



Navarro County Courthouse

NAVARRO COUNTY, TEXAS

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2009

NAVARRO COUNTY AUDITOR

NAVARRO COUNTY, TEXAS

Comprehensive Annual Financial Report

**For The Year Ended
September 30, 2009**

County Auditor

NAVARRO COUNTY, TEXAS
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INTRODUCTORY SECTION



NAVARRO COUNTY AUDITOR'S OFFICE

County Auditor

Phone: (903) 654-3095

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

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

Fax: (903) 654-3097

April 9, 2010

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, 2009. This report is submitted in compliance with Section 114.025 of the *Texas Local Government Code*.

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

Navarro County's basic financial statements have been audited by Patillo, Brown and Hill, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the County, for the fiscal year ended September 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used; and evaluating the overall financial statement presentation. The independent auditors' report is presented as the first component of this report.

The independent audit of the basic financial statements of Navarro County was part of a broader, federally mandated *Single Audit* designed to meet the special needs of federal grantor

agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the basic financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented in the Compliance Section of the report.

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

PROFILE OF NAVARRO COUNTY

Navarro County is located in north central Texas and is strategically central to the economic regions of Texas, Louisiana, Arkansas, Oklahoma and New Mexico, as well as centrally located within the United States. The county region was opened for settlement by the Mexican colonization laws and was included in an impresario grant to Thomas J. Chambers on September 23, 1834. The first Texas legislature created the County from Robertson County on March 30, 1846 and designated the town of Corsicana as a temporary seat of justice. The County's name honors Jose Antonio Navarro, a Texas patriot who chose the name Corsicana in honor of the Isle of Corsica, his father's birthplace. The County encompasses an area of 1,086 square miles. According to the North Central Texas Council of Governments the 2008 estimated population for the County was 49,500.

The County is a public corporation and a political subdivision of the State of Texas. The Commissioners Court, which is composed of four Commissioners and the County Judge, is the general governing body of the County in accordance with Article 5 Paragraph 18 of the Texas Constitution. Commissioners serve four-year staggered terms, two members elected every two years. The County Judge is elected at large to serve a four-year term.

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

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

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

During 2009, Navarro County continues to experience growth in industrial expansions, retail and commercial developments, and residential development.

Effective Environmental, Inc. is in the process of locating its combined solid waste recycling, transportation, and solvent recovery facility in Corsicana. The company projects to employ approximately twenty-five (25) full time equivalent employees and create a projected capital investment of approximately \$12 million for the facility. In addition, Kayem Pipe & Supply is constructing a facility, located to the east of I-45 and to the south of Texas Highway 31. Kayem Pipe & supply plans to employ approximately thirty-five full time equivalent employees. Also, Able Technologies has opened a company that provides information technology support for education service providers. Able Technology employs ten (10) full time equivalent employees.

Commercial and retail expansions include the Denny's Restaurant, located at I-45 and US 287, that employs approximately fifty (50) full time equivalent employees. Also, the Cinergy Cinema that will be located in the Corsicana Crossing retail center and to the south of Gander Mountain, is currently under construction. The eight (8) screen Cinergy Cinema with its proposed taxable valuation to be approximately \$7 million plans to employ approximately thirty (30) full time equivalent employees. The cinema is scheduled to open in the summer of 2010. In addition, a Subway restaurant located at the intersection of I-45 and US 287 and behind the Taco Bell Restaurant, is currently under construction.

Medical and health facilities are expanding in Navarro County with the Navarro Regional Hospital currently expanding the Emergency Department that will feature fourteen (14) treatment rooms and expanded health and medical care services. The Emergency Room

expansion project is valued at \$5 million and will expand the size of the existing hospital by approximately 9,000 square feet in size.

Residential developments in Navarro County continue with the Shores residential development project setting the pace. According to representatives from the Shores, to this date over five hundred ninety (590) lots of the total six hundred eighteen (618) single family lots have been sold. During the summer of 2009, the Northshore Harbor Condominiums residential development broke ground. When complete, the Northshore Harbor project will feature approximately two hundred eighty-eight (288) single family two and three bedroom, condominiums. The total value of the Northshore Harbor Condominiums is projected to be \$35 million. Both the Shores and Northshore Harbor Condominuims residential developments are located in the vicinity of the Richland Chambers Reservoir. These developments are in addition to over 4,000 single family lots that are under development or in the planning stages in Navarro County with approximately 3,000 of the single family lots being located in the vicinity of the Richland Chambers Reservoir.

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

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

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

Major Initiatives – The County has applied for and been awarded a Texas Historic Courthouse Preservation Program planning grant for restoration of our beautiful courthouse. In conjunction with the Texas Historical Commission and local historical and preservation groups, the County has engaged an architectural firm to develop plans for restoring our local historical building to its original beauty and functionality. The County is also in the process of searching for a suitable facility for a courthouse annex.

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, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance

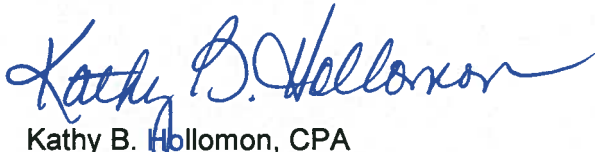
with the highest standards for preparation of state and local government financial reports. This is the fifteenth consecutive year that Navarro County has achieved this prestigious award.

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

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

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

Sincerely,



Kathy B. Hollomon, CPA
Navarro County Auditor

Staff: Tim Easley – First Assistant Auditor
Terri Gillen – Assistant County Auditor
Jeannie Keeney – Assistant County Auditor
Ann Tanner – Assistant County Auditor
Julie Jennings – Assistant County Auditor

Certificate of Achievement for Excellence in Financial Reporting

Presented to
**Navarro County
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

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.



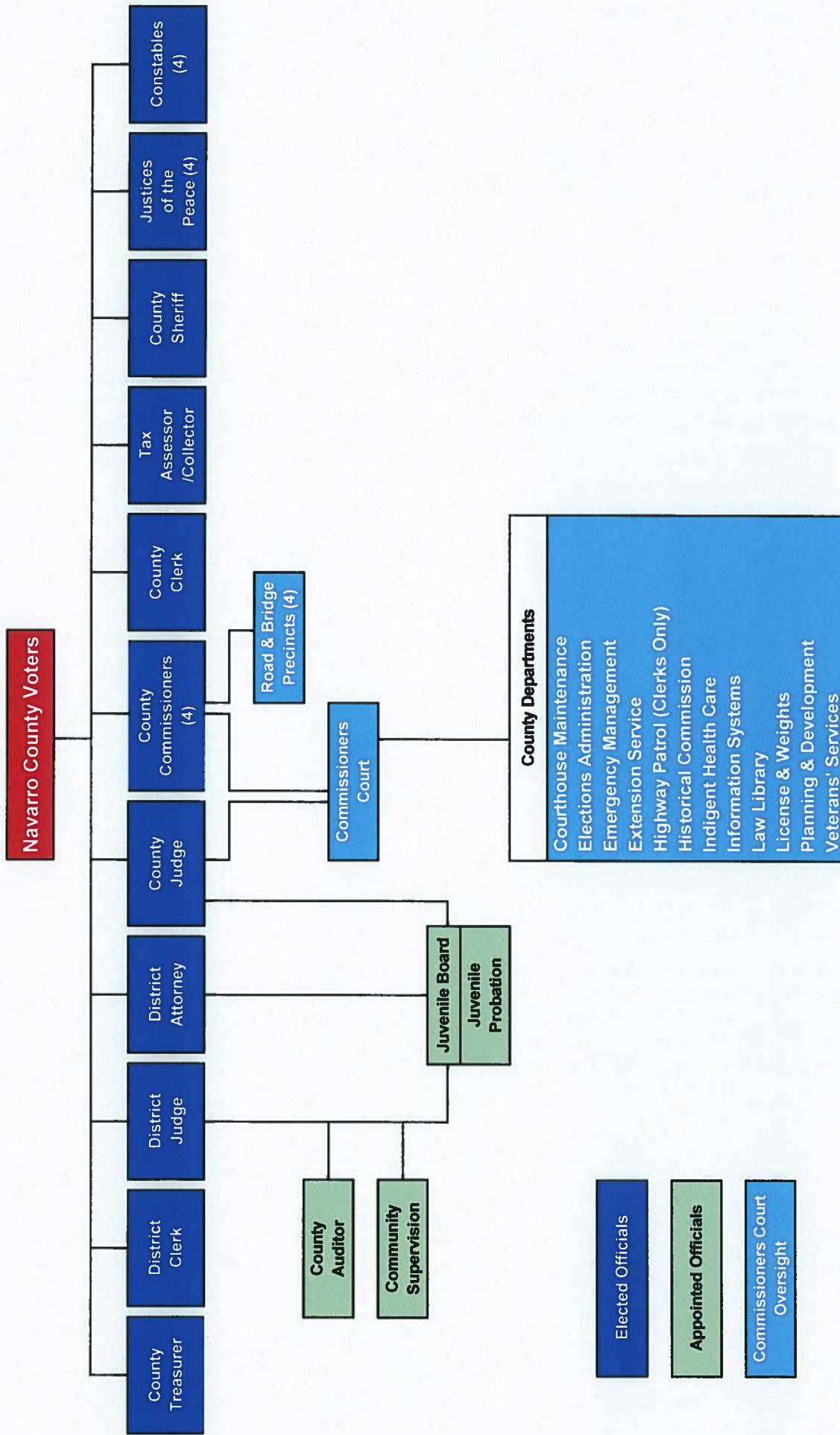
A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Enos".

Executive Director

**NAVARRO COUNTY, TEXAS
ORGANIZATIONAL CHART
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**



NAVARRO COUNTY, TEXAS

PRINCIPAL OFFICIALS

FOR THE YEAR ENDING SEPTEMBER 30, 2009

Commissioners Court

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

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

Judicial

James Lagomarsino
Vicki Gray
Kirby Hill
Bob McQuary *
Connie Mayfield

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

Law Enforcement

Leslie A. Cotten, Sr.
R. Lowell Thompson
Mike Davis
David Foreman
Brad K. Butler
Tommy Grant
Chris Aldama *
Melanie Hyder *

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

Financial Administration

Kathy B. Hollomon *
Ruby Coker
Russell P. Hudson

County Auditor
County Treasurer
County Tax Assessor-Collector

Recording Officials

Marilyn Greer
Sherry Dowd

District Clerk
County Clerk

* Designates appointed officials. All others are elected.

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Navarro County, Texas as of and for the year ended September 30, 2009, 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, 2009, 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 9, 2010, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 36 through 40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Pattillo, Brown & Hill, LLP

April 9, 2010

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

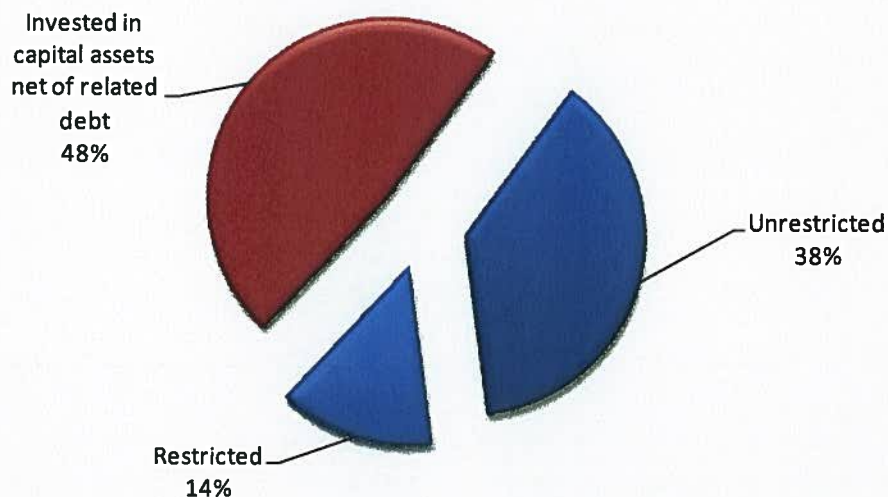
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009. 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 2009 by \$19,193,656 and is reported as total net assets. Of this amount, \$7,298,077 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors, \$2,669,973 is restricted for specific purposes (restricted net assets) and \$9,225,606 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, \$5,291,059 of which, \$4,631,720 or 87.5% represents unreserved fund balances.
- At the end of the current fiscal year, the General Fund unreserved fund balance was \$2,611,547 or 15.6% of total General Fund expenditures.
- The County's long-term liability decreased by \$129,412. 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 – 18 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 – 37 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budgetary schedules for major funds – the General Fund. 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 38 – 39 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 40 – 55 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the County's financial position. In the case of the County, assets exceeded liabilities by \$19,193,656 as of September 30, 2009, a decrease of \$246,573 as compared with the previous fiscal year.

A major portion of the County's net assets for the current fiscal year (38%) 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	
	2009	2008
Current and other assets	\$ 10,696,488	\$ 11,580,370
Capital assets	12,425,342	12,097,837
Total assets	<u>23,121,830</u>	<u>23,678,207</u>
Current and other liabilities	530,120	710,512
Long-term liabilities	3,398,054	3,527,466
Total liabilities	<u>3,928,174</u>	<u>4,237,978</u>
Net assets:		
Invested in capital assets, net of related debt	9,225,606	8,796,531
Restricted	2,669,973	590,630
Unrestricted	<u>7,298,077</u>	<u>10,053,068</u>
Total net assets	<u>\$ 19,193,656</u>	<u>\$ 19,440,229</u>

Assets as of September 30, 2009, reflect a decrease of \$556,377 (2.3%) over assets at the end of fiscal year 2008. Cash and investments decreased as compared to the previous year. Accounts receivable decreased by \$206,843 compared to the previous year. Of Navarro County's total assets, the largest components are 1) cash and investments of \$4,699,706, (20.3%), 2) accounts receivable of \$4,753,396 (20.5%), and 3) capital assets of \$12,425,342, (53.7%). Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations.

Total liabilities decreased \$309,804, (7.3%) in comparison with fiscal year 2008. Long-term debt decreased primarily due to principal payments made on capital leases and bonds payable.

Navarro County's assets exceeded liabilities by \$19,193,656 at the close of the fiscal year. Of this amount, \$2,669,973 (13.9%) represents *restricted net assets* which are resources that are subject to external restrictions on how they may be used. Restrictions include statutory requirements, bond covenants and grant conditions. Another portion of the County's net assets, \$9,225,606 (48.1%) 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 \$7,298,077 (38%) represents unrestricted net assets, which may be used to meet the County's ongoing obligations to citizens and creditors.

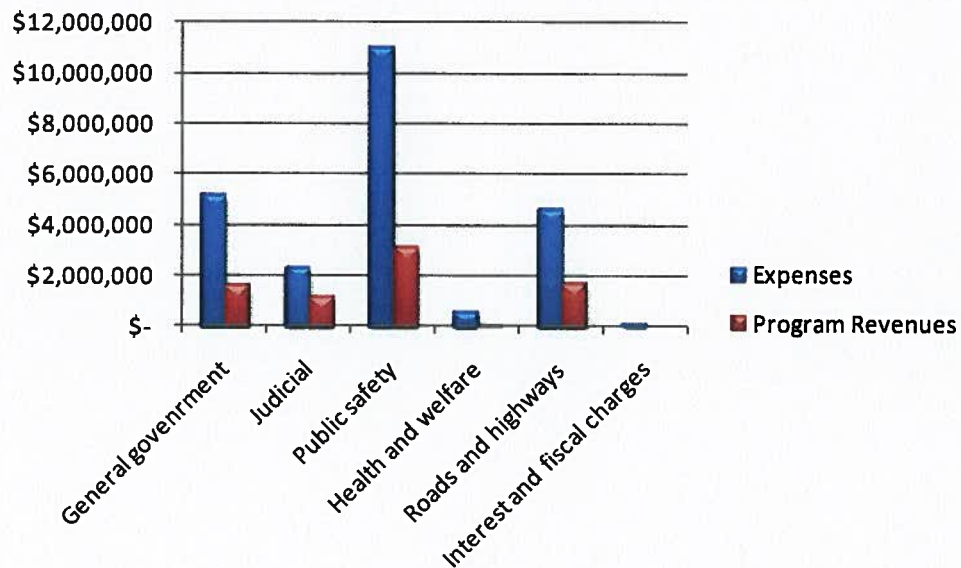
At the end of the current fiscal year, the County reported positive net assets in all three categories of net assets for its governmental activities.

Governmental Activities. Governmental activities decreased the County's net assets by \$246,573 during the current fiscal year. Key elements of this decrease are as follows:

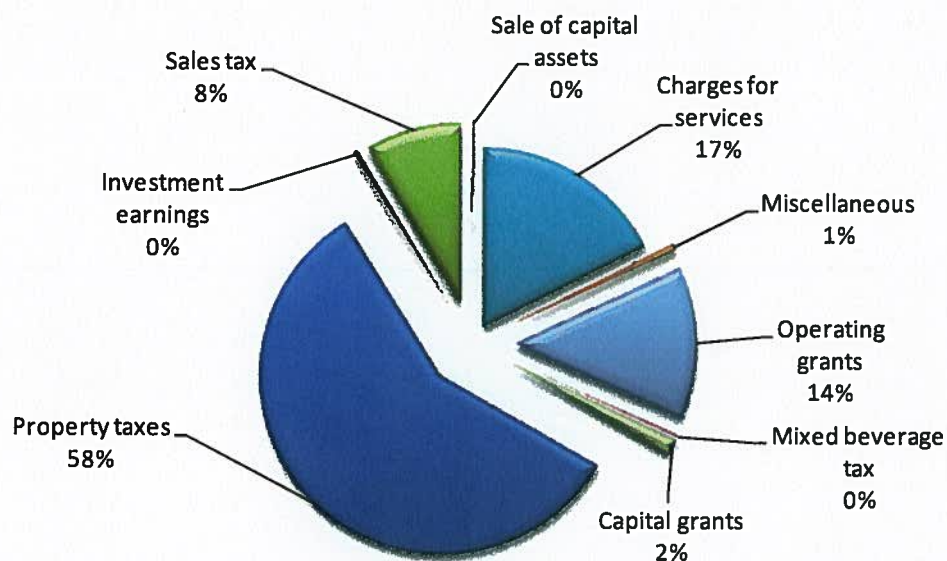
NAVARRO COUNTY, TEXAS' CHANGES IN NET ASSETS

	Governmental Activities	
	2009	2008
Revenues:		
Program revenues:		
Charges for services	\$ 4,102,084	\$ 4,443,431
Operating grants and contributions	3,202,347	3,092,844
Capital grants and contributions	359,550	-
General revenues:		
Property taxes	13,658,077	12,640,920
Sales tax	1,998,786	2,251,771
Taxes from the sale of alcohol	37,065	33,948
Miscellaneous	136,644	176,507
Interest on investments	79,340	280,494
Gain from sale of capital assets	15,776	52,706
Total revenues	<u>23,589,669</u>	<u>22,972,621</u>
Expenses:		
General government	5,161,840	4,965,892
Judicial	2,320,480	2,303,243
Public safety	11,031,850	10,668,710
Health and welfare	577,654	486,507
Roads and highways	4,622,991	3,882,420
Interest on long-term debt	121,427	144,006
Total expenses	<u>23,836,242</u>	<u>22,450,778</u>
Change in net assets	(246,573)	521,843
Net assets, beginning	<u>19,440,229</u>	<u>18,918,386</u>
Net assets, ending	<u>\$ 19,193,656</u>	<u>\$ 19,440,229</u>

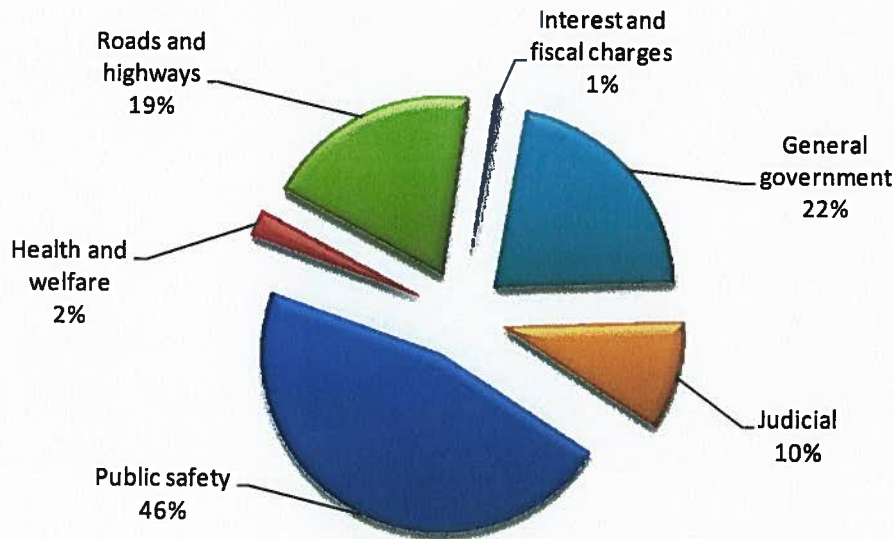
Property taxes increased by \$1,017,157 (8.04%), offsetting the reduction in the amount reported as judicial revenue for a net increase in total revenues of \$617,048 (2.7%). The increase in property taxes is the result of an increase in the taxable value of property in Navarro County.



Revenues by Source – Governmental Activities



Expenses by Function – Governmental Activities



FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

Governmental Funds

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

At September 30, 2009, the County's governmental funds reported combined ending fund balances of \$5,291,059, a decrease of \$652,421 in comparison with the prior year. Approximately \$4,631,720 (87.6%) of the combined fund balances constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed to pay debt service (\$117,781), Capital Projects (\$353,519), and prepaid items (\$188,039).

The General Fund is the chief operating fund of Navarro County. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$2,611,547.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original expenditure budget and the final amended budget of the General Fund resulted in an increase of \$1,162,689 in appropriations.

During the year, actual revenues exceeded budgetary estimates by \$209,680. Actual expenditures were less than budgetary estimates by \$1,218,739. The net effect of over-realization of revenue and under-utilization of appropriations resulted in a positive variance of \$1,428,419.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Navarro County's investment in capital assets for its governmental type activities as of September 30, 2009, amounts to \$12,425,342 (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	
	2009	2008
Land	\$ 1,074,962	\$ 1,074,962
Buildings and improvements	5,342,875	5,742,192
Machinery and equipment	3,064,500	2,266,010
Infrastructure	<u>2,943,005</u>	<u>3,014,673</u>
Total capital assets	<u>\$ 12,425,342</u>	<u>\$ 12,097,837</u>

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

Long-term Debt. At September 30, 2009, the County had total long-term debt outstanding of \$3,398,054. The County's bonded debt carries a rating of "AAAm" from Moody's Investor Services.

NAVARRO COUNTY'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities	
	2009	2008
Refunding bonds	\$ 2,798,819	\$ 3,200,289
Capital leases	400,917	184,152
Compensated absences	139,166	143,025
OPEB obligation	<u>59,152</u>	<u>-</u>
	<u>\$ 3,398,054</u>	<u>\$ 3,527,466</u>

The net amount of refunding bonds and capital leases decreased by \$184,705. This decrease is a result of the liquidation of outstanding bonds and capital leases. Additional information on Navarro County's long-term debt can be found in Note II, E on pages 30 – 32 of this report.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Commissioners' Court adopted the County's budget for the fiscal year ended September 30, 2010, on September 21, 2009. The budget was adopted based on estimated balances that would be available at the end of fiscal year 2009 and estimated revenues to be received in fiscal year 2010. The total available resources for all funds for fiscal year 2010 are \$4,631,720. For the County's General Fund, the 2010 budget utilizes \$664,519 of available funds.

The 2009 property tax rate was \$0.627/\$100 valuation, an increase of \$0.0758/\$100 valuation over the previous year. As a result of a 3.73% increase in taxable value, the County expects tax revenue collected during fiscal year 2010 to increase 12.96% over projected collections for fiscal year 2009. Additionally, the County's budget anticipates all other sources of revenue to be approximately 9.7% less than fiscal year 2009, primarily due to an anticipated decrease in sales tax revenue and fines and fees of office.

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, 2009

ASSETS

Cash and cash equivalents	\$ 644,515
Investments	4,055,191
Accounts receivable, net	4,753,396
Property taxes receivable, net	984,088
Prepaid items	188,039
Bond issuance costs	71,259
Capital assets (net of accumulated depreciation)	
Nondepreciable	1,074,962
Depreciable	<u>11,350,380</u>
Total assets	<u>23,121,830</u>

LIABILITIES

Accounts payable	501,817
Accrued interest	11,473
Unearned revenue	16,830
Noncurrent liabilities:	
Due within one year	650,537
Due in more than one year	<u>2,747,517</u>
Total liabilities	<u>3,928,174</u>

NET ASSETS

Invested in capital assets, net of related debt	9,225,606
Restricted for:	
Debt service	203,701
Capital projects	353,519
Public safety	341,535
Flood control	708,051
Road and bridge	1,063,167
Unrestricted	<u>7,298,077</u>
Total net assets	<u>\$ 19,193,656</u>

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

NAVARRO COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Program Revenue			Net (Expense)
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Assets
Governmental Activities					
Primary government					
Governmental activities:					
General government	\$ 5,161,840	\$ 1,513,036	\$ 130,907	\$ -	\$ (3,517,897)
Judicial	2,320,480	1,053,547	129,692	-	(1,137,241)
Public safety	11,031,850	629,777	2,288,340	184,733	(7,929,000)
Health and welfare	577,654	-	162	-	(577,492)
Roads and highways	4,622,991	905,724	653,246	174,817	(2,889,204)
Interest on long-term debt	<u>121,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(121,427)</u>
Total governmental activities	<u>23,836,242</u>	<u>4,102,084</u>	<u>3,202,347</u>	<u>359,550</u>	<u>(16,172,261)</u>
Total primary government	<u>\$ 23,836,242</u>	<u>\$ 4,102,084</u>	<u>\$ 3,202,347</u>	<u>\$ 359,550</u>	<u>(16,172,261)</u>
General revenues:					
Taxes:					
Property					13,658,077
Sales					1,998,786
Mixed beverage					37,065
Interest on investments					79,340
Miscellaneous					136,644
Gain on sale of capital assets					<u>15,776</u>
Total general revenues					<u>15,925,688</u>
Change in net assets					(246,573)
Net assets, beginning					<u>19,440,229</u>
Net assets, ending					<u>\$ 19,193,656</u>

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

NAVARRO COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

AS OF SEPTEMBER 30, 2009

	<u>General</u>	<u>HIDTA</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash	\$ 531,801	\$ 4,117	\$ 108,597	\$ 644,515
Investments	1,606,287	-	2,448,904	4,055,191
Accounts receivable	4,367,671	346,577	39,148	4,753,396
Property taxes receivable, net	707,023	-	277,065	984,088
Prepaid items	184,587	-	3,452	188,039
Due from other funds	<u>221,987</u>	<u>-</u>	<u>-</u>	<u>221,987</u>
Total assets	\$ <u>7,619,356</u>	\$ <u>350,694</u>	\$ <u>2,877,166</u>	\$ <u>10,847,216</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 252,241	128,707	\$ 120,869	\$ 501,817
Due to other funds	-	221,987	-	221,987
Deferred revenue	<u>4,570,981</u>	<u>-</u>	<u>261,372</u>	<u>4,832,353</u>
Total liabilities	<u>4,823,222</u>	<u>350,694</u>	<u>382,241</u>	<u>5,556,157</u>
Fund balances:				
Reserved for:				
Debt service	-	-	117,781	117,781
Capital projects	-	-	353,519	353,519
Prepaid items	184,587	-	3,452	188,039
Unreserved, undesignated, reported in:				
General fund	2,611,547	-	-	2,611,547
Special revenue funds	<u>-</u>	<u>-</u>	<u>2,020,173</u>	<u>2,020,173</u>
Total fund balances	<u>2,796,134</u>	<u>-</u>	<u>2,494,925</u>	<u>5,291,059</u>
Total liabilities and fund balances	\$ <u>7,619,356</u>	\$ <u>350,694</u>	\$ <u>2,877,166</u>	\$ <u>10,847,216</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

AS OF SEPTEMBER 30, 2009

Total fund balances - governmental funds balance sheet \$ 5,291,059

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 1,074,962	
Buildings and improvements, net of \$7,741,534 accumulated depreciation	5,342,875	
Machinery and equipment, net of \$4,579,275 accumulated depreciation	3,064,500	
Infrastructure, net of \$21,019,060 accumulated depreciation	<u>2,943,005</u>	
Total capital assets		12,425,342

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	(11,473)	
Refunding bonds payable	(2,850,000)	
Deferred loss on refunding bonds	51,181	
Capital leases payable	(400,917)	
Compensated absences	(139,166)	
Net OPEB obligation	<u>(59,152)</u>	
Total long-term liabilities		(3,409,527)

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	71,259
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Long-term assets are not available to pay for current period expenditures and, therefore are not reported in the funds.

Accounts receivable - fine and court costs:	911,356	
Property taxes	<u>3,904,167</u>	
Total long-term assets		4,815,523

Net assets of governmental activities	\$ <u>19,193,656</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, 2009

	<u>General</u>	<u>HIDTA</u>	<u>Other Governmental Funds</u>	<u>Total Governmental</u>
REVENUES				
Property taxes	\$ 10,685,966	\$ -	\$ 2,892,720	\$ 13,578,686
Intergovernmental	2,313,749	2,204,385	788,063	5,306,197
License and permits	-	-	905,724	905,724
Fees of office	1,805,455	-	-	1,805,455
Fines and forfeitures	660,819	-	540,736	1,201,555
Interest on investments	57,979	153	21,206	79,338
Other	511,699	-	41,235	552,934
Total revenues	<u>16,035,667</u>	<u>2,204,538</u>	<u>5,189,684</u>	<u>23,429,889</u>
EXPENDITURES				
Current:				
General government	4,987,296	-	-	4,987,296
Judicial	2,272,495	-	40,925	2,313,420
Public safety	8,245,872	2,204,754	-	10,450,626
Health and welfare	577,157	-	-	577,157
Roads and highways	-	-	4,143,951	4,143,951
Debt service:				
Principal	-	-	564,714	564,714
Interest and fiscal charges	-	-	102,557	102,557
Capital outlay	547,291	-	699,490	1,246,781
Intergovernmental:				
Tax increment reinvestment	115,916	-	-	115,916
Total expenditures	<u>16,746,027</u>	<u>2,204,754</u>	<u>5,551,637</u>	<u>24,502,418</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(710,360)	(216)	(361,953)	(1,072,529)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	5,137	-	43,492	48,629
Capital lease issued	-	-	371,479	371,479
Total other financing sources and uses	<u>5,137</u>	<u>-</u>	<u>414,971</u>	<u>420,108</u>
NET CHANGE IN FUND BALANCES	(705,223)	(216)	53,018	(652,421)
FUND BALANCES, BEGINNING	<u>3,501,357</u>	<u>216</u>	<u>2,441,907</u>	<u>5,943,480</u>
FUND BALANCES, ENDING	<u>\$ 2,796,134</u>	<u>\$ -</u>	<u>\$ 2,494,925</u>	<u>\$ 5,291,059</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

AS OF SEPTEMBER 30, 2009

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

Net change in fund balances - total governmental funds \$(652,421)

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 outlays	\$ 1,431,514	
Retirement of capital assets	(32,853)	
Depreciation expense	(1,071,156)	
Net adjustment		327,505

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

Repayments:		
Certificates of obligation	410,000	
Capital lease	154,714	
Net adjustment		564,714

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

Accounts receivable:		
Fines and court costs	(120,120)	
Delinquent property taxes receivable	79,391	
Net adjustment		(40,729)

The issuance of long-term debt (e.g., capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

(371,479)

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	1,537	
Compensated absences	3,859	
OPEB obligation	(59,152)	
Amortization of bond issuance costs	(11,877)	
Amortization of deferred loss on refunding bonds	(8,530)	
Net adjustment		(74,163)

Change in net assets of governmental activities \$(246,573)

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

NAVARRO COUNTY, TEXAS

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

SEPTEMBER 30, 2009

ASSETS

Cash	\$ 3,600,619
Investments	<u>1,845,900</u>
Total assets	\$ <u>5,446,519</u>

LIABILITIES

Due to others	\$ <u>5,446,519</u>
Total liabilities	\$ <u>5,446,519</u>

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

NAVARRO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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. This financial report has been prepared in accordance with GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, issued in June, 1999 and implemented by the County in fiscal year 2003. 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).

As required by GAAP, the financial statements of the reporting entity include those of the County (the primary government) and its component units in conformity with GASB Statement 14, The Financial Reporting Entity, which supersedes all previous pronouncements issued by GASB and the National Council of Governmental Accounting (NCGA) for defining the reporting entity.

In accordance with GASB Statement 14, 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, 2009.

(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, except for County fiduciary activity, information on all the activities of Navarro 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. This measurement focus is also used for the fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized 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.

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 net assets 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.

Additionally, the County reports fiduciary funds in the form of agency funds. These funds account for monies held on behalf of other governmental entities. Agency funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support County programs, these funds are not included in the government-wide statements.

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

(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 market 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 (current portion) or "advances to" or "advances from" other funds (non-current portion). All other outstanding balances between funds are reported as "due to/from other funds."

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

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. *Receivables and Payables* (Continued)

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.

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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. *Capital Assets* (Continued)

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.

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.

(continued)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

7. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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, 2009, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 5,899,601	43

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash and Investments (Continued)

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 pool is a 2a7-like pool. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

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.

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, 2009, 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.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

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.

Collections of the current year's levy are reported as current collections if received by June 30 (within 9 months of the October 1 due date). Collections received thereafter are reported as delinquent collections.

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.

The County bills and collects its own property taxes as well as those for Navarro College, the City of Corsicana, the City of Kerens, the City of Rice, the City of Goodlow, the City of Emhouse, the City of Barry, the City of Richland, the City of Dawson, the City of Blooming Grove, the Dawson Independent School District, the Blooming Grove Independent School District and the Rice Independent School District. The County acts only as an intermediary in the collection and distribution of property taxes to the other entities.

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 are recorded net of the entities' related collection commission paid to the County in this agency fund according to the levy year for which the taxes are collected. Tax collections deposited for the County are distributed on a monthly basis 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.

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

B. Property Taxes and Other Receivables (Continued)

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.

Delinquent taxes receivable have been reported in the assets section of the various balance sheets where applicable and offset as deferred revenue in the liabilities section. The following is a summary, by fund, of current and delinquent taxes receivable at September 30, 2009.

Property taxes receivable:	
General fund	\$ 763,235
Road and bridge funds	175,720
Debt service fund	107,519
Flood control fund	15,301
Less: allowance for uncollectibles	(77,687)
	<u>\$ 984,088</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 \$0.5828 was levied for the 2008 tax roll.

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:

	General	H.I.D.T.A. Grant Fund	Nonmajor	Total
Taxes	\$ 763,235	\$ -	\$ 298,540	\$ 1,061,775
Accounts	81,020	-	39,148	120,168
Court fines	18,647,806	-	-	18,647,806
Intergovernmental	382,484	346,577	-	729,061
	<u>19,874,545</u>	<u>346,577</u>	<u>337,688</u>	<u>20,558,810</u>
Less: allowance for uncollectibles	<u>14,799,851</u>	<u>-</u>	<u>21,475</u>	<u>14,821,326</u>
Total	<u>\$ 5,074,694</u>	<u>\$ 346,577</u>	<u>\$ 316,213</u>	<u>\$ 5,737,484</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

B. Property Taxes and Other Receivables (Continued)

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue and unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General fund		
Delinquent property taxes	\$ 649,984	\$ -
Court fines	3,904,167	-
Miscellaneous	-	16,830
Total general fund	<u>4,554,151</u>	<u>16,830</u>
Nonmajor governmental funds		
Delinquent property taxes	<u>261,372</u>	-
Total nonmajor governmental funds	<u>261,372</u>	-
Total governmental funds	<u>\$ 4,815,523</u>	<u>\$ 16,830</u>

C. Capital Assets

Capital assets activity for the year ended September 30, 2009, are as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,074,962	\$ -	\$ -	\$ 1,074,962
Total assets not being depreciated	<u>1,074,962</u>	<u>-</u>	<u>-</u>	<u>1,074,962</u>
Capital assets, being depreciated:				
Buildings and improvements	13,084,409	-	-	13,084,409
Machinery and equipment	6,819,987	1,210,697	386,909	7,643,775
Infrastructure	<u>23,741,248</u>	<u>220,817</u>	<u>-</u>	<u>23,962,065</u>
Total capital assets being depreciated	<u>43,645,644</u>	<u>1,431,514</u>	<u>386,909</u>	<u>44,690,249</u>
Less accumulated depreciation:				
Buildings and improvements	(7,342,217)	(399,317)	-	(7,741,534)
Machinery and equipment	(4,553,977)	(379,354)	(354,056)	(4,579,275)
Infrastructure	<u>(20,726,575)</u>	<u>(292,485)</u>	<u>-</u>	<u>(21,019,060)</u>
Total accumulated depreciation	<u>(32,622,769)</u>	<u>(1,071,156)</u>	<u>(354,056)</u>	<u>(33,339,869)</u>
Total capital assets being depreciated, net	<u>11,022,875</u>	<u>360,358</u>	<u>32,853</u>	<u>11,350,380</u>
Governmental activities capital assets, net	<u>\$ 12,097,837</u>	<u>\$ 360,358</u>	<u>\$ 32,853</u>	<u>\$ 12,425,342</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Depreciation expense for fiscal year 2009 was charged to functions and programs of the County as follows:

General government	\$ 51,582
Public safety	547,760
Roads and highways	<u>471,814</u>
	<u>\$ 1,071,156</u>

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	\$ <u>221,987</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. Balances between governmental funds are eliminated in the government-wide financial statements.

E. Long-term Debt

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Debt reduction	3.0 - 3.5%	\$ 2,850,000

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

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>	
2010	\$ 420,000	\$ 85,480	\$ 505,480
2011	460,000	72,280	532,280
2012	470,000	58,095	528,095
2013	480,000	43,010	523,010
2014	490,000	26,880	516,880
2015	<u>530,000</u>	<u>9,275</u>	<u>539,275</u>
Total	<u>\$ 2,850,000</u>	<u>\$ 295,020</u>	<u>\$ 3,145,020</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, 2009, the County does not have bonds considered defeased and outstanding.

Capital Lease Obligation

Capital lease at September 30, 2009, is composed of the following individual issues:

Equipment lease with the original principal amount of \$125,301; payable in monthly installments of \$3,747, including principal and interest at 4.85%, due May 31, 2010; secured by one Caterpillar motor grader purchased during fiscal year 2007.	\$ 29,438
Equipment lease with the original principal amount of \$167,083; 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.	167,083
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 year 2009.	28,895
Equipment lease with the original principal amount of \$175,501; payable in monthly installments of \$2,787, including principal and interest at 5.19%, due September 1, 2013; secured by two 2009 GU Mack trucks purchased during fiscal year 2009.	<u>175,501</u>
Total capital leases	<u>\$ 400,917</u>

(continued)

II. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Machinery and equipment	\$ 1,169,497
Less: accumulated depreciation	<u>257,019</u>
Balance	\$ <u>912,478</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>Total</u>
2010	\$ 99,901	\$ 17,691	\$ 117,592
2011	74,077	13,540	87,617
2012	77,876	9,741	87,617
2013	<u>149,063</u>	<u>5,746</u>	<u>154,809</u>
	\$ <u>400,917</u>	\$ <u>46,718</u>	\$ <u>447,635</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2009, was as follows:

	<u>Balance 09/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/09</u>	<u>Due Within One Year</u>
Bonds payable:					
G.O. Refunding - Series 2005	\$ 3,260,000	\$ -	\$ 410,000	\$ 2,850,000	\$ 420,000
Deferred loss on refunding	(59,711)	-	(8,530)	(51,181)	(8,530)
Capital lease obligations:					
Equipment - 5 Motorgraders	112,301	-	112,301	-	-
Equipment - 2007 Motorgrader	71,851	-	42,413	29,438	29,438
2009 Mack trucks	-	175,501	-	175,501	24,920
2009 Trailer	-	28,895	-	28,895	6,693
2009 Motorgrader	-	167,083	-	167,083	38,850
Compensated absences	143,025	139,166	143,025	139,166	139,166
OPEB obligation	<u>-</u>	<u>69,942</u>	<u>10,790</u>	<u>59,152</u>	<u>-</u>
Governmental activity liabilities	\$ <u>3,527,466</u>	\$ <u>580,587</u>	\$ <u>709,999</u>	\$ <u>3,398,054</u>	\$ <u>650,537</u>

The compensated absences and OPEB liability are liquidated primarily by the General Fund and Road and Bridge Funds in prior years.

III. OTHER INFORMATION

A. Risk Management

The County maintains third party insurance coverage for general liability, property, automobile liability, public officials' liability, employee health and workers' compensation. There was no significant change in coverage from the prior year and settlements did not exceed insurance coverage for fiscal years 2007, 2008, or 2009.

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.

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 586 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.

(continued)

III. OTHER INFORMATION (Continued)

C. Employee Retirement System (Continued)

Plan Description (Continued)

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

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

The employer contributed using the actuarially determined rate of 8.02% for the months of the accounting year in 2008, and 8.00% for the months of the accounting year in 2009.

The deposit rate payable by the employee members for calendar year 2009 is the rate of 7.0%, as adopted by the governing body of the employer.

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, 2006 and December 31, 2007, the basis for determining the contribution rates for calendar years 2008 and 2009. The December 31, 2008, actuarial valuation is the most recent valuation.

Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/06	12/31/07	12/31/08
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	15	15	15
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	8.00%	8.00%	8.00%
Projected salary increases	5.3%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

(continued)

III. OTHER INFORMATION (Continued)

C. Employee Retirement System (Continued)

Funding Policy (Continued)

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

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/07	\$ 815,091	100%	-
09/30/08	785,728	100%	-
09/30/09	913,179	100%	-

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

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)
2006	\$ 23,979,271	\$ 25,164,941	\$ 1,185,670	95.29%	\$ 9,878,130	12.00%
2007	26,503,963	27,952,389	1,448,426	94.82%	10,361,850	13.98%
2008	25,927,537	29,671,166	3,743,629	87.38%	10,952,548	34.18%

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 the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and 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	2009
Annual Required Contribution (ARC)	\$ 69,942
Interest on Net OPEB Obligation	-
Adjustment to the ARC	-
Annual OPEB Cost	69,942
Contributions Made	(10,790)
Increase in Net OPEB Obligation	59,152
Net OPEB Obligation, beginning of year	-
Net OPEB Obligation, ending of year	\$ 59,152

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 are as follows. This information is not included for fiscal years 2008 and 2007 due to fiscal year 2009 being a transition year of the implementation of GASB Statement 45.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2009	\$ 69,942	84.6%	\$ 59,152

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:

Actuarial Valuation Date	12/31/2008
Actuarial value of assets	\$ -
Actuarial accrued liabilities (AAL)	512,204
Unfunded actuarial accrued liability (UAAL)	512,204
Funded ratio	0.00%
Covered payroll (active plan members)	10,952,548
UAAL as a percentage of covered payroll	4.68%

(continued)

III. OTHER INFORMATION (Continued)

D. Postemployment Health Care (Continued)

Actuarial valuations 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. A schedule of funding progress is not available in year of implementation of GASB Statement 45.

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.

In the December 31, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return compounded annually (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, an annual health care cost trend rate of 10 percent in the first year, 9.5 percent in the second year, 9.0 percent in the third year, 8.5 percent in the fourth year, and ultimately grade down to 4.5 percent per year after the 16th year. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level as a percentage of payroll over a 30-year period.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 10,810,408	\$ 10,810,408	\$ 10,685,966	\$(124,442)
Intergovernmental	1,812,630	1,797,663	2,313,749	516,086
Fees of office	1,833,750	1,833,750	1,805,455	(28,295)
Fines and forfeitures	725,000	725,000	660,819	(64,181)
Interest on investments	175,000	175,000	57,979	(117,021)
Other	484,166	484,166	511,699	27,533
Total revenues	15,840,954	15,825,987	16,035,667	209,680
EXPENDITURES				
General government:				
Salaries	1,781,165	1,779,599	1,725,279	54,320
Benefits	523,456	553,119	523,456	29,663
Supplies	152,120	172,228	152,120	20,108
Other services	2,586,605	2,550,520	2,586,441	(35,921)
Capital outlay	34,759	34,759	34,759	-
Intergovernmental	115,916	150,000	115,916	34,084
Total general government	5,194,021	5,240,225	5,137,971	102,254
Judicial:				
Salaries	1,274,969	1,323,575	1,274,969	48,606
Benefits	349,084	375,327	349,084	26,243
Supplies	35,426	45,100	35,426	9,674
Other services	613,016	785,717	613,016	172,701
Total judicial	2,272,495	2,529,719	2,272,495	257,224
Public safety:				
Salaries	4,753,816	5,089,656	4,753,816	335,840
Benefits	1,564,962	1,776,567	1,564,962	211,605
Supplies	700,668	904,856	700,668	204,188
Other services	1,226,426	1,204,661	1,226,426	(21,765)
Capital outlay	512,532	581,702	512,532	69,170
Total public safety	8,758,404	9,557,442	8,758,404	799,038
Health and welfare:				
Salaries	67,753	67,754	67,753	1
Benefits	21,311	22,176	21,311	865
Supplies	864	1,200	864	336
Other services	487,229	546,250	487,229	59,021
Total health and welfare	577,157	637,380	577,157	60,223
Total expenditures	16,802,077	17,964,766	16,746,027	1,218,739
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(961,123)	(2,138,779)	(710,360)	1,428,419
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	5,137	5,137	5,137	-
Total other financing sources and uses	5,137	5,137	5,137	-
NET CHANGE IN FUND BALANCES	(955,986)	(2,133,642)	(705,223)	1,428,419
FUND BALANCES, BEGINNING	3,501,357	3,501,357	3,501,357	-
FUND BALANCES, ENDING	\$ 2,545,371	\$ 1,367,715	\$ 2,796,134	\$ 1,428,419

NAVARRO COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2009

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, and Capital Projects Funds, which adopt project-length budgets. All annual appropriations lapse at the end of the fiscal year.

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

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

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

COMBINING STATEMENTS AND BUDGETARY COMPARISONS AS SUPPLEMENTARY INFORMATION

This supplementary information includes financial information and schedules not required by the Governmental Accounting Standards Board, but presented for purposes of additional analysis.

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 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.

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.

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, 2009

	Flood Control	Road and Bridge Precinct 1	Road and Bridge Precinct 2	Road and Bridge Precinct 3
ASSETS				
Cash	\$ 1,431	\$ 24,629	\$ 25,544	\$ 14,612
Investments	704,154	185,623	264,718	219,873
Accounts receivable	-	9,714	9,568	10,169
Property taxes receivable, net	14,184	40,691	40,691	40,690
Prepaid items	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,452</u>
Total assets	<u>\$ 719,769</u>	<u>\$ 260,657</u>	<u>\$ 340,521</u>	<u>\$ 288,796</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 11,718	\$ 21,966	\$ 35,845	\$ 25,998
Deferred revenue	<u>13,070</u>	<u>37,727</u>	<u>37,727</u>	<u>37,728</u>
Total liabilities	<u>24,788</u>	<u>59,693</u>	<u>73,572</u>	<u>63,726</u>
Fund balances:				
Reserved for:				
Prepaid items	-	-	-	3,452
Debt service	-	-	-	-
Capital projects	-	-	-	-
Unreserved, undesignated	<u>694,981</u>	<u>200,964</u>	<u>266,949</u>	<u>221,618</u>
Total fund balances	<u>694,981</u>	<u>200,964</u>	<u>266,949</u>	<u>225,070</u>
Total liabilities and fund balances	<u>\$ 719,769</u>	<u>\$ 260,657</u>	<u>\$ 340,521</u>	<u>\$ 288,796</u>

<u>Road and Bridge Precinct 4</u>	<u>District Attorney Forfeiture</u>	<u>Sheriff Seizure</u>	<u>TDRA Grant</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 34,619	\$ 2,347	\$ 2,249	\$ -	\$ 3,008	\$ 158	\$ 108,597
197,077	72,504	339,546	-	112,048	353,361	2,448,904
9,697	-	-	-	-	-	39,148
40,691	-	-	-	100,118	-	277,065
-	-	-	-	-	-	3,452
<u>\$ 282,084</u>	<u>\$ 74,851</u>	<u>\$ 341,795</u>	<u>\$ -</u>	<u>\$ 215,174</u>	<u>\$ 353,519</u>	<u>\$ 2,877,166</u>
\$ 25,082	\$ -	\$ 260	\$ -	\$ -	\$ -	\$ 120,869
37,727	-	-	-	97,393	-	261,372
62,809	-	260	-	97,393	-	382,241
-	-	-	-	-	-	3,452
-	-	-	-	117,781	-	117,781
-	-	-	-	-	353,519	353,519
219,275	74,851	341,535	-	-	-	2,020,173
219,275	74,851	341,535	-	117,781	353,519	2,494,925
<u>\$ 282,084</u>	<u>\$ 74,851</u>	<u>\$ 341,795</u>	<u>\$ -</u>	<u>\$ 215,174</u>	<u>\$ 353,519</u>	<u>\$ 2,877,166</u>

NAVARRO COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<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	\$ 216,560	\$ 552,551	\$ 552,551	\$ 552,550
Intergovernmental	-	48,504	56,372	246,866
Licenses and permits	-	226,431	226,431	226,431
Fines and forfeitures	-	124,202	124,202	124,202
Interest on investments	7,155	1,467	1,811	1,812
Other	-	25,000	90	15,145
Total revenues	<u>223,715</u>	<u>978,155</u>	<u>961,457</u>	<u>1,167,006</u>
EXPENDITURES				
Current:				
Judicial	-	-	-	-
Roads and highways	346,835	890,981	887,529	828,616
Debt service:				
Principal	-	42,413	-	40,900
Interest	-	2,550	-	483
Capital outlay	<u>23,720</u>	<u>182,478</u>	<u>-</u>	<u>493,292</u>
Total expenditures	<u>370,555</u>	<u>1,118,422</u>	<u>887,529</u>	<u>1,363,291</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(146,840)</u>	<u>(140,267)</u>	<u>73,928</u>	<u>(196,285)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	16,943	-	26,549
Capital lease issued	<u>-</u>	<u>167,478</u>	<u>-</u>	<u>204,001</u>
Total other financing sources (uses)	<u>-</u>	<u>184,421</u>	<u>-</u>	<u>230,550</u>
NET CHANGE IN FUND BALANCES	<u>(146,840)</u>	<u>44,154</u>	<u>73,928</u>	<u>34,265</u>
FUND BALANCES, BEGINNING	<u>841,821</u>	<u>156,810</u>	<u>193,021</u>	<u>190,805</u>
FUND BALANCES, ENDING	<u>\$ 694,981</u>	<u>\$ 200,964</u>	<u>\$ 266,949</u>	<u>\$ 225,070</u>

<u>Road and Bridge Precinct 4</u>	<u>District Attorney Forfeiture</u>	<u>Sheriff Seizure</u>	<u>TDRA Grant</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 552,550	\$ -	\$ -	\$ -	\$ 465,958	\$ -	\$ 2,892,720
42,021	-	-	394,300	-	-	788,063
226,431	-	-	-	-	-	905,724
124,202	29,181	14,747	-	-	-	540,736
1,124	576	2,827	-	1,574	2,860	21,206
-	-	-	-	-	1,000	41,235
<u>946,328</u>	<u>29,757</u>	<u>17,574</u>	<u>394,300</u>	<u>467,532</u>	<u>3,860</u>	<u>5,189,684</u>
-	20,195	20,730	-	-	-	40,925
795,690	-	-	394,300	-	-	4,143,951
71,401	-	-	-	410,000	-	564,714
844	-	-	-	98,680	-	102,557
-	-	-	-	-	-	699,490
<u>867,935</u>	<u>20,195</u>	<u>20,730</u>	<u>394,300</u>	<u>508,680</u>	<u>-</u>	<u>5,551,637</u>
<u>78,393</u>	<u>9,562</u>	<u>(3,156)</u>	<u>-</u>	<u>(41,148)</u>	<u>3,860</u>	<u>(361,953)</u>
-	-	-	-	-	-	43,492
-	-	-	-	-	-	371,479
-	-	-	-	-	-	414,971
78,393	9,562	(3,156)	-	(41,148)	3,860	53,018
<u>140,882</u>	<u>65,289</u>	<u>344,691</u>	<u>-</u>	<u>158,929</u>	<u>349,659</u>	<u>2,441,907</u>
<u>\$ 219,275</u>	<u>\$ 74,851</u>	<u>\$ 341,535</u>	<u>\$ -</u>	<u>\$ 117,781</u>	<u>\$ 353,519</u>	<u>\$ 2,494,925</u>

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 222,520	\$ 222,520	\$ 216,560	\$ (5,960)
Interest on investments	25,000	25,000	7,155	(17,845)
Total revenues	<u>247,520</u>	<u>247,520</u>	<u>223,715</u>	<u>(23,805)</u>
EXPENDITURES				
Roads and highways:				
Other services	416,650	392,930	346,835	46,095
Capital outlay	<u>23,720</u>	<u>23,720</u>	<u>23,720</u>	<u>-</u>
Total expenditures	<u>440,370</u>	<u>416,650</u>	<u>370,555</u>	<u>46,095</u>
NET CHANGE IN FUND BALANCES	(192,850)	(169,130)	(146,840)	22,290
FUND BALANCES, BEGINNING	<u>841,821</u>	<u>841,821</u>	<u>841,821</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 648,971</u>	<u>\$ 672,691</u>	<u>\$ 694,981</u>	<u>\$ 22,290</u>

NAVARRO COUNTY, TEXAS

ROAD AND BRIDGE FUND - PRECINCT 1

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

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 568,942	\$ 568,942	\$ 552,551	\$(16,391)
Intergovernmental	23,000	406	48,504	48,098
License and permits	225,000	225,000	226,431	1,431
Fines and forfeitures	120,000	120,000	124,202	4,202
Interest on investments	5,000	5,000	1,467	(3,533)
Other	-	(25,000)	25,000	50,000
Total revenues	<u>941,942</u>	<u>894,348</u>	<u>978,155</u>	<u>83,807</u>
EXPENDITURES				
Roads and highways:				
Salaries	342,414	342,414	272,336	70,078
Benefits	120,802	120,802	86,277	34,525
Supplies	408,000	352,294	325,437	26,857
Other services	106,100	209,400	206,931	2,469
Capital outlay	-	-	182,478	(182,478)
Debt service:				
Principal	42,413	42,413	42,413	-
Interest	47,552	47,552	2,550	45,002
Total expenditures	<u>1,067,281</u>	<u>1,114,875</u>	<u>1,118,422</u>	<u>(3,547)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(125,339)</u>	<u>(220,527)</u>	<u>(140,267)</u>	<u>80,260</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	16,943	16,943
Capital lease issued	-	-	167,478	167,478
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>184,421</u>	<u>184,421</u>
NET CHANGE IN FUND BALANCES	<u>(125,339)</u>	<u>(220,527)</u>	<u>44,154</u>	<u>264,681</u>
FUND BALANCES, BEGINNING	<u>156,810</u>	<u>156,810</u>	<u>156,810</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 31,471</u>	<u>\$(63,717)</u>	<u>\$ 200,964</u>	<u>\$ 264,681</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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 568,942	\$ 568,942	\$ 552,551	\$(16,391)
Intergovernmental	23,000	8,225	56,372	48,147
License and permits	225,000	225,000	226,431	1,431
Fines and forfeitures	120,000	120,000	124,202	4,202
Interest on investments	5,500	5,500	1,811	(3,689)
Other	-	-	90	90
Total revenues	<u>942,442</u>	<u>927,667</u>	<u>961,457</u>	<u>33,790</u>
EXPENDITURES				
Roads and highways:				
Salaries	369,401	369,401	338,714	30,687
Benefits	132,920	132,920	116,704	16,216
Supplies	310,000	342,025	333,056	8,969
Other services	106,600	105,800	99,055	6,745
Total expenditures	<u>918,921</u>	<u>950,146</u>	<u>887,529</u>	<u>62,617</u>
NET CHANGE IN FUND BALANCES	23,521	(22,479)	73,928	96,407
FUND BALANCES, BEGINNING	<u>193,021</u>	<u>193,021</u>	<u>193,021</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 216,542</u>	<u>\$ 170,542</u>	<u>\$ 266,949</u>	<u>\$ 96,407</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, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 568,942	\$ 568,942	\$ 552,550	\$ (16,392)
Intergovernmental	23,000	25,421	246,866	221,445
License and permits	225,000	225,000	226,431	1,431
Fines and forfeitures	120,000	120,000	124,202	4,202
Interest on investments	9,000	9,000	1,812	(7,188)
Other	-	-	15,145	15,145
Total revenues	<u>945,942</u>	<u>948,363</u>	<u>1,167,006</u>	<u>218,643</u>
EXPENDITURES				
Roads and highways:				
Salaries	366,301	366,301	350,466	15,835
Benefits	132,527	132,527	114,794	17,733
Supplies	321,500	341,000	267,423	73,577
Other services	99,520	100,020	95,933	4,087
Debt service:				
Principal	40,900	40,900	40,900	-
Interest	488	488	483	5
Capital outlay	<u>65,000</u>	<u>239,817</u>	<u>493,292</u>	<u>(253,475)</u>
Total expenditures	<u>1,026,236</u>	<u>1,221,053</u>	<u>1,363,291</u>	<u>(142,238)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(80,294)</u>	<u>(272,690)</u>	<u>(196,285)</u>	<u>76,405</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	26,549	26,549
Capital lease issued	<u>-</u>	<u>-</u>	<u>204,001</u>	<u>204,001</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>230,550</u>	<u>230,550</u>
NET CHANGE IN FUND BALANCES	<u>(80,294)</u>	<u>(272,690)</u>	<u>34,265</u>	<u>306,955</u>
FUND BALANCES, BEGINNING	<u>190,805</u>	<u>190,805</u>	<u>190,805</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 110,511</u>	<u>\$ (81,885)</u>	<u>\$ 225,070</u>	<u>\$ 306,955</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, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 568,942	\$ 568,942	\$ 552,550	\$ (16,392)
Intergovernmental	23,000	7,518	42,021	34,503
License and permits	225,000	225,000	226,431	1,431
Fines and forfeitures	120,000	120,000	124,202	4,202
Interest on investments	4,000	4,000	1,124	(2,876)
Total revenues	<u>940,942</u>	<u>925,460</u>	<u>946,328</u>	<u>20,868</u>
EXPENDITURES				
Roads and highways:				
Salaries	333,839	333,839	333,837	2
Benefits	126,157	126,157	111,955	14,202
Supplies	379,000	349,000	239,451	109,549
Other services	73,750	119,232	110,447	8,785
Debt service:				
Principal	71,401	71,401	71,401	-
Interest	844	844	844	-
Total expenditures	<u>984,991</u>	<u>1,000,473</u>	<u>867,935</u>	<u>132,538</u>
NET CHANGE IN FUND BALANCES	(44,049)	(75,013)	78,393	153,406
FUND BALANCES, BEGINNING	<u>140,882</u>	<u>140,882</u>	<u>140,882</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 96,833</u>	<u>\$ 65,869</u>	<u>\$ 219,275</u>	<u>\$ 153,406</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, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Forfeitures	\$ -	\$ -	\$ 29,181	\$ 29,181
Interest on investments	750	750	576	(174)
Total revenues	750	750	29,757	29,007
EXPENDITURES				
Judicial:				
Supplies	1,500	1,500	707	793
Other services	5,000	5,000	19,488	(14,488)
Total expenditures	6,500	6,500	20,195	(13,695)
NET CHANGE IN FUND BALANCES	(5,750)	(5,750)	9,562	15,312
FUND BALANCES, BEGINNING	65,289	65,289	65,289	-
FUND BALANCES, ENDING	\$ 59,539	\$ 59,539	\$ 74,851	\$ 15,312

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, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Forfeitures	\$ -	\$ -	\$ 14,747	\$ 14,747
Interest on investments	-	-	2,827	2,827
Total revenues	-	-	17,574	17,574
EXPENDITURES				
Public safety:				
Supplies	3,500	3,500	1,890	1,610
Other services	35,000	35,000	18,840	16,160
Total expenditures	38,500	38,500	20,730	17,770
NET CHANGE IN FUND BALANCES	(38,500)	(38,500)	(3,156)	35,344
FUND BALANCES, BEGINNING	344,691	344,691	344,691	-
FUND BALANCES, ENDING	\$ 306,191	\$ 306,191	\$ 341,535	\$ 35,344

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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Property taxes	\$ 446,478	\$ 446,478	\$ 465,958	\$ 19,480
Interest on investments	<u>8,000</u>	<u>8,000</u>	<u>1,574</u>	<u>(6,426)</u>
Total revenues	<u>454,478</u>	<u>454,478</u>	<u>467,532</u>	<u>13,054</u>
EXPENDITURES				
Debt service:				
Principal	410,000	410,000	410,000	-
Interest	<u>98,930</u>	<u>98,930</u>	<u>98,680</u>	<u>250</u>
Total expenditures	<u>508,930</u>	<u>508,930</u>	<u>508,680</u>	<u>250</u>
NET CHANGE IN FUND BALANCES	(54,452)	(54,452)	(41,148)	13,304
FUND BALANCES, BEGINNING	<u>158,929</u>	<u>158,929</u>	<u>158,929</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 104,477</u>	<u>\$ 104,477</u>	<u>\$ 117,781</u>	<u>\$ 13,304</u>

AGENCY FUNDS

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

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

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

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

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

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

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

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

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

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

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

NAVARRO COUNTY, TEXAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Balance October 1, 2008	Additions	Deductions	Balance September 30, 2009
<u>COUNTY TREASURER</u>				
Assets:				
Cash	\$ 1,592,675	\$ 70,165,332	\$ 69,709,416	\$ 2,048,591
Investments	<u>1,295,767</u>	<u>3,878,516</u>	<u>4,112,432</u>	<u>1,061,851</u>
Total assets	<u>\$ 2,888,442</u>	<u>\$ 74,043,849</u>	<u>\$ 73,821,849</u>	<u>\$ 3,110,442</u>
Liabilities:				
Due to others	<u>\$ 2,888,442</u>	<u>\$ 74,043,849</u>	<u>\$ 73,821,849</u>	<u>\$ 3,110,442</u>
Total liabilities	<u>\$ 2,888,442</u>	<u>\$ 74,043,849</u>	<u>\$ 73,821,849</u>	<u>\$ 3,110,442</u>
<u>DISTRICT CLERK</u>				
Assets:				
Cash	<u>\$ 161,214</u>	<u>\$ 1,100,784</u>	<u>\$ 952,190</u>	<u>\$ 309,808</u>
Total assets	<u>\$ 161,214</u>	<u>\$ 1,100,784</u>	<u>\$ 952,190</u>	<u>\$ 309,808</u>
Liabilities:				
Due to others	<u>\$ 161,214</u>	<u>\$ 1,100,784</u>	<u>\$ 952,190</u>	<u>\$ 309,808</u>
Total liabilities	<u>\$ 161,214</u>	<u>\$ 1,100,784</u>	<u>\$ 952,190</u>	<u>\$ 309,808</u>
<u>TAX ASSESSOR AND COLLECTOR</u>				
Assets:				
Cash	<u>\$ 656,602</u>	<u>\$ 36,425,525</u>	<u>\$ 36,253,466</u>	<u>\$ 828,661</u>
Total assets	<u>\$ 656,602</u>	<u>\$ 36,425,525</u>	<u>\$ 36,253,466</u>	<u>\$ 828,661</u>
Liabilities:				
Due to others	<u>\$ 656,602</u>	<u>\$ 36,425,525</u>	<u>\$ 36,253,466</u>	<u>\$ 828,661</u>
Total liabilities	<u>\$ 656,602</u>	<u>\$ 36,425,525</u>	<u>\$ 36,253,466</u>	<u>\$ 828,661</u>

(continued)

NAVARRO COUNTY, TEXAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Balance October 1, 2008	Additions	Deductions	Balance September 30, 2009
<u>STATE FEES</u>				
Assets:				
Cash	\$ 164,664	\$ 766,762	\$ 790,776	\$ 140,649
Total assets	\$ 164,664	\$ 766,762	\$ 790,776	\$ 140,649
Liabilities:				
Due to others	\$ 164,664	\$ 766,762	\$ 790,776	\$ 140,649
Total liabilities	\$ 164,664	\$ 766,762	\$ 790,776	\$ 140,649
<u>JUVENILE PROBATION AND CORRECTIONS</u>				
Assets:				
Cash	\$ 3,176	\$ 703,736	\$ 699,207	\$ 7,704
Investments	278,498	298,009	332,425	244,082
Accounts receivable	10,321	-	10,321	-
Total assets	\$ 291,995	\$ 1,001,744	\$ 1,041,953	\$ 251,786
Liabilities:				
Due to others	291,995	1,001,744	1,041,953	251,786
Total liabilities	\$ 291,995	\$ 1,001,744	\$ 1,041,953	\$ 251,786
<u>COMMUNITY SUPERVISION AND CORRECTIONS</u>				
Assets:				
Cash	\$ 8,870	\$ 1,837,735	\$ 1,846,406	\$ 200
Investments	484,116	796,820	837,150	443,786
Total assets	\$ 492,986	\$ 2,634,555	\$ 2,683,556	\$ 443,984
Liabilities:				
Due to others	492,986	2,634,555	2,683,556	443,984
Total liabilities	\$ 492,986	\$ 2,634,555	\$ 2,683,556	\$ 443,984

(continued)

NAVARRO COUNTY, TEXAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Balance October 1, 2008	Additions	Deductions	Balance September 30, 2009
<u>INMATE COMMISSARY</u>				
Assets:				
Cash	\$ 150,046	\$ 33,110	\$ 30,546	\$ 152,610
Total assets	\$ 150,046	\$ 33,110	\$ 30,546	\$ 152,610
Liabilities:				
Due to others	\$ 150,046	\$ 33,110	\$ 30,546	\$ 152,610
Total liabilities	\$ 150,046	\$ 33,110	\$ 30,546	\$ 152,610
<u>RICHLAND CHAMBERS</u>				
Assets:				
Cash	\$ 220	\$ 3	\$ 223	\$ -
Investments	92,052	752	-	92,804
Total assets	\$ 92,272	\$ 755	\$ 223	\$ 92,804
Liabilities:				
Due to others	\$ 92,272	\$ 755	\$ 223	\$ 92,804
Total liabilities	\$ 92,272	\$ 755	\$ 223	\$ 92,804
<u>SPECIAL FORFEITURE</u>				
Assets:				
Cash	\$ 53,520	\$ 90,743	\$ 32,069	\$ 112,194
Investments	37,046	273	36,038	1,281
Total assets	\$ 90,566	\$ 91,016	\$ 68,107	\$ 113,475
Liabilities:				
Due to others	\$ 90,566	\$ 91,016	\$ 68,107	\$ 113,475
Total liabilities	\$ 90,566	\$ 91,016	\$ 68,107	\$ 113,475

(continued)

NAVARRO COUNTY, TEXAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

(Continued)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

	Balance October 1, 2008	Additions	Deductions	Balance September 30, 2009
<u>ECONOMIC DEVELOPMENT</u>				
Assets:				
Cash	\$ 198	\$ 140,006	\$ 140,000	\$ 204
Investments	<u>7,019</u>	<u>50,077</u>	<u>55,000</u>	<u>2,096</u>
Total assets	<u>\$ 7,217</u>	<u>\$ 190,083</u>	<u>\$ 195,000</u>	<u>\$ 2,300</u>
Liabilities:				
Due to others	<u>\$ 7,217</u>	<u>\$ 190,083</u>	<u>\$ 195,000</u>	<u>\$ 2,300</u>
Total liabilities	<u>\$ 7,217</u>	<u>\$ 190,083</u>	<u>\$ 195,000</u>	<u>\$ 2,300</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
Assets:				
Cash	\$ 2,791,185	\$ 111,263,735	\$ 110,454,300	\$ 3,600,619
Investments	2,194,498	5,024,447	5,373,045	1,845,900
Accounts receivable	<u>10,321</u>	<u>-</u>	<u>10,321</u>	<u>-</u>
Total assets	<u>\$ 4,996,004</u>	<u>\$ 116,288,182</u>	<u>\$ 115,837,666</u>	<u>\$ 5,446,519</u>
Liabilities:				
Due to others	<u>4,996,004</u>	<u>116,288,182</u>	<u>115,837,666</u>	<u>5,446,519</u>
Total liabilities	<u>\$ 4,996,004</u>	<u>\$ 116,288,182</u>	<u>\$ 115,837,666</u>	<u>\$ 5,446,519</u>

STATISTICAL SECTION

NAVARRO COUNTY, TEXAS

NET ASSETS BY COMPONENT

LAST SEVEN FISCAL YEARS *(Accrual Basis of Accounting)* *(Unaudited)*

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

Source: Navarro County financial records.

Notes:

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

TABLE 2

NAVARRO COUNTY, TEXAS

CHANGES IN NET ASSETS

LAST SEVEN FISCAL YEARS

(Accrual Basis of Accounting)
(Unaudited)

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

(continued)

NAVARRO COUNTY, TEXAS

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

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

Source: Navarro County financial records

Note:

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

NAVARRO COUNTY, TEXAS

FUND BALANCES GOVERNMENTAL FUNDS

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

	Fiscal Year			
	2009	2008	2007	2006
General fund				
Reserved for prepaid items	\$ 184,587	\$ 214,468	\$ -	\$ -
Unreserved, undesignated	<u>2,611,547</u>	<u>3,286,889</u>	<u>2,948,940</u>	<u>2,507,319</u>
Total general fund	<u>\$ 2,796,134</u>	<u>\$ 3,501,357</u>	<u>\$ 2,948,940</u>	<u>\$ 2,507,319</u>
All other governmental funds				
Reserved for:				
Debt service	\$ 117,781	\$ 158,929	\$ 157,029	\$ 225,128
Capital projects fund	353,519	349,659	338,521	6,705
Grant expenditures	-	216	145	-
Prepaid items	3,452	-	-	-
Unreserved, reported in:				
Special revenue funds	<u>2,020,173</u>	<u>1,933,319</u>	<u>1,458,115</u>	<u>1,396,483</u>
Total all other governmental funds	<u>\$ 2,494,925</u>	<u>\$ 2,442,123</u>	<u>\$ 1,953,810</u>	<u>\$ 1,628,316</u>

Source: Navarro County financial records

TABLE 3

Fiscal Year					
<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>2,311,517</u>	<u>2,706,245</u>	<u>286,858</u>	<u>356,625</u>	<u>1,855,605</u>	<u>2,017,088</u>
\$ <u>2,311,517</u>	\$ <u>2,706,245</u>	\$ <u>286,858</u>	\$ <u>356,625</u>	\$ <u>1,855,605</u>	\$ <u>2,017,088</u>
\$ 217,512	\$ 146,289	\$ 25,731	\$ 6,611	\$ 15,006	\$ 15,345
9,002	8,770	8,673	8,562	15,006	14,226
-	61	53,770	-	-	-
-	-	-	-	-	-
<u>1,395,960</u>	<u>1,658,723</u>	<u>1,709,670</u>	<u>2,260,553</u>	<u>3,304,195</u>	<u>3,976,147</u>
\$ <u>1,622,474</u>	\$ <u>1,813,843</u>	\$ <u>1,797,844</u>	\$ <u>2,275,726</u>	\$ <u>3,334,207</u>	\$ <u>4,005,718</u>

NAVARRO COUNTY, TEXAS

CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

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

	Fiscal Year			
	2009	2008	2007	2006
REVENUES				
Property taxes	\$ 13,578,686	\$ 12,582,395	\$ 11,658,503	\$ 10,893,689
Intergovernmental	5,306,197	5,365,900	5,007,527	5,074,899
Licenses and permits	905,724	924,256	845,302	953,756
Fees of office	1,805,455	1,932,416	2,034,084	1,791,271
Fines and forfeitures	1,201,555	1,525,735	1,223,117	1,219,525
Interest on investments	79,338	280,371	351,055	299,310
Other	552,934	473,659	385,414	469,856
Total revenues	<u>23,429,889</u>	<u>23,084,732</u>	<u>21,505,002</u>	<u>20,702,306</u>
EXPENDITURES				
General government	4,987,296	4,769,753	4,084,834	4,632,701
Judicial	2,313,420	2,303,243	1,861,415	1,708,627
Public safety	10,450,626	10,137,780	10,143,012	9,299,401
Health and welfare	577,157	486,507	640,522	547,236
Roads and highways	4,143,951	3,429,274	2,982,327	3,187,307
Capital outlay	1,246,781	321,583	731,251	998,598
Debt service				
Principal	564,714	653,330	617,348	615,824
Interest and fiscal charges	102,557	124,645	129,902	150,667
Intergovernmental	115,916	146,065	-	-
Total expenditures	<u>24,502,418</u>	<u>22,372,180</u>	<u>21,190,611</u>	<u>21,140,361</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,072,529)</u>	<u>712,552</u>	<u>314,391</u>	<u>(438,055)</u>

TABLE 4

Fiscal Year					
2005	2004	2003	2002	2001	2000
\$ 9,862,193	\$ 9,862,193	\$ 8,539,840	\$ 7,478,450	\$ 7,439,200	\$ 6,837,999
4,409,319	4,409,319	4,771,585	4,764,121	5,612,912	6,081,318
957,100	957,100	939,268	988,011	970,405	974,366
1,511,807	1,511,807	1,354,578	1,289,472	1,214,474	1,199,522
1,066,236	1,066,236	808,452	919,013	829,418	965,527
61,054	61,054	46,608	120,510	379,373	440,117
400,837	400,837	517,417	336,860	456,056	379,684
<u>18,268,546</u>	<u>18,268,546</u>	<u>16,977,748</u>	<u>15,896,437</u>	<u>16,901,838</u>	<u>16,878,533</u>
2,867,002	2,867,002	3,028,314	3,211,878	3,042,241	2,757,169
1,468,486	1,468,486	1,359,930	1,564,788	1,331,204	1,220,739
7,808,514	7,808,514	8,448,497	8,030,163	7,680,490	6,941,822
541,133	541,133	633,710	630,842	622,174	763,957
2,823,374	2,823,374	2,956,964	3,240,903	3,062,180	2,675,777
196,725	196,725	476,811	679,002	1,533,052	2,107,152
548,029	548,029	752,201	629,970	563,337	498,089
327,352	327,352	368,969	397,897	445,428	416,367
-	-	-	-	-	-
<u>16,580,615</u>	<u>16,580,615</u>	<u>18,025,396</u>	<u>18,385,443</u>	<u>18,280,106</u>	<u>17,381,072</u>
<u>1,687,931</u>	<u>1,687,931</u>	<u>(1,047,648)</u>	<u>(2,489,006)</u>	<u>(1,378,268)</u>	<u>(502,539)</u>

(continued)

NAVARRO COUNTY, TEXAS

CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

(Continued)

LAST TEN FISCAL YEARS

(Modified accrual basis of accounting)

(Unaudited)

	Fiscal Year			
	2009	2008	2007	2006
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 10,000	\$ -
Transfers out	-	-	(10,000)	-
Increase in obligations - capital lease	371,479	-	125,301	639,700
Proceeds from sale of capital assets	48,629	68,706	336,758	-
Payment to escrow agent	-	-	-	-
Issuance of refunding bonds	-	-	-	-
Total other financing sources (uses)	<u>420,108</u>	<u>68,706</u>	<u>462,059</u>	<u>639,700</u>
NET CHANGE IN FUND BALANCES	<u>\$ (652,421)</u>	<u>\$ 781,258</u>	<u>\$ 776,450</u>	<u>\$ 201,645</u>
PRIOR PERIOD ADJUSTMENT	<u>\$ -</u>	<u>\$ 200,708</u>	<u>\$ -</u>	<u>\$ -</u>
DEBT SERVICES (PRINCIPAL AND INTEREST) AS PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>2.87%</u>	<u>4.37%</u>	<u>3.79%</u>	<u>3.96%</u>

Source: Navarro County financial records

TABLE 4

Fiscal Year					
2005	2004	2003	2002	2001	2000
\$ 84,568	\$ 313,500	\$ 202,701	\$ 10,000	\$ -	\$ 17,500
(84,568)	(313,500)	(202,701)	(10,000)	-	(17,500)
-	-	500,000	-	504,282	500,000
-	-	-	-	-	-
(4,410,297)	-	-	-	-	-
<u>4,445,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>34,703</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>504,282</u>	<u>500,000</u>
\$ <u>1,722,634</u>	\$ <u>1,687,931</u>	\$ <u>(547,648)</u>	\$ <u>(2,489,006)</u>	\$ <u>(873,986)</u>	\$ <u>(2,539)</u>
\$ <u>(541,025)</u>	\$ <u>2,508,171</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<u>4.30%</u>	<u>5.64%</u>	<u>6.82%</u>	<u>6.16%</u>	<u>6.41%</u>	<u>6.37%</u>

TABLE 5

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				
2009	\$ 1,443,665,630	\$ 817,263,660	\$ 592,679,730	\$ 801,211,720	\$ 838,148,310	\$ 2,816,672,430	0.5828
2008	1,289,921,330	735,093,369	534,895,630	783,600,909	718,573,800	2,624,937,438	0.5754
2007	777,115,025	719,526,624	493,320,350	701,804,640	733,375,809	1,958,390,830	0.5973
2006	719,863,922	673,271,469	445,306,700	583,501,447	681,554,017	1,740,389,521	0.6243
2005	671,447,079	628,723,124	434,236,080	537,220,183	647,100,552	1,624,525,914	0.6246
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	0.5860
2002	542,428,141	552,251,146	411,706,820	531,502,550	606,677,868	1,431,210,789	0.5496
2001	504,470,006	524,399,473	413,233,536	523,641,737	608,479,937	1,357,264,815	0.5496
2000	460,780,236	479,161,572	405,354,746	447,812,642	547,441,604	1,245,667,592	0.5496

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 RATES ^a

LAST TEN FISCAL YEARS

(Unaudited)

	Fiscal Year		
	2009	2008	2007
County direct rates			
General	\$ 0.4909	\$ 0.4509	\$ 0.4583
Debt Service	0.0200	0.0200	0.0200
Road and bridge	0.1071	0.0955	0.0955
Flood control	<u>0.0090</u>	<u>0.0090</u>	<u>0.0090</u>
Total direct rate	0.6270	0.5754	0.5828
Cities			
Barry	0.3393	0.3237	0.3237
Blooming Grove	0.4859	0.4653	0.4653
Corsicana	0.6272	0.6272	0.6272
Dawson	0.3783	0.3783	0.3783
Emhouse	0.3072	0.3072	0.3332
Frost	0.5000	0.5000	0.5000
Goodlow	0.0897	0.0897	0.8970
Kerens	0.6434	0.6434	0.6329
Rice	0.4200	0.3700	0.3100
Richland	0.2056	0.2056	0.2068
School Districts			
Blooming Grove	1.1200	1.1200	1.1231
Corsicana	1.2830	1.2857	1.2850
Dawson	1.2900	1.2900	1.2900
Frost	1.2550	1.2850	1.1150
Kerens	1.1200	1.1227	1.1000
Mildred	1.2498	1.2838	1.2427
Rice	1.4200	1.4200	1.1809
Colleges			
Navarro College	0.1190	0.1190	0.1200

^a Tax rates are per \$100 of assessed value

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						
2006	2005	2004	2003	2002	2001	2000
\$ 0.4739	\$ 0.4870	\$ 0.4818	\$ 0.4686	\$ 0.4367	\$ 0.4068	\$ 0.4060
0.0313	0.0363	0.0442	0.0574	0.0575	0.0510	0.0518
0.0831	0.0920	0.0896	0.0896	0.0828	0.0828	0.0828
0.0090	0.0090	0.0090	0.0090	0.0090	0.0090	0.0090
0.5973	0.6243	0.6246	0.6246	0.5860	0.5496	0.5496
0.3279	0.3345	0.3345	0.3380	0.3380	0.3380	0.3401
0.5000	0.4940	0.4514	0.4383	0.4365	0.4387	0.4300
0.6272	0.6272	0.6273	0.5995	0.5995	0.5995	0.5995
0.4143	0.4516	0.4470	0.4335	0.4334	0.4268	0.4218
0.3332	0.3341	0.3600	0.3377	0.3377	0.3377	0.3377
0.5000	0.5000	0.5000	0.4834	0.4983	0.4900	0.4900
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.6584	0.6107	0.5500	0.5500	0.5500	0.5500	0.5165
0.3200	0.3063	0.2850	0.2675	0.2500	0.2294	0.2294
0.2009	0.2056	0.2026	0.2082	0.2079	0.1964	0.2168
1.4530	1.5830	1.5685	1.5781	1.5000	1.5000	1.5000
1.5038	1.6746	1.6746	1.5208	1.4908	1.4908	1.4908
1.3700	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000
1.4600	1.5650	1.5650	1.5300	1.4300	1.4300	1.4300
1.3060	1.4000	1.4000	1.4000	1.4000	1.4000	1.4000
1.3027	1.4220	1.4220	1.4220	1.4220	1.4220	1.4220
1.4882	1.5896	1.5896	1.5720	1.5822	1.5696	1.5367
0.1350	0.1405	0.1405	0.1405	0.1405	0.1405	0.1418

TABLE 7

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

Taxpayer	2009			2000		
	Taxable Assessed Value ^a	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
HD USA 5147	\$ 61,084,750	1	3.12%	\$ -		- %
Oncor Electric Delivery Co.	48,008,780	2	2.45%	-		- %
Russell Stover Candies	47,028,340	3	2.40%	-		- %
Guardian Industries - Abated	36,583,990	4	1.87%	-		- %
Guardian Industries Corp.	31,867,020	5	1.63%	38,521,880	2	3.42%
Energy Transfer Fuel, LP	29,956,070	6	1.53%	-		- %
True Value Company	25,173,180	7	1.29%	-		- %
Magellan Pipeline	19,760,200	8	1.01%	-		- %
National Ind. Portfolio Borrowers	19,051,900	9	0.97%	-		- %
Kohl's Dist. Center #607 Abated	19,001,110	10	0.97%	-		- %
K-Mart Corporation	-		- %	65,378,459	1	5.81%
Texas Utility Electric Company	-		- %	29,939,510	3	2.66%
Cotter and Company	-		- %	15,192,644	4	1.35%
Southwestern Bell Telephone	-		- %	14,231,520	5	1.26%
Tenneco	-		- %	12,048,620	6	1.07%
Venture Stores, Inc.	-		- %	11,779,175	7	1.05%
Navarro Regional Hospital	-		- %	8,363,770	8	0.74%
Mobil Pipeline	-		- %	8,322,370	9	0.74%
Tom's Foods, Inc.	-		- %	7,718,580	10	0.69%
Total	\$ 337,515,340		17.23%	\$ 211,496,528		18.79%
Total taxable assessed value	\$ 1,958,390,830		100.00%	\$ 1,125,520,875		100.00%

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
2009	\$ 14,028,658	\$ 13,567,457	96.71%	\$ -	\$ 13,567,457	96.71%
2008	12,873,626	12,388,389	96.23%	218,964	12,607,353	97.93%
2007	11,705,948	11,393,385	97.33%	580,140	11,973,525	102.29%
2006	10,897,426	10,486,115	96.23%	291,155	10,777,270	98.90%
2005	10,185,754	9,501,283	93.28%	723,277	10,224,560	100.38%
2004	9,741,985	8,984,655	92.23%	938,757	9,923,412	101.86%
2003	8,736,464	7,861,313	89.98%	1,232,486	9,093,799	104.09%
2002	7,891,809	6,878,775	87.16%	624,143	7,502,918	95.07%
2001	7,461,607	6,788,931	90.98%	664,139	7,453,070	99.89%
2000	6,844,765	6,293,171	91.94%	555,078	6,848,249	100.05%

Source: Navarro County Tax Assessor/Collector

Notes:

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			
2009	\$ 2,850,000	\$ -	\$ 398,344	\$ 3,248,344	N/A	\$ 64.03
2008	3,260,000	-	184,153	3,444,153	0.40%	70.36
2007	3,655,000	-	442,482	4,097,482	0.33%	83.71
2006	4,060,000	-	550,605	4,610,605	0.39%	95.16
2005	4,445,000	-	141,728	4,586,728	0.41%	94.19
2004	-	4,625,000	268,308	4,893,308	0.46%	101.68
2003	-	4,900,000	541,337	5,441,337	0.54%	114.87
2002	-	5,150,000	543,538	5,693,538	0.57%	121.60
2001	-	5,400,000	923,507	6,323,507	0.65%	137.31
2000	-	5,625,000	771,004	6,396,004	0.68%	141.07

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.

c - Personal income for 2009 is not available.

TABLE 10

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				
2009	\$ 2,850,000	\$ -	\$ 2,850,000	\$ 117,781	\$ 2,732,219	0.09%	\$ 52.64
2008	3,260,000	-	3,260,000	158,929	3,101,071	0.12%	63.35
2007	3,655,000	-	3,655,000	215,793	3,439,207	0.18%	70.26
2006	4,060,000	-	4,060,000	225,128	3,834,872	0.22%	79.15
2005	4,445,000	-	4,445,000	217,512	4,227,488	0.26%	86.82
2004	-	4,625,000	4,625,000	146,289	4,478,711	0.29%	93.07
2003	-	4,900,000	4,900,000	25,731	4,874,269	0.33%	102.90
2002	-	5,150,000	5,150,000	6,611	5,143,389	0.36%	109.85
2001	-	5,400,000	5,400,000	15,006	5,384,994	0.40%	116.93
2000	-	5,625,000	5,625,000	15,345	5,609,655	0.45%	123.73

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.

TABLE 11

NAVARRO COUNTY, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2009

(Unaudited)

Taxing Jurisdiction		Percentage Applicable to Navarro County	Net Debt
County-wide			
	Navarro County	100.00%	\$ 4,097,482
Cities			
	Angus	100.00%	-
	Barry	100.00%	-
	Blooming Grove	100.00%	148,510
	Corsicana	100.00%	83,593,239
	Dawson	100.00%	377,969
	Emhouse	100.00%	-
	Eureka	100.00%	-
	Frost	100.00%	276,000
	Goodlow	100.00%	-
	Kerens	100.00%	425,220
	Mildred	100.00%	-
	Navarro Mills	100.00%	-
	Oak Valley	100.00%	-
	Powell	100.00%	-
	Retreat	100.00%	-
	Rice	100.00%	-
	Richland	100.00%	443,983
	Total Cities		85,264,921
School District			
	Blooming Grove	100.00%	243,775
	Corsicana	100.00%	69,187,665
	Dawson	100.00%	1,135,000
	Frost	100.00%	1,237,440
	Kerens	100.00%	-
	Mildred	100.00%	29,168,139
	Rice	100.00%	13,024,210
	Total School Districts		113,996,229
Colleges			
	Navarro College	100.00%	31,371,784
Total direct and overlapping debt			\$ 234,730,416

Sources: Net debt information in this table was obtained by direct contact with each jurisdiction without further verification.

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

	Fiscal Year			
	2009	2008	2007	2006
Assessed value of real property	\$ 2,816,672,430	\$ 2,624,937,438	\$ 1,958,390,830	\$ 1,740,389,521
Debt limit rate	5%	5%	5%	5%
Debt limit	140,833,622	131,246,872	97,919,542	87,019,476
Debt applicable to limit:				
Total bonded debt	2,850,000	3,655,000	3,655,000	4,060,000
Less: amount set aside for repayment	177,069	143,082	215,793	225,128
Total net debt applicable to limit	2,672,931	3,511,918	3,439,207	3,834,872
Legal debt margin	\$ 138,160,691	\$ 127,734,954	\$ 94,480,335	\$ 83,184,604
Total net debt applicable to the limit as a percentage of debt limit	1.90%	2.68%	3.51%	4.41%

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					
2005	2004	2003	2002	2001	2000
\$ 1,624,525,914	\$ 1,553,722,041	\$ 1,485,717,228	\$ 1,431,210,789	\$ 1,357,264,815	\$ 1,245,667,592
5%	5%	5%	5%	5%	5%
81,226,296	77,686,102	74,285,861	71,560,539	67,863,241	62,283,380
4,445,000	4,625,000	4,900,000	5,150,000	5,400,000	5,625,000
217,512	146,289	25,731	6,611	15,006	15,345
4,227,488	4,478,711	4,874,269	5,143,389	5,384,994	5,609,655
\$ 76,998,808	\$ 73,207,391	\$ 69,411,592	\$ 66,417,150	\$ 62,478,247	\$ 56,673,725
5.20%	5.77%	6.56%	7.19%	7.94%	9.01%

TABLE 13

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
2009	50,774	N/A	N/A	9,493	8.3%	N/A	N/A
2008	48,950	\$ 856,760	\$ 16,874	9,439	5.7%	\$ 37,774	\$ 40,208
2007	48,950	1,234,910	25,228	9,570	5.0%	37,187	38,611
2006	48,450	1,196,404	24,359	9,421	4.9%	35,058	36,629
2005	48,695	1,126,606	23,136	N/A	5.1%	33,160	34,685
2004	48,123	1,067,445	22,182	N/A	5.7%	30,887	33,072
2003	47,371	1,012,538	21,375	N/A	7.6%	29,340	31,466
2002	46,820	993,636	21,222	N/A	6.5%	28,793	30,795
2001	46,052	966,894	20,996	N/A	5.4%	29,012	30,562
2000	45,338	944,452	20,831	N/A	4.5%	28,310	29,843

Sources:

- a - Texas Workforce Commission
- 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, 2009

(Unaudited)

Employer	Nature of Business	2009	
		Employees	Percentage of Total County Employment ^a
Corsicana I.S.D.	Government/education	811	3.80%
Russell Stover Candies	Candy manufacturing	680	3.18%
Navarro Regional Hospital	Hospital	354	1.66%
Navarro College	Education	321	1.50%
Guardian Industries	Glass manufacturing	318	1.49%
City of Corsicana (includes part-time)	Government/City	338	1.58%
Texas Youth Commission	Government/State Home	299	1.40%
Navarro County	Government/County	284	1.33%
Corsicana Bedding	Beddings	257	1.20%
Kohl's Call Center	Warehousing/retail	216	1.01%
Kohl's Distribution Center	Call Center/retail	200	0.94%
Oil City Iron Works	Castings	172	0.81%
Collin Street Bakery	Food	150	0.70%
Tru-Serve/True Value	Distribution/hardware	149	0.70%
Lance Manufacturing	Snack foods	148	0.69%
Home Depot Distribution Center	Building materials	145	0.68%
JELD-WWEN, Inc.	Windows and doors	85	0.40%
Exxon/Mobil Pipeline	Pipeline	55	0.26%
Northrop Grumman	Information technology	50	0.23%
Firestone Building Products	Roofing materials	23	0.11%
Total		5,055	23.67%

Source: Corsicana/Navarro County Chamber of Commerce

Notes: Information for 2000 is not available.

a - September 30, 2009, total employment per Texas Workforce Commission - 21,360

TABLE 15

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

Function/Program	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
General government							
Elected/appointed officials	5	5	5	5	5	5	5
Clerical	36	44	42	42	40	38	38
Building maintenance	3	3	3	3	3	3	3
Environmental	2	2	2	2	2	1	1
Judicial							
Judges/justices of the peace	6	7	6	6	6	6	6
Criminal District Attorney	1	1	1	1	1	1	1
Assistant prosecutors	5	4	4	4	4	4	4
Paraprofessionals	4	5	6	6	6	6	6
Clerical	14	13	11	10	10	5	8
Public safety							
County sheriff	1	1	1	1	1	1	1
Constables	4	4	4	4	4	4	4
Patrol/CID	34	29	29	26	27	30	31
Jailers	67	78	79	64	66	63	64
Administration	20	15	23	27	19	14	29
Juvenile probation	1	-	1	1	1	1	1
Health and welfare							
Indigent health care	2	2	2	2	2	2	2
Jail nurses	4	-	-	-	-	-	-
Roads and highways							
County Commissioners	4	4	4	4	4	4	4
Road employees	<u>29</u>	<u>33</u>	<u>32</u>	<u>36</u>	<u>34</u>	<u>35</u>	<u>39</u>
Total	<u>242</u>	<u>250</u>	<u>255</u>	<u>244</u>	<u>235</u>	<u>223</u>	<u>247</u>

Source: Navarro County Treasurer

Note: Information from 2000 - 2002 is not available.

TABLE 16

NAVARRO COUNTY, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST SIX FISCAL YEARS

(Unaudited)

Function/Program	Fiscal Year					
	2009	2008	2007	2006	2005	2004
General Government						
Auditor's office						
Accounts payable checks issued	11,576	9,389	9,673	9,655	11,513	11,387
Treasurer's office						
Payroll checks issued	1,906	2,192	2,573	2,870	3,215	3,411
Cash receipts issued	2,611	2,959	2,456	2,315	2,744	2,878
County clerk						
Marriage licenses issued	380	377	425	435	432	402
Declarations of informal marriage	4	7	12	5	7	6
Birth certificates issued	650	1,864	1,938	1,918	1,897	2,046
Death certificates issued	553	451	468	461	427	439
Tax office						
Title transactions	9,873	11,343	11,043	11,144	1,593	10,806
Registration transactions	48,746	48,077	46,857	46,561	44,930	42,901
Tax certificates issued	1,496	1,731	1,868	1,606	1,988	1,844
Liquor receipts issued	39	32	36	17	70	22
Beer and wine receipts issued	53	45	52	54	41	28
Elections administration						
Number of registered voters	26,949	25,067	27,555	27,122	27,396	26,670
Judicial						
District court						
Civil cases filed	1,413	1,422	1,468	1,545	1,146	1,366
Civil cases disposed	1,330	1,307	1,666	1,435	1,289	1,478
Criminal cases filed	696	730	1,058	881	762	759
Criminal cases disposed	791	814	730	675	707	744
Juvenile cases filed	62	41	46	51	45	66
Juvenile cases disposed	67	44	59	44	58	65
County court						
Civil cases filed	138	109	111	144	96	148
Civil cases disposed	121	94	99	89	99	118
Criminal cases filed	1,476	1,948	2,783	2,663	2,551	2,277
Criminal cases disposed	2,074	2,054	2,534	2,425	2,311	1,882
Justices of the peace						
Civil cases filed	462	764	524	495	453	484
Civil cases disposed	511	491	421	410	358	422
Criminal cases filed	7,246	10,256	10,917	11,414	11,775	12,301
Criminal cases disposed	6,563	10,595	10,465	9,660	10,220	9,680

(continued)

TABLE 16

NAVARRO COUNTY, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST SIX FISCAL YEARS

(Unaudited)

Function/Program	Fiscal Year					
	2009	2008	2007	2006	2005	2004
Public Safety						
County jail						
Detention officers	72	78	63	51	50	53
Total persons jailed	3,813	3,806	3,832	4,077	4,194	4,178
Average prisoner days	190	231	233	205	212	198
Cost per prisoner day	\$ 76.19	\$ 105.33	\$ 50.97	\$ 50.05	\$ 45.27	\$ 43.58
County sheriff						
Administration officers	12	15	12	12	12	12
Patrol officers	24	24	24	24	23	20
Detectives	7	7	7	7	7	7
Environmental officers	2	2	2	2	2	1
Arrests - NCSO	1,447	1,366	1,444	1,378	1,470	1,243
Environmental officers	10,954	10,915	10,915	12,463	11,304	10,084
Communications						
Communications officers	13	13	13	13	13	13
911 calls	20,792	20,585	19,600	20,200	N/A	N/A
Calls for service	18,013	17,883	18,004	18,931	19,602	17,951
NCSO vehicles						
Vehicles in fleet	69	56	64	66	60	69
Miles driven	920,401	959,457	867,876	980,468	869,662	987,984
Average miles per vehicle	13,945	17,133	13,506	14,418	14,494	16,466
Gasoline used (gallons)	61,420	57,971	53,081	57,958	65,435	69,350
Health and welfare						
Number of pauper burial/cremation	2	5	4	7	7	6
Indigent health care						
Applications approved for assistance	155	97	121	109	120	115
Texas AgriLife Extension Service						
Number of educational presentations	454	243	238	258	410	-
Number of participants in educational presentations	16,564	9,930	10,502	12,243	14,866	-
Roads and highways						
Miles of roadways chip sealed	2.0	1.6	6.9	4.1	-	-
Miles of roadways reconstructed	12.0	3.7	5.0	6.4	2.2	-
Miles of roadways overlaid	-	33.7	37.8	34.8	0.1	-
Number of culverts installed	45	49	45	72	76	-

Source: Various County Departments

Notes: Miles of roadway are estimated.

Information from 2000 - 2003 is not available.

TABLE 17

NAVARRO COUNTY, TEXAS

CAPITAL ASSETS AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM

LAST SIX FISCAL YEARS
(Unaudited)

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

Sources:

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

COMPLIANCE SECTION

**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, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting (Items 2009-1, 2009-2 and 2008-3).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are a material weakness.

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, 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.

Sattillo, Brown & Hill, LLP

April 9, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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 the compliance of the Navarro County, Texas, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular a-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. The 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 the Navarro County, Texas' management. Our responsibility is to express an opinion on the 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 the 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 the Navarro County, Texas' compliance with those requirements.

In our opinion, the Navarro County, Texas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying Schedule of Findings and Questioned Costs as Item 2009-3.

Internal Control Over Compliance

The management of the 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 the Navarro County, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the Navarro County, Texas' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control over compliance that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Item 2009-3 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

This report is intended solely for the information and use of management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Parillo, Brown & Hill, LLP

April 9, 2010

NAVARRO COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U. S. Office of National Drug Control Policy</u>			
Direct Programs:			
High Intensity Drug Trafficking Area (HIDTA)	07.XXX	16PNT501	\$ 54,587
High Intensity Drug Trafficking Area (HIDTA)	07.XXX	17PNT501	302,101
High Intensity Drug Trafficking Area (HIDTA)	07.XXX	18PNT501	780,944
High Intensity Drug Trafficking Area (HIDTA)	07.XXX	G09NTP501	<u>1,066,753</u>
Total Direct Programs			<u>2,204,385</u>
Total U. S. Office of National Drug Control Policy			<u>2,204,385</u>
<u>U. S. Department of Agriculture</u>			
Direct Program:			
Emergency Watershed Protection Program	10.923	Navarro County	<u>783,710</u>
Direct Program			<u>783,710</u>
Total U. S. Department of Agriculture			<u>783,710</u>
<u>U. S. Department of Housing and Urban Development</u>			
Passed through Texas Department of Rural Affairs:			
Texas Community Development Block Grant	14.218	727197	268,578
Community Development Block Grant - 2007 Floods	14.218	728067	<u>125,722</u>
Total Passed through Texas Department of Rural Affairs			<u>394,300</u>
Total U. S. Department of Housing and Urban Development			<u>394,300</u>
<u>U. S. Department of Justice</u>			
Direct Program:			
State Criminal Alien Assistance Grant	16.572	2009-AP-BX-0318	<u>24,642</u>
Direct Program			<u>24,642</u>
Passed through Bureau of Justice Assistance:			
JAG Program - ARRA	16.804	2009-SB-B9-0457	<u>20,403</u>
Total Passed through Bureau of Justice Assistance			<u>20,403</u>
Total U. S. Department of Justice			<u>45,045</u>

(continued)

NAVARRO COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2009

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U. S. Department of Transportation</u>			
Passed through Texas Department of Transportation:			
2005 Federal Railroad Signal Program	20.205	CSJ 0918-18-089	\$ 174,817
Total Passed through Texas Department of Transportation			<u>174,817</u>
Total U. S. Department of Transportation			<u>174,817</u>
<u>U. S. Department of Health and Human Services</u>			
Passed through North Central Texas Trauma Regional Advisory Council:			
National Bioterrorism Hospital Preparedness Program	93.889	2008-029010 CPS/HOSP	184,733
Total Passed through North Central Texas Trauma Regional Advisory Council			<u>184,733</u>
Total U. S. Department of Health and Human Services			<u>184,733</u>
<u>U. S. Department of Homeland Security</u>			
Passed through the Texas Department of Public Safety:			
2006 State Homeland Security Grant (SHSP)	97.073	2006-GE-T6-0068	1,294
2006 State Homeland Security Grant LETPP)	97.074	2006-GE-T6-0068	5,278
Total Passed through the Texas Department of Public Safety			<u>6,572</u>
Total U. S. Department of Homeland Security			<u>6,572</u>
Total Expenditures of Federal Awards			<u>\$ 3,793,562</u>

NAVARRO COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2009

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, 2009. 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, 2009

Summary of Auditors' Results

Type of report on financial statements	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Internal control over major programs: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance which is material to the basic financial statements	None
Type of report on compliance with major program	Unqualified
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133 disclosed	Yes
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Low risk auditee statement	The County was classified as a low-risk auditee in the context of OMB Circular A-133.
Major federal programs	HIDTA-High Intensity Drug Trafficking Area, (CFDA #07.XXX) Emergency Watershed Protection Program (CFDA #10.923) Community Development Block Grant (CFDA #14.218)

(continued)

NAVARRO COUNTY, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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

Item 2009-1:

<u>Condition:</u>	Clerks in the District Clerk's office share one cash drawer and one password when processing cash collections.
<u>Criteria:</u>	Internal controls should be in place to prevent or detect fraudulent activities.
<u>Cause:</u>	The controls over cash collections are not properly designed.
<u>Effect:</u>	The lack of controls creates an easy way for money to be taken or lost with no way of tracing the transaction.
<u>Recommendation:</u>	Each clerk who takes in cash should have their own cash drawer and their own password. In addition, passwords should not be shared with other clerks.
<u>Management's Response:</u>	Management will review the activities in the office and develop procedures to prevent and detect fraudulent activity.
<u>Contact Person Responsible for Corrective Action:</u>	Kathy Hollomon – County Auditor
<u>Anticipated Completion Date:</u>	December 31, 2010

(continued)

NAVARRO COUNTY, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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

Item 2009-2:

<u>Condition:</u>	There are no documented County-wide computer controls in place that require the setup of unique passwords or user rights. Furthermore, the County does not have a disaster recovery plan in place for its IT data.
<u>Criteria:</u>	Internal controls should be in place to prevent or detect fraudulent activities.
<u>Cause:</u>	Management did not consider the potential effects of the lack of controls.
<u>Effect:</u>	The lack of controls creates an easy way for someone to perpetrate a fraud without it being detected. Employees who share the same login and ids can easily process transactions that are untraceable to a particular individual leaving no true audit trail. In addition, if user rights are not limited to the appropriate personnel, an employee could have access to perform a task they are not otherwise authorized to perform adding to the opportunity of fraud.
<u>Recommendation:</u>	We recommend the County implement a County-wide IT policy that addresses the requirement of limiting user rights to the appropriate individuals and requires that each employee have unique ids and passwords into their operating systems. We also recommend the implementation of a disaster recovery plan. In addition, we also recommend that implemented policies be followed up by either the IT director or the County Auditor's office throughout the year.
<u>Management's Response:</u>	Management has hired a new IT Director, who has already drafted an Acceptable Use Policy for consideration by the Commissioners' Court. A cost effective disaster recovery plan will also be researched and implemented.
<u>Contact Person Responsible for Corrective Action:</u>	Kathy Hollomon – County Auditor
<u>Anticipated Completion Date:</u>	December 31, 2010

(continued)

NAVARRO COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2009

Findings and Questioned Costs for Federal Awards

<u>Item 2009-3:</u>	U. S. Department of Housing and Urban Development Passed through the Texas Department of Rural Affairs Community Development Block Grants, CFDA #14.218
<u>Compliance Requirement:</u>	Procurement and Suspension and Debarment
<u>Criteria:</u>	Recipients of federal awards are required to establish procedures for the procurement of supplies and other expendable property, equipment, real property and other services with federal funds to ensure that such materials and services are obtained in an effective manner and from vendors that are not suspended or debarred.
<u>Statement of Condition:</u>	Policies and procedures are not in place to ensure that the County does not enter into an agreement. We verified that selected vendors for the CDBG program were not included on the suspended or debarred list.
<u>Effect:</u>	Procurement of materials and services could be made with a suspended or debarred vendor and possibly not be detected by the County.
<u>Cause:</u>	The County does not have procedures in place to ensure it does not contract with a vendor that is suspended or debarred.
<u>Recommendation:</u>	Management should implement policies and procedures to ensure that an agreement for materials or services is not made with a suspended or debarred vendor. Additionally, management or representatives of management should periodically conduct independent reviews of procurements and contracting activities to determine whether policies and procedures are being followed as intended.
<u>Management's Response:</u>	The auditor's office has already implemented appropriate policies and procedures. In future contracts with third party grant administrators, management will stipulate that third parties will also establish policies and procedures to ensure that all materials and services are obtained in an effective manner and from vendors that are not suspended or debarred.
<u>Contact Person Responsible for Corrective Action:</u>	Kathy Hollomon – County Auditor
<u>Anticipated Completion Date:</u>	September 30, 2010

NAVARRO COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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

Item 2008-1:

<u>Condition:</u>	Prepaid items were not properly reported in the General Fund financial statements in error as of September 30, 2007.
<u>Criteria:</u>	Prepaid items should be reported on the balance sheet if an amount was paid prior to the County receiving a benefit.
<u>Cause:</u>	Prepaid items were not properly reported in the General Fund in error as of September 30, 2007. The error was a result of controls not being in place to ensure prepaid items were properly reported.
<u>Effect:</u>	Prepaid items were understated as of September 30, 2007, and a prior period adjustment was necessary in fiscal year 2008 to properly state beginning fund balance in the General Fund.
<u>Recommendation:</u>	Management should implement policies and procedures to ensure that prepaid items are properly reported.
<u>Management's Response:</u>	Management detected the error in fiscal year 2008 and policies and procedures have been implemented to ensure prepaid items are properly reported.
<u>Contact Person Responsible for Corrective Action:</u>	Tim Easley – Assistant County Auditor
<u>Anticipated Completion Date:</u>	March 31, 2009
<u>Current Status:</u>	This matter has been resolved.

(continued)

NAVARRO COUNTY, TEXAS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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

Item 2008-2:

<u>Condition:</u>	An internal control process to mitigate the risk of a Justice of the Peace Clerk from entering a fine paid by community service or time served when cash is received is not currently in place.
<u>Criteria:</u>	Internal controls should be in place to ensure that all cash received by a Justice of the Peace Clerk is properly deposited into the County's bank account.
<u>Cause:</u>	Management did not consider the potential effects of the lack of controls over cash receipts at the Justice of the Peace offices.
<u>Effect:</u>	The lack of internal controls allows a Justice of the Peace Clerk to keep the cash received and enter time served or community service into the defendant's file on the case management system.
<u>Recommendation:</u>	Management should implement policies and procedures to mitigate the risk of error, intentional or unintentional. We recommend an individual independent of the transaction periodically agree the supporting documentation of the case disposition to the case management system.
<u>Management's Response:</u>	Management will review the above recommendation and design a policy and procedure that will be cost effective for the County.
<u>Contact Person Responsible for Corrective Action:</u>	Kathy Hollomon –County Auditor
<u>Anticipated Completion Date:</u>	September 30, 2010
<u>Current Status:</u>	Non-cash dispositions are not being reviewed by an employee not involved in the cash collection process.

