864	24,675	31,103
-	89,649	74,851	43,730	48,990	25,517
280,494	356,684	299,310	174,064	61,053	46,609
176,507	-	-	-	-	-
52,706	274,266	-	-	-	-
<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>
<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>
<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>
<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>
<u>\$ -</u>	<u>\$ 3,404,477</u>	<u>\$ (3,343,806)</u>	<u>\$ (541,025)</u>	<u>\$ 2,508,171</u>	<u>\$ -</u>

NAVARRO COUNTY, TEXAS

**FUND BALANCES
GOVERNMENTAL FUNDS**

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

	Fiscal Year			
	2012	2011	2010	2009
General fund				
Reserved for prepaid items	\$ -	\$ -	\$ 215,777	\$ 184,587
Unreserved, undesignated	-	-	2,942,509	2,611,547
Nonspendable	174,495	193,186	-	-
Committed	818,362	744,101	-	-
Unassigned	<u>4,014,022</u>	<u>3,045,402</u>	-	-
Total general fund	<u>\$ 5,006,879</u>	<u>\$ 3,982,689</u>	<u>\$ 3,158,286</u>	<u>\$ 2,796,134</u>
All other governmental funds				
Reserved for:				
Debt service	\$ -	\$ -	\$ 103,316	\$ 117,781
Capital projects fund	-	-	354,212	353,519
Grant expenditures	-	-	-	-
Prepaid items	-	-	-	3,452
Unreserved, reported in:				
Special revenue funds	-	-	2,215,786	2,020,173
Restricted	<u>2,964,017</u>	<u>2,527,278</u>	-	-
Total all other governmental funds	<u>\$ 2,964,017</u>	<u>\$ 2,527,278</u>	<u>\$ 2,673,314</u>	<u>\$ 2,494,925</u>

Source: Navarro County financial records

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

TABLE 3

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 214,468	\$ -	\$ -	\$ -	\$ -	\$ -
3,286,889	2,948,940	2,507,319	2,311,517	2,706,245	286,858
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,501,357</u>	<u>\$ 2,948,940</u>	<u>\$ 2,507,319</u>	<u>\$ 2,311,517</u>	<u>\$ 2,706,245</u>	<u>\$ 286,858</u>
\$ 158,929	\$ 157,029	\$ 225,128	\$ 217,512	\$ 146,289	\$ 25,731
349,659	338,521	6,705	9,002	8,770	8,673
216	145	-	-	61	53,770
-	-	-	-	-	-
1,933,319	1,458,115	1,396,483	1,395,960	1,658,723	1,709,670
-	-	-	-	-	-
<u>\$ 2,442,123</u>	<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>

NAVARRO COUNTY, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

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

	Fiscal Year			
	2012	2011	2010	2009
REVENUES				
Property taxes	\$ 16,751,283	\$ 16,197,999	\$ 15,136,228	\$ 13,578,686
Sales tax and other	2,064,586	-	-	-
Intergovernmental	3,327,917	5,688,961	4,829,871	5,306,197
Licenses and permits	1,033,756	740,960	881,836	905,724
Fees of office	1,984,300	1,399,448	1,694,932	1,805,455
Fines and forfeitures	1,254,762	1,112,967	1,411,351	1,201,555
Interest on investments	79,610	71,405	32,837	79,338
Other	181,103	523,036	664,126	552,934
Total revenues	<u>26,677,317</u>	<u>25,734,776</u>	<u>24,651,181</u>	<u>23,429,889</u>
EXPENDITURES				
General government	5,299,995	4,818,429	4,957,144	4,987,296
Judicial	2,571,547	2,361,726	2,417,668	2,313,420
Public safety	11,024,892	11,071,165	10,499,944	10,450,626
Health and welfare	381,695	556,545	683,546	577,157
Roads and highways	4,147,150	4,225,633	4,078,947	4,143,951
Capital outlay	568,795	1,073,119	985,149	1,246,781
Debt service				
Principal	670,254	648,714	571,523	564,714
Interest and fiscal charges	76,632	104,333	110,943	102,557
Intergovernmental	489,714	424,810	143,882	115,916
Total expenditures	<u>25,230,674</u>	<u>25,284,474</u>	<u>24,448,746</u>	<u>24,502,418</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,446,643</u>	<u>450,302</u>	<u>202,435</u>	<u>(1,072,529)</u>

TABLE 4

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ 12,582,395	\$ 11,658,503	\$ 10,893,689	\$ 9,862,193	\$ 9,862,193	\$ 8,539,840
-	-	-	-	-	-
5,365,900	5,007,527	5,074,899	4,409,319	4,409,319	4,771,585
924,256	845,302	953,756	957,100	957,100	939,268
1,932,416	2,034,084	1,791,271	1,511,807	1,511,807	1,354,578
1,525,735	1,223,117	1,219,525	1,066,236	1,066,236	808,452
280,371	351,055	299,310	61,054	61,054	46,608
473,659	385,414	469,856	400,837	400,837	517,417
<u>23,084,732</u>	<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>
4,769,753	4,084,834	4,632,701	2,867,002	2,867,002	3,028,314
2,303,243	1,861,415	1,708,627	1,468,486	1,468,486	1,359,930
10,137,780	10,143,012	9,299,401	7,808,514	7,808,514	8,448,497
486,507	640,522	547,236	541,133	541,133	633,710
3,429,274	2,982,327	3,187,307	2,823,374	2,823,374	2,956,964
321,583	731,251	998,598	196,725	196,725	476,811
653,330	617,348	615,824	548,029	548,029	752,201
124,645	129,902	150,667	327,352	327,352	368,969
146,065	-	-	-	-	-
<u>22,372,180</u>	<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>712,552</u>	<u>314,391</u>	<u>(438,055)</u>	<u>1,687,931</u>	<u>1,687,931</u>	<u>(1,047,648)</u>

(continued)

NAVARRO COUNTY, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)
LAST TEN FISCAL YEARS
(Modified accrual basis of accounting)
(Unaudited)**

	Fiscal Year			
	2012	2011	2010	2009
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	14,286	20,581	2,316	48,629
Payment to escrow agent	-	-	-	-
Issuance of refunding bonds	-	-	-	-
Total other financing sources (uses)	<u>14,286</u>	<u>228,065</u>	<u>338,106</u>	<u>420,108</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,460,929</u>	<u>\$ 678,367</u>	<u>\$ 540,541</u>	<u>\$ (652,421)</u>
PRIOR PERIOD ADJUSTMENT	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DEBT SERVICES (PRINCIPAL AND INTEREST) AS PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>2.96%</u>	<u>3.10%</u>	<u>2.91%</u>	<u>2.87%</u>

Source: Navarro County financial records

Note: Sales tax and other were reported as intergovernmental revenue prior to fiscal year 2012.

TABLE 4

Fiscal Year					
2008	2007	2006	2005	2004	2003
\$ -	\$ 10,000	\$ -	\$ 84,568	\$ 313,500	\$ 202,701
-	(10,000)	-	(84,568)	(313,500)	(202,701)
-	125,301	639,700	-	-	500,000
68,706	336,758	-	-	-	-
-	-	-	(4,410,297)	-	-
-	-	-	4,445,000	-	-
<u>68,706</u>	<u>462,059</u>	<u>639,700</u>	<u>34,703</u>	<u>-</u>	<u>500,000</u>
<u>\$ 781,258</u>	<u>\$ 776,450</u>	<u>\$ 201,645</u>	<u>\$ 1,722,634</u>	<u>\$ 1,687,931</u>	<u>\$ (547,648)</u>
<u>\$ 200,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (541,025)</u>	<u>\$ 2,508,171</u>	<u>\$ -</u>
<u>4.37%</u>	<u>3.79%</u>	<u>3.96%</u>	<u>4.30%</u>	<u>5.64%</u>	<u>6.82%</u>



Navarro County Courthouse

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				
2012	\$ 1,152,388,951	\$ 1,292,242,432	\$ 633,892,992	\$ 839,663,470	\$ 800,054,544	\$ 3,118,133,301	0.6270
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	0.6243

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			
	2012	2011	2010	2009
County direct rates				
General	\$ 0.4909	\$ 0.4909	\$ 0.4909	\$ 0.4509
Debt Service	0.0200	0.0200	0.0200	0.0200
Road and bridge	0.1071	0.1071	0.1071	0.0955
Flood control	0.0090	0.0090	0.0090	0.0090
Total direct rate	0.6270	0.6270	0.6270	0.5754
Cities				
Barry	0.3851	0.3349	0.3393	0.3393
Blooming Grove	0.4821	0.4900	0.4859	0.4859
Corsicana	0.6272	0.6272	0.6272	0.6272
Dawson	0.4000	0.4000	0.3783	0.3783
Emhouse	0.2943	0.3072	0.3072	0.3072
Frost	0.5600	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	0.4999	0.4700	0.4200	0.4200
Richland	0.2330	0.2056	0.2056	0.2056
School Districts				
Blooming Grove	1.1300	1.1300	1.1300	1.1200
Corsicana	1.2830	1.2830	1.2830	1.2830
Dawson	1.2900	1.2900	1.2900	1.2900
Frost	1.2550	1.2550	1.2550	1.2550
Kerens	1.1100	1.1100	1.1100	1.1200
Mildred	1.2906	1.2798	1.2798	1.2498
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						
	2008	2007	2006	2005	2004	2003
\$	0.4583	\$ 0.4583	\$ 0.4739	\$ 0.4870	\$ 0.4818	\$ 0.4686
	0.0200	0.0200	0.0313	0.0363	0.0442	0.0574
	0.0955	0.0955	0.0831	0.0920	0.0896	0.0896
	0.0090	0.0090	0.0090	0.0090	0.0090	0.0090
	0.5828	0.5828	0.5973	0.6243	0.6246	0.6246
	0.3237	0.3237	0.3279	0.3345	0.3345	0.3380
	0.4653	0.4653	0.5000	0.4940	0.4514	0.4383
	0.6272	0.6272	0.6272	0.6272	0.6273	0.5995
	0.3783	0.3783	0.4143	0.4516	0.4470	0.4335
	0.3072	0.3332	0.3332	0.3341	0.3600	0.3377
	0.5000	0.5000	0.5000	0.5000	0.5000	0.4834
	0.0897	0.8970	0.1000	0.1000	0.1000	0.1000
	0.6434	0.6329	0.6584	0.6107	0.5500	0.5500
	0.3700	0.3100	0.3200	0.3063	0.2850	0.2675
	0.2056	0.2068	0.2009	0.2056	0.2026	0.2082
	1.1200	1.1231	1.4530	1.5830	1.5685	1.5781
	1.2857	1.2850	1.5038	1.6746	1.6746	1.5208
	1.2900	1.2900	1.3700	1.5000	1.5000	1.5000
	1.2850	1.1150	1.4600	1.5650	1.5650	1.5300
	1.1227	1.1000	1.3060	1.4000	1.4000	1.4000
	1.2838	1.2427	1.3027	1.4220	1.4220	1.4220
	1.4200	1.1809	1.4882	1.5896	1.5896	1.5720
	0.1190	0.1200	0.1350	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					
	2011			2002		
	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	\$ 79,919,230	1	3.44%	-		- %
Guardian Industries Corp.	55,654,546	2	2.39%	\$ 14,437,730	6	0.97%
Russell Stover Candies	44,779,033	3	1.92%	51,871,050	2	3.49%
Oncor Electric Delivery Co.	42,244,260	4	1.82%	42,574,490	3	2.87%
HD USA 5147	42,077,920	5	1.81%	-		- %
True Value Company	32,844,610	6	1.41%	22,727,660	5	1.53%
Corsicana Technologies, Inc	24,295,930	7	1.04%	-		- %
Union Pacific Railroad Co	21,388,410	8	0.92%	-		- %
Magellan Pipeline	20,108,295	9	0.86%	-		- %
Natl. Ind. Portfolio Borrowers	18,468,160	10	0.79%	-		- %
Guardian Industries - Abated	-		- %	32,697,310	4	2.20%
K-Mart Corporation	-		- %	51,898,560	1	3.50%
Pactive Foam	-		- %	12,344,980	8	0.83%
Southwestern Bell Telephone	-		- %	12,431,050	7	0.84%
Exxon Mobil Pipeline	-		- %	8,735,700	10	0.59%
Tru-Serv Corporation	-		- %	10,809,730	9	0.73%
Total	\$ <u>381,780,394</u>		<u>16.41%</u>	\$ <u>260,528,260</u>		<u>17.55%</u>
Total taxable assessed value	\$ <u>2,326,404,300</u>		<u>100.00%</u>	\$ <u>1,484,885,674</u>		<u>100.00%</u>

Source: Navarro Central Appraisal District

TABLE 8

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
2012	\$ 16,418,058	\$ 15,936,147	97.06%	\$ -	\$ 15,936,147	97.06%
2011	15,971,578	15,029,327	94.10%	728,188	15,757,515	98.66%
2010	15,531,325	14,513,973	93.45%	875,174	15,389,147	99.08%
2009	14,028,658	13,567,457	96.71%	367,237	13,934,694	99.33%
2008	12,873,626	12,388,389	96.23%	418,507	12,806,896	99.48%
2007	11,705,948	11,393,385	97.33%	270,168	11,663,553	99.64%
2006	10,897,426	10,486,115	96.23%	373,980	10,860,095	99.66%
2005	10,185,754	9,501,283	93.28%	649,291	10,150,574	99.65%
2004	9,741,985	8,984,655	92.23%	724,234	9,708,889	99.66%
2003	8,736,464	7,861,313	89.98%	846,794	8,708,107	99.68%

Source: Navarro County Tax Assessor/Collector

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

TABLE 9

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			
2012	\$ 1,500,000	\$ -	\$ 411,043	\$ 1,911,043	N/A	39.91
2011	1,970,000	-	611,297	2,581,297	0.26%	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

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				
2012	\$ 1,500,000	\$ -	\$ 1,500,000	\$ 94,083	\$ 1,405,917	0.05%	\$ 29.30
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

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.



Navarre County Courthouse

TABLE 11

NAVARRO COUNTY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2012
(Unaudited)

Taxing Jurisdiction	Percentage Overlapping Navarro County	Net Debt	Subtotals
County-wide			
Navarro County	100.00%	\$ 1,911,043	
Total direct debt	100.00%		\$ 1,911,043
Cities			
Angus	100.00%	-	
Barry	100.00%	-	
Blooming Grove	100.00%	90,320	
Corsicana	100.00%	54,955,000	
Dawson	100.00%	295,836	
Emhouse	100.00%	-	
Eureka	100.00%	-	
Frost	100.00%	256,000	
Goodlow	100.00%	-	
Kerens	100.00%	260,405	
Mildred	100.00%	-	
Navarro Valley	100.00%	-	
Oak Valley	100.00%	-	
Powell	100.00%	-	
Retreat	100.00%	-	
Rice	100.00%	-	
Richland	100.00%	83,234	
Total Cities		<u>55,940,795</u>	
School District (% of assessed value)			
Blooming Grove	100.00%	2,099,632	
Bynum	0.67%	15,165	
Corsicana	100.00%	63,053,430	
Dawson	100.00%	4,708,565	
Ennis	0.43%	854,276	
Fairfield	4.74%	1,311,982	
Frost	99.28%	982,176	
Kerens	100.00%	2,429,847	
Mildred	100.00%	15,033,448	
Rice	100.00%	12,294,592	
Wortham	100.00%	6,836,416	
Total School Districts		<u>109,619,529</u>	
Colleges			
Navarro College	100.00%	<u>38,901,442</u>	
Total indirect debt	100.00%		<u>204,461,766</u>
Total direct and overlapping debt			<u>\$ 206,372,809</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			
	2012	2011	2010	2009
Assessed value of real property	\$ 3,118,133,301	\$ 3,038,542,593	\$ 2,919,778,324	\$ 2,816,672,430
Debt limit rate	5%	5%	5%	5%
Debt limit	<u>155,906,665</u>	<u>151,927,130</u>	<u>145,988,916</u>	<u>140,833,622</u>
Debt applicable to limit:				
Total bonded debt	1,500,000	1,970,000	2,430,000	2,850,000
Less: amount set aside for repayment	<u>91,369</u>	<u>94,083</u>	<u>107,392</u>	<u>177,069</u>
Total net debt applicable to limit	<u>1,408,631</u>	<u>1,875,917</u>	<u>2,322,608</u>	<u>2,672,931</u>
Legal debt margin	<u>\$ 154,498,034</u>	<u>\$ 150,051,213</u>	<u>\$ 143,666,308</u>	<u>\$ 138,160,691</u>
Total net debt applicable to the limit as a percentage of debt limit	0.90%	1.23%	1.59%	1.90%

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									
		2008	2007	2006	2005	2004	2003				
\$	2,624,937,438	\$	1,958,390,830	\$	1,740,389,521	\$	1,624,525,914	\$	1,553,722,041	\$	1,485,717,228
	<u>5%</u>		<u>5%</u>		<u>5%</u>		<u>5%</u>		<u>5%</u>		<u>5%</u>
	<u>131,246,872</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>
	3,655,000		3,655,000		4,060,000		4,445,000		4,625,000		4,900,000
	<u>143,082</u>		<u>215,793</u>		<u>225,128</u>		<u>217,512</u>		<u>146,289</u>		<u>25,731</u>
	<u>3,511,918</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>127,734,954</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>
	2.68%		3.51%		4.41%		5.20%		5.77%		6.56%

NAVARRO COUNTY, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

(Unaudited)

Calendar Year	Estimated Population ^a	County				State of Texas	United States
		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
2012	47,979	N/A	N/A	9,650	8.8%	N/A	N/A
2011	47,812	\$ 988,274	\$ 20,670	9,666	6.1%	\$ 40,147	\$ 41,560
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

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.

TABLE 14

NAVARRO COUNTY, TEXAS

PRINCIPAL EMPLOYERS

SEPTEMBER 30, 2012

(Unaudited)

Employer	Nature of Business	2012	
		Employees	Percentage of Total County Employment ^a
Corsican I.S.D	Government / Education	811	3.88%
Russell Stover Candies	Candy Manufacturing	680	3.25%
Navarro Regional Hospital	Hospital	354	1.69%
Navarro College	College	321	1.53%
Guardian Industries	Glass Manufacturing	318	1.52%
Texas Youth Commission	Government/State Home	299	1.43%
Navarro County	Government/County	284	1.36%
City of Corsicana	Government/City	284	1.36%
Corsicana Bedding	Bedding	257	1.23%
Heritage Oaks / Heritage Oaks West	Assisted Living Centers	236	1.13%
Kohl's Distribution Center	Warehousing/retail	200	0.96%
Oil City Iron Works	Castings	172	0.82%
Collin Street Bakery	Fruitcakes (seasonal)	150	0.72%
Tru- Serve / True Value Distribution	Hardware store distribution center	149	0.71%
Community National Bank & Trust	Texas State Commission	114	0.55%
Corsicana Technologies, Inc.	Building Materials	98	0.47%
Mobil/Exxon Pipeline	Storage Facility	55	0.26%
Nothrop Grunman Information Technology	Information Technology	50	0.24%
Firestone Building Products	Building Materials	23	0.11%
Total		4,855	23.21%

Source: Corsicana/Navarro County Chamber of Commerce

Note: Information for 2003 is not available.

a - September 30, 2012, total employment per Texas Workforce Commission



Navarro County Courthouse

NAVARRO COUNTY, TEXAS

FULLTIME EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS
(Unaudited)

Function/Program	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government										
Elected/appointed officials	5	5	5	5	5	5	5	5	5	5
Clerical	38	37	37	36	44	42	42	40	38	38
Building maintenance	3	3	3	3	3	3	3	3	3	3
Environmental	2	2	2	2	2	2	2	2	1	1
Judicial										
Judges/justices of the peace	7	6	6	6	7	6	6	6	6	6
Criminal District Attorney	1	1	1	1	1	1	1	1	1	1
Assistant prosecutors	5	5	5	5	4	4	4	4	4	4
Paraprofessionals	5	5	5	4	5	6	6	6	6	6
Clerical	13	13	13	14	13	11	10	10	5	8
Public safety										
County sheriff	1	1	1	1	1	1	1	1	1	1
Constables	4	4	4	4	4	4	4	4	4	4
Patrol/CID	28	28	40	34	29	29	26	27	30	31
Jailers	72	72	77	67	78	79	64	66	63	64
Administration	12	12	18	20	15	23	27	19	14	29
Juvenile probation	1	1	1	1	-	1	1	1	1	1
Communications	13	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	4
Road employees	34	34	34	33	33	32	36	34	35	39
Total	<u>248</u>	<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

NAVARRO COUNTY, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

(Unaudited)

Function/Program	Fiscal Year			
	2012	2011	2010	2009
General Government				
Auditor's office				
Accounts payable checks issued	7,374	8,474	9,232	11,576
Treasurer's office				
Payroll checks issued	1,060	1,568	1,706	1,906
Cash receipts issued	3,205	3,538	2,727	2,611
County clerk				
Marriage licenses issued	393	400	395	380
Declarations of informal marriage	8	9	14	4
Birth certificates issued	580	474	470	650
Death certificates issued	422	379	393	553
Tax office				
Title transactions	11,324	10,554	10,079	9,873
Registration transactions	50,368	49,015	48,819	48,746
Tax certificates issued	1,768	1,569	1,602	1,496
Liquor receipts issued	22	16	25	39
Beer and wine receipts issued	40	13	44	53
Elections administration				
Number of registered voters	26,631	26,448	26,233	26,949
Judicial				
District court				
Civil cases filed	821	1,264	1,377	1,413
Civil cases disposed	920	1,035	1,401	1,330
Criminal cases filed	705	827	777	696
Criminal cases disposed	829	876	873	791
Juvenile cases filed	32	28	51	62
Juvenile cases disposed	18	28	55	67
County court				
Civil cases filed	109	1,264	183	138
Civil cases disposed	301	1,035	144	121
Criminal cases filed	1,781	827	1,382	1,476
Criminal cases disposed	1,755	876	1,702	2,074
Justices of the peace				
Civil cases filed	625	549	475	462
Civil cases disposed	452	403	402	511
Criminal cases filed	6,255	6,813	8,130	7,246
Criminal cases disposed	4,539	7,285	7,915	6,563

Source: Various County Departments

Notes: Miles of roadway are estimated.

TABLE 16

Fiscal Year					
2008	2007	2006	2005	2004	2003
9,389	9,673	9,655	11,513	11,387	13,914
2,192	2,573	2,870	3,215	3,411	3,776
2,959	2,456	2,315	2,744	2,878	3,069
377	425	435	432	402	483
7	12	5	7	6	9
1,864	1,938	1,918	1,897	2,046	1,940
451	468	461	427	439	438
11,343	11,043	11,144	1,593	10,806	10,952
48,077	46,857	46,561	44,930	42,901	41,994
1,731	1,868	1,606	1,988	1,844	2,061
32	36	17	70	22	7
45	52	54	41	28	N/A
25,067	27,555	27,122	27,396	26,670	27,270
1,422	1,468	1,545	1,146	1,366	1,354
1,307	1,666	1,435	1,289	1,478	1,446
730	1,058	881	762	759	686
814	730	675	707	744	643
41	46	51	45	66	48
44	59	44	58	65	42
109	111	144	96	148	116
94	99	89	99	118	86
1,948	2,783	2,663	2,551	2,277	1,815
2,054	2,534	2,425	2,311	1,882	1,727
764	524	495	453	484	561
491	421	410	358	422	438
10,256	10,917	11,414	11,775	12,301	10,228
10,595	10,465	9,660	10,220	9,680	9,851

(continued)

NAVARRO COUNTY, TEXAS

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

Function/Program	Fiscal Year			
	2012	2011	2010	2009
Public Safety				
County jail				
Detention officers	72	72	72	72
Total persons jailed	3,884	4,232	4,201	3,813
Average prisoner days	193	205	194	190
Cost per prisoner day	\$ 71.13	\$ 65.74	\$ 71.70	\$ 76.19
County sheriff				
Administration officers	12	12	12	12
Patrol officers	21	24	24	24
Detectives	7	7	7	7
Environmental officers	2	2	2	2
Arrests - NCSO	1,815	1,406	1,406	1,447
Warrants served- NCSO	538	633	699	693
Communications				
Communications officers	13	13	13	13
911 calls	22,798	22,177	20,532	20,792
Calls for service	16,524	16,841	17,443	18,013
NCSO vehicles				
Vehicles in fleet	79	66	66	69
Miles driven	885,112	1,216,911	932,488	920,401
Average miles per vehicle	11,204	18,438	14,129	13,945
Gasoline used (gallons)	68,693	64,484	64,720	61,420
Health and welfare				
Number of pauper burial/cremation	-	2	6	2
Indigent health care				
Applications approved for assistance	-	-	192	155
Texas AgriLife Extension Service				
Number of educational presentations	581	338	332	454
Number of participants in educational presentations	16,082	11,825	20,405	16,564
Roads and highways				
Miles of roadways chip sealed	16	16	1	2.0
Miles of roadways reconstructed	2	30	82	12.0
Miles of roadways overlaid	7	16	35	-
Number of culverts installed	91	95	47	45

Source: Various County Departments

Notes: Miles of roadway are estimated.

TABLE 16

Fiscal Year						
2008	2007	2006	2005	2004	2003	
78	63	51	50	53	51	
3,806	3,832	4,077	4,194	4,178	3,880	
231	233	205	212	198	198	
\$ 105.33	\$ 50.97	\$ 50.05	\$ 45.27	\$ 43.58	\$ 45.56	
15	12	12	12	12	12	
24	24	24	23	20	20	
7	7	7	7	7	6	
2	2	2	2	1	1	
1,366	1,444	1,378	1,470	1,243	1,181	
674	812	729	793	595	545	
13	13	13	13	13	13	
20,585	19,600	20,200	N/A	N/A	N/A	
17,883	18,004	18,931	19,602	17,951	16,134	
56	60	66	64	56	57	
959,457	869,662	980,468	867,876	959,457	947,434	
17,133	14,494	14,418	13,506	17,133	17,018	
57,971	65,435	57,958	53,081	57,971	57,657	
5	7	7	4	5	6	
97	120	109	121	97	80	
243	410	258	238	243	220	
9,930	14,866	12,243	10,502	9,930	9,097	
1.6	-	4.1	6.9	1.6	1.7	
3.7	2.2	6.4	5.0	3.7	3.8	
33.7	0.0	34.8	37.8	33.7	22.3	
49	76	72	45	49	65	

NAVARRO COUNTY, TEXAS

CAPITAL ASSETS AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS
(Unaudited)

Function/Program	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government										
Courthouse	1	1	1	1	1	1	1	1	1	1
Touchscreen voting machines	139	135	135	135	135	135	135	120	-	-
Security scan systems	3	3	3	3	3	3	3	-	-	-
Public safety										
Justice center	1	1	1	1	1	1	1	1	1	1
Sheriff's vehicles	73	67	68	68	69	60	66	64	56	57
Emergency management										
Mobile command center	1	1	1	1	1	1	1	1	1	-
Emergency operations center	1	1	1	1	1	1	1	1	-	-
Roads and highways										
County maintenance facilities	5	5	5	5	4	4	5	5	5	5
Miles of road	916	916	916	916	916	916	916	928	928	928
Bridges	85	85	85	85	84	84	84	87	87	87

Sources:

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

COMPLIANCE SECTION



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

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

To the Honorable 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, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County, Texas, is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2012-1).

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.

April 29, 2013



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

**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, 2012. 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, 2012.

Internal Control Over Compliance

The 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.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of Navarro County's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on Navarro County's compliance but not to provide an opinion on the effectiveness of Navarro County's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Navarro County's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

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

April 29, 2013

NAVARRO COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U. S. Department of Justice</u>			
Direct Programs:			
State Criminal Alien Assistance Grant	16.572	2012-H4962-TX-AP	\$ 28,191
Total Direct Programs			<u>28,191</u>
Passed through Office of the Governor Criminal Justice Division			
Victim's Assistance Grant	16.575	VA-11-V30-21620-03	<u>30,968</u>
Total Passed through Office of the Governor Criminal Justice Division			<u>30,968</u>
Total U. S. Department of Justice			<u>59,159</u>
<u>U. S. General Services Administration</u>			
Passed through Texas Secretary of State:			
HAVA -Team Comparability	39.011	79165	<u>3,587</u>
Total Passed through Texas Secretary of State			<u>3,587</u>
Total U.S. General Services Administration			<u>3,587</u>
<u>U. S. Department of Energy</u>			
Passed through Texas Energy Conservation Office:			
Energy Efficiency and Conservation Block (EECBG)-ARRA	81.128	CS0983	<u>115,153</u>
Total Passed through Texas Energy Conservation Office			<u>115,153</u>
Total U.S. Department of Energy			<u>115,153</u>
<u>U. S. Elections Assistance Commission</u>			
Passed through Texas Secretary of State:			
HAVA - General Compliance	90.401	78650	<u>13,454</u>
Total Passed through Texas Secretary of State			<u>13,454</u>
Total U.S. Elections Assistance Commission			<u>13,454</u>
<u>U. S. Office of National Drug Control Policy</u>			
Direct Programs:			
High Intensity Drug Trafficking Area (HIDTA)	95.001	G10NT0001A	344,926
High Intensity Drug Trafficking Area (HIDTA)	95.001	G11NT0001A	1,284,816
High Intensity Drug Trafficking Area (HIDTA)	95.001	G12NT0001A	<u>928,174</u>
Total Direct Programs			<u>2,557,916</u>
Total U. S. Office of National Drug Control Policy			<u>2,557,916</u>
<u>U. S. Department of Homeland Security</u>			
Passed through Texas Department of Public Safety:			
Disaster Grants - Public Assistance	97.036	DR-4029	<u>117,729</u>
Total Passed through Texas Department of Public Safety			<u>117,729</u>
Total U.S. Department of Homeland Security			<u>117,729</u>
Total Expenditures of Federal Awards			\$ <u>2,866,998</u>

NAVARRO COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2012

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, 2012. 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, 2012

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? No

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

95.001

Name of Federal Program:

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, 2012

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

Item 2012-1:

Condition: The revolving and clearing bank account is not reconciled to the general ledger monthly.

Criteria: All bank reconciliations should be performed timely in order to detect errors intentional or unintentional.

Cause: Internal controls to ensure the revolving and clearing bank account is reconciled timely are not implemented.

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 2013

Findings and Questioned Costs for Federal Awards

None

NAVARRO COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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

Item 2011-1:

Condition: Clerks in the District Clerk's office share one cash drawer and one password when processing cash collections.

Criteria: Internal controls should be in place to prevent or detect fraudulent activities.

Cause: The controls over cash collections are not properly designed.

Effect: The lack of controls creates an easy way for money to be taken or lost with no way of tracing the transaction.

Recommendation: 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.

Management's Response: Management will review the activities in the office and develop procedures to prevent and detect fraudulent activity.

Current Status: This matter has been resolved.

Item 2011-2:

Condition: The revolving and clearing bank account is not reconciled to the general ledger monthly.

Criteria: All bank reconciliations should be performed timely in order to detect errors intentional or unintentional.

Cause: Internal controls to ensure the revolving and clearing bank account is reconciled timely are not implemented.

(continued)

NAVARRO COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2012

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

Item 2011-2: (Continued)

<u>Effect:</u>	The lack of controls creates an environment in which errors could go undetected within a timely manner.
<u>Recommendation:</u>	The revolving and clearing bank account should be reconciled monthly.
<u>Management's Response:</u>	Management will review the process over revolving and clearing bank reconciliations.
<u>Current Status:</u>	See 2012-1 finding.

Findings and Questioned Costs for Federal Awards

None