

MATAGORDA COUNTY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

Prepared by
Ellen Dodd, Matagorda County Auditor



Matagorda County
Comprehensive Annual Financial Report
For The Year Ended December 31, 2011

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Introductory Section





ELLEN DODD
COUNTY AUDITOR
MATAGORDA COUNTY
1700 SEVENTH STREET, ROOM 326
BAY CITY, TEXAS 77414-5095
(409) 244-7611

Honorable District Judges of Matagorda County and
Honorable Members of the Matagorda County Commissioners Court:

Chapter 114.025 and chapter 115.045 of the Local Government Code of the State of Texas requires the issuance within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a licensed certified public accountant. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Matagorda County for the fiscal year ended December 31, 2011.

This report consists of management's representations concerning the finances of Matagorda 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 the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Matagorda County's financial statements in conformity with 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 financial statements will be free from material misstatement. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Matagorda County's financial statements have been audited by Reed & Associates, PC, certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the year ended December 31, 2011, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended December 31, 2011, are presented in conformity with GAAP. The independent auditor's report is presented as the first item in the financial section of this report.

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

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

PROFILE OF MATAGORDA COUNTY

The County of Matagorda, created in 1836 is rich in history and tradition. The County is located between Galveston and Corpus Christi along the Gulf Coast and enjoys a diversity of geography from its wide expanse of prairies to the many creeks, rivers, lakes, bays and Gulf of Mexico. Matagorda County occupies an area of 1,115 square miles and serves an estimated population of 36,702. The County is a political subdivision of the State of Texas. Neighboring counties are Brazoria, Wharton and Jackson.

The County operates as specified under the Constitution of the State of Texas and Vernon's Texas Code Annotated, which provide for a Commissioners Court consisting of the County Judge and four County Commissioners, one from each of four geographical precincts. The Commissioners Court is the governing body of the County. The County Judge is elected at large to serve a four-year term and the Commissioners serve four-year staggered terms, two members elected every two years.

The Commissioners Court has certain powers granted to it by the state legislature. Its duties include adoption of the budget, setting of the tax rates, approval of contracts, appointment of certain county officials and the development of policies and orders. The Commissioners Court shares the financial controls of the County with the County Auditor who is appointed according to Texas State statutes for two year terms by the District Judges. The County Auditor holds the basic responsibilities for establishing accounting policies and procedures, maintaining the records of all financial transactions of the County, and "examining and approving" disbursements from county funds prior to their submission to the Commissioners Court for payment.

Matagorda County provides many services not ordinarily provided by any other entity of government and provides additional services in cooperation with other local governmental units. These include volunteer fire departments, libraries and the museum. A primary service is the administration of justice, which includes the civil and criminal county and district courts, justices of the peace, constables, district attorney, clerks of the courts, sheriff, jail, security and emergency management, and bailiffs. Other functions performed by the County include the construction and maintenance of roads and bridges; provision of juvenile, health and environmental services as well as property tax collections for multiple agencies.

BUDGET

The annual budget serves as the foundation for the County's planning and control. Budgetary control is maintained at the subtotal level of the County budget for the following categories: Personnel, Operating Costs, Capital Outlay and Debt. Expenditures for current operating funds may not exceed available cash balances in such funds at January 1, plus the estimate of revenues for the ensuing year. At any time during the year, Commissioners Court may increase the budget for unexpected revenues, expenditures, or actual beginning fund balances in excess of budgeted estimates, provided that Commissioners Court declares the existence of an emergency necessitating the increase. All annual budget appropriations lapse at year end with the exception of the commissioner's budgets. Prior to year end, the commissioners commit a portion of unrestricted General Fund balance for the unspent portion of their precinct budgets. The County also maintains an encumbrance accounting system for the general fund as one method of maintaining budgetary control. Budget to actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted.

LOCAL ECONOMY

An understanding of the financial condition of Matagorda County is enhanced through a perspective of the environment in which the County operates. Matagorda County's primary economic bases include utilities, petrochemical processing, transmission, agriculture, commercial fishing and tourism. Matagorda County has outstanding opportunities for industry growth because of its location and proximity to the Gulf of Mexico, the Colorado River and the Gulf Intercoastal Canal waterway.

For several years, Matagorda County has partnered with the South Texas Nuclear Project in providing Emergency Preparedness Training and Operations Drills for the safety of its citizens. This contract is not only financially favorable to the County, but has also provided invaluable emergency preparedness skills and a network of cooperation between the County leaders and departments and its industry neighbors. Through a joint partnership with the South Texas Project and Wharton County Junior College, the South Texas Center for Energy Development continues to serve as a career center for staffing at STP and also offers classes focusing on process-technology and power-technology programs to train students for work at chemical, industrial and nuclear plants.

Matagorda Regional Medical Center serves the community at its 117,000 square-foot facility located on 45 acres of land on Texas 35 west. This two-story acute care hospital has 58 patient rooms, offers expanded services, and attractive and comfortable patient and visitor areas.

The economic outlook for Matagorda County remains positive for the future. The South Texas Project Nuclear Operating Company continues toward its plans to build two additional units at the site in the near future. Although the expansion has been delayed while the industry recovers from the aftermath of the nuclear disaster in Japan, the preparation continues. The future construction would bring temporary jobs to the community and upon completion provide approximately 1,000 permanent jobs to Matagorda County. Tourism continues to grow as Matagorda's coastline is developed and discovered by those who enjoy fishing, beach and river activities or just relaxing.

FINANCIAL POLICIES

The County has adopted an investment policy as required by state law and in conformity with state investment statutes. The investment policy as adopted by the County employs the prudent person concept in that priorities were established as to the investment vehicles the County would use. Compliance with the laws of the State of Texas and Safety were established as first priorities, followed by liquidity, low risk and diversification with an active versus passive management philosophy maintaining high professional and ethical standards. The County Treasurer is responsible for administering all of the investment of idle funds in the County. For the last several years, the County's depository has provided better interest rates than comparable liquid investments. During the fiscal year, the County earned approximately \$0.2 million interest on the funds invested.

In 2011 the County established a Fund Balance Policy in accordance with Governmental Accounting Standards Board Statement 54, adopting new classifications of fund balance, the method for committing fund balance and setting the order in which resources will be expended.

The County is responsible for establishing its tax rate. For the fiscal year ended December 31, 2011, the tax rate to finance general governmental services was \$0.27055 per \$100 valuation and the tax rate for the payment of principal and interest on long-term debt was \$0.00423 per \$100 of valuation.

In addition, the County also has the following financial policies:

- The Commissioners Court of the County shall formally adopt the annual budget prepared by the Budget Officer, members of the Commissioners court and the County Auditor.
- Expenditures are controlled not to exceed available resources. All elected officials and department

heads are required to keep expenditures within allocated budgets.

- Balanced financial operations will be maintained. Adequate internal accounting controls are developed and maintained to safeguard assets and provide reasonable assurance of proper recording of financial transactions.
- The County continues its effort on the replacement and upgrade of software when needed and it has provided funding when possible.
- Delivery of service to the constituents.
- Restrain the debt issuance to keep the tax rate low.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Matagorda County for its comprehensive annual financial report for the fiscal year ended December 31, 2010. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County has received a Certificate of Achievement for the last 8 consecutive years. 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 members of the Commissioners' Court and to the District Judges for their interest and support in planning and conducting the financial operations of the County in a responsible and professional manner. The timely completion of this report could not have been achieved without the dedicated efforts of the entire staff of the Office of County Auditor and the professional services provided by our independent Auditor, Reed & Associates, P.C.

Respectfully submitted,



Ellen Dodd, County Auditor
Matagorda County, Texas
June 4, 2012

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Matagorda County
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

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



Linda C. Danison

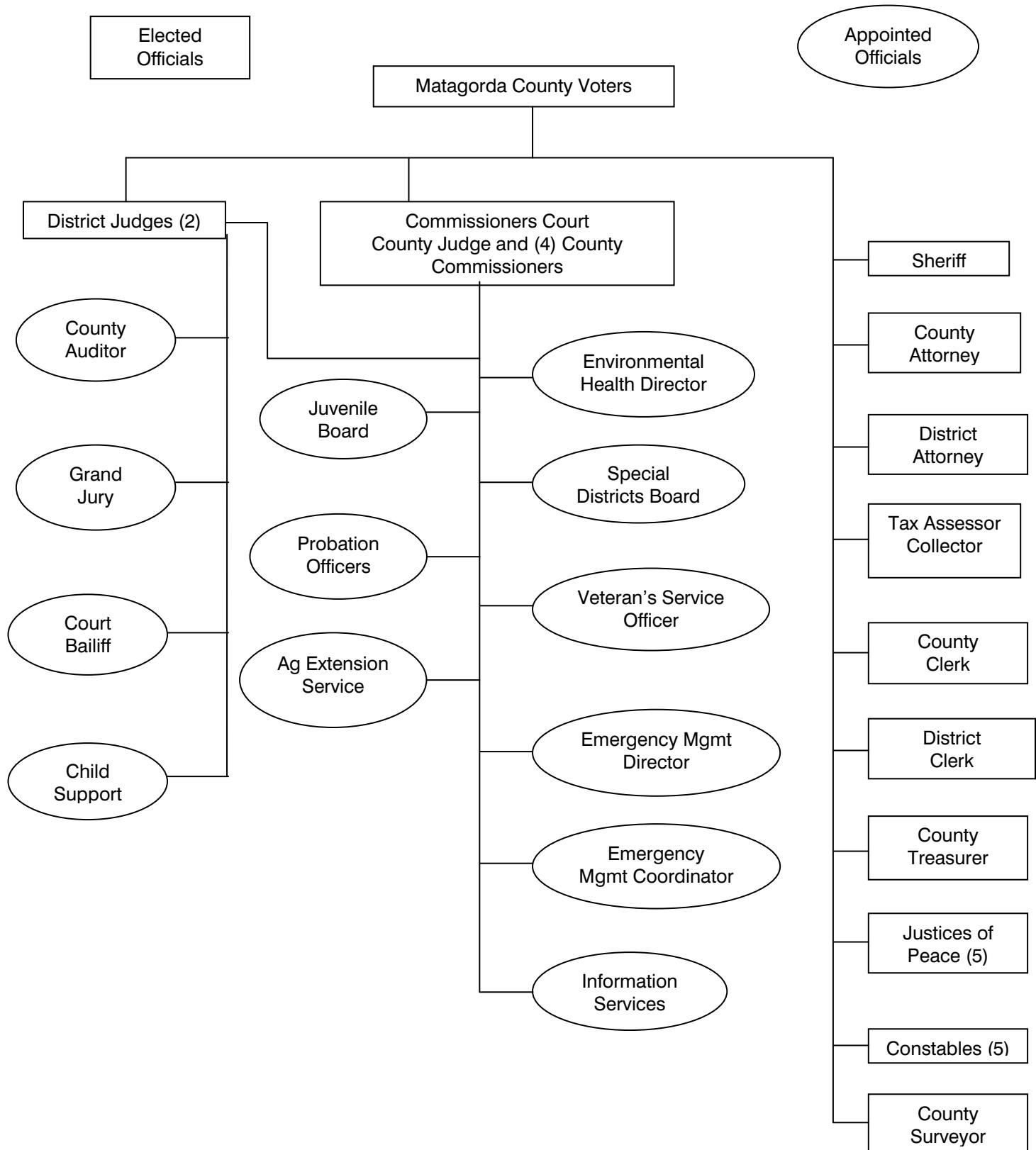
President

Jeffrey P. Emar

Executive Director



MATAGORDA COUNTY
Organization Chart



MATAGORDA COUNTY

LIST OF ELECTED AND APPOINTED OFFICIAL
DECEMBER 31, 2011

Elected Officials

Judge, 23 rd Judicial District	Ben Hardin
Judge, 130 th Judicial District	Craig Estlinbaum
County Judge	Nate McDonald
Commissioner, Precinct #1	Dan Pustka
Commissioner, Precinct #2	Kent Pollard
Commissioner, Precinct #3	James Gibson
Commissioner, Precinct #4	David J. Woodson
County Sheriff	Gary Mathis
County Attorney	Jill Cornelius
District Attorney	Steven Reis
County Tax Collector	Cristyn Hallmark
County Clerk	Janet Hickl
District Clerk	Becky Denn
County Treasurer	Amy Perez
Justice of Peace, Precinct #1	Jeannette Bell
Justice of Peace, Precinct #2	Suzan Thompson
Justice of Peace, Precinct #3	Jerry Purvis
Justice of Peace, Precinct #4	Hilda Gomez
Justice of Peace, Precinct #6	Raymond Taggart
Constable, Precinct #1	Raymond Green
Constable, Precinct #2	Frank Craft
Constable, Precinct #3	Pat Jewel
Constable, Precinct #4	Pete Medina
Constable, Precinct #6	Tom Ward
County Surveyor	James Rother

Appointed Officials

County Auditor	Ellen Dodd
Court Bailiff	Bill Orton
Child Support	Gwen Galloway
Ag Extension Agent	Brent Batchelor
Environmental Health Director	Ruben Gonzales
Veterans Service Officer	Frank Osborne
Emergency Management Director	Nate McDonald
Emergency Management Coordinator	Doug Matthes
Information Services	Chris Peikert

Financial Section



Reed & Associates, PC

Certified Public Accountants
1717 8th Street, Suite 5
Bay City, Texas 77414
(979) 245-7361 Fax (979) 245-3081

Independent Auditor's Report on Financial Statements

Commissioners
Matagorda County
1700 Seventh Street
Bay City, Texas 77414

Members of Commissioners Court:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Matagorda County as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Matagorda County's 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 the 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 Matagorda County as of December 31, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2012, on our consideration of Matagorda 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Matagorda County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, 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 Non-Profit Organizations" is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,

Reed & Associates, PC

Reed & Associates, PC

May 18, 2012

MATAGORDA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

This discussion and analysis of Matagorda County's financial performance provides a narrative overview of the County's financial activities for the fiscal year ended December 31, 2011. The information presented here should be read in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Matagorda County's finances in a manner similar to 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 (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

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 Matagorda County is improving or deteriorating.

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

Both of the government-wide statements distinguish between functions of Matagorda County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business activities). The governmental activities of the County include general government, justice, public safety, corrections and rehabilitation, health and human services, community and economic development, and infrastructure and environmental services.

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. Matagorda 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *current sources and uses 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.

MATAGORDA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

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 statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund. Data from the other fifteen 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.

Proprietary funds. *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund (a type of proprietary fund) is used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its self-funded health insurance program. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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 the County's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County uses agency funds to account for various assets held for the benefit of others.

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 disclose other pertinent information that, when taken in whole with the financial statements, provide a more detailed picture of the state of the finances of the County.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

The combining statements and individual fund budgetary comparison schedules are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Matagorda County, assets exceeded liabilities by \$23,715,867 at the close of the most recent fiscal year.

MATAGORDA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

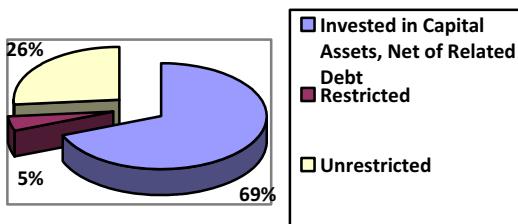
Sixty-nine percent (69%) of the County's net assets, \$16,381,686, reflects its investment in capital assets less any debt used to acquire those assets that is still outstanding. The County uses capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's net assets for the years ending December 31, 2011 and 2010 are summarized as follows:

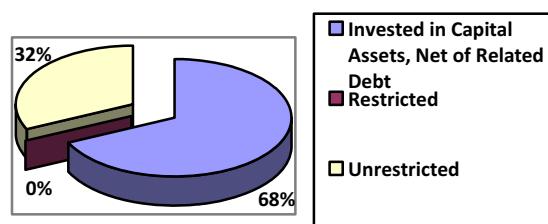
MATAGORDA COUNTY'S NET ASSETS

	2011	2010
Current and other assets	\$ 25,111,663	\$ 24,999,142
Capital Assets	<u>17,395,536</u>	<u>18,789,411</u>
Total assets	<u>42,507,199</u>	<u>43,788,553</u>
Current and other liabilities	14,209,867	14,333,212
Long-term liabilities	<u>4,581,465</u>	<u>3,238,133</u>
Total liabilities	<u>18,791,332</u>	<u>17,571,345</u>
NET ASSETS		
Invested in Capital Assets, net of related debt	16,381,686	17,819,411
Restricted for debt service	4,324	3,978
Restricted for other purposes	1,091,807	0
Unrestricted	<u>6,238,050</u>	<u>8,393,819</u>
Total net assets	<u>\$ 23,715,867</u>	<u>\$ 26,217,208</u>

2011 Net Asset Percentages



2010 Net Asset Percentages



Analysis of the County's Operations. Governmental activities decreased the County's net assets by \$2,501,341 compared to a prior year reduction of \$3,110,830. While expenses in total remained consistent with prior year, tax revenues increased by \$742,562 as a result of increased values of over \$272,000,000. Factors contributing to the loss of \$2,501,341 include the following:

- Amortized other post employment benefits of \$1,270,011 were recognized.
- Depreciation expense of \$3,387,520 exceeded capital outlay eliminations of \$1,993,615 resulting in a net increase to expense of \$1,393,905.

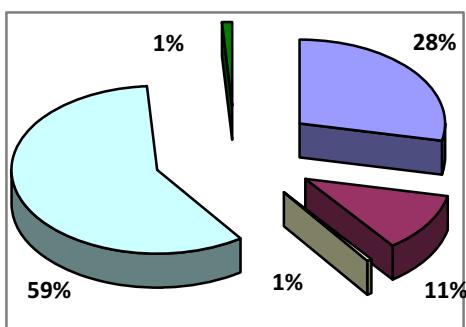
The following table provides a summary of the County's operations for the years ended December 31, 2011 and 2010.

MATAGORDA COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2011

MATAGORDA COUNTY'S CHANGES IN NET ASSETS

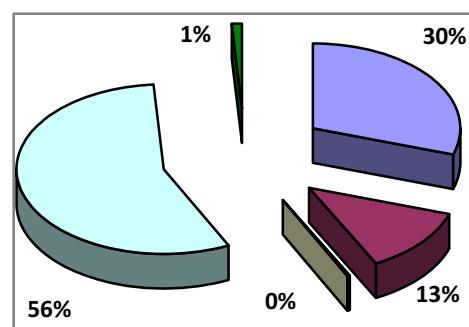
	<u>2011</u>	<u>2010</u>
Revenues:		
Program revenues:		
Fees, fines and charges for services	\$ 5,950,174	\$ 6,041,705
Operating grants and contributions	2,365,253	2,383,709
General revenues:		
Property taxes	12,243,775	11,501,213
Miscellaneous	117,281	99,083
Unrestricted Investment Earnings	<u>230,264</u>	<u>340,958</u>
Total revenues	<u>20,906,747</u>	<u>20,366,668</u>
Expenses:		
General government	3,238,152	2,916,150
Justice system	3,617,128	3,673,061
Public Safety	3,441,085	3,301,813
Corrections & Rehabilitation	2,246,252	2,396,883
Health and Human Services	1,364,578	1,397,815
Community & Economic Development	2,289,523	2,002,462
Infrastructure and Environmental services	6,881,349	7,742,526
Intergovernmental	290,001	-0-
Interest on Debt	<u>40,020</u>	<u>46,788</u>
Total expenses	<u>23,408,088</u>	<u>23,477,498</u>
Increase (decrease) in net assets	(2,501,341)	(3,110,830)
Net assets – beginning	<u>26,217,208</u>	<u>29,328,038</u>
Net assets – ending	<u>\$ 23,715,867</u>	<u>\$ 26,217,208</u>

2011 Revenues Percentages



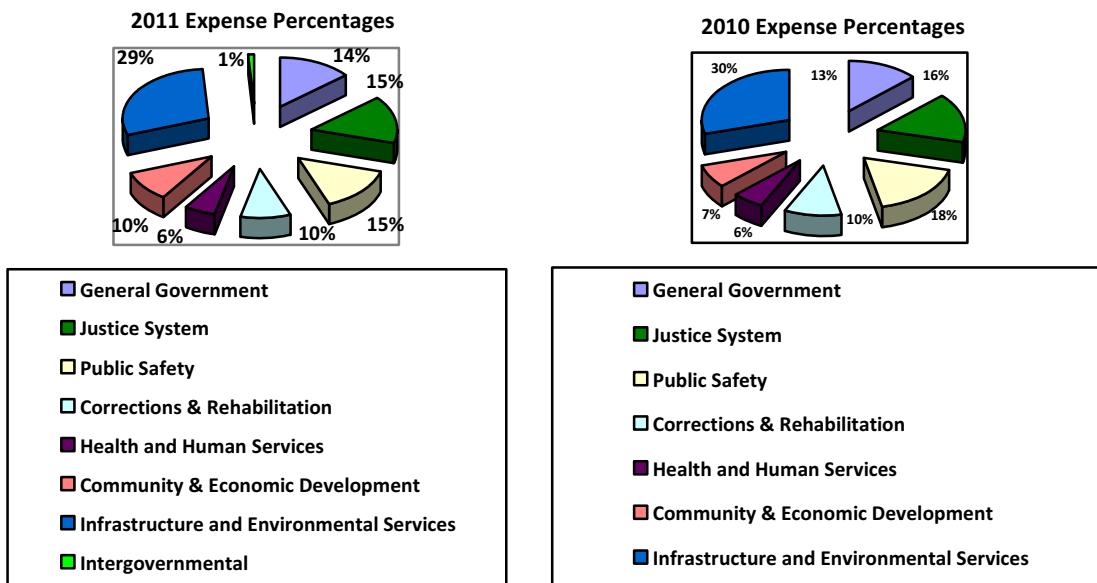
- Fees, fines & charges for services
- Unrestricted investment earnings
- Operating grants and contributions
- Miscellaneous
- Property taxes

2010 Revenues Percentages



- Fees, fines & charges for services
- Unrestricted investment earnings
- Operating grants and contributions
- Miscellaneous
- Property taxes

MATAGORDA COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2011



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the County's strong fiscal management and accountability.

Governmental funds. The general government functions are reported in the General, Special Revenue, and Debt Service funds. The focus of the County's *governmental funds* is to provide information on current sources, uses, and balances of *spendable* resources. Such information is useful in determining 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.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$8,341,476. Approximately 72% of this amount (6 million) constitutes *unassigned fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is divided among committed fund balance of \$931,516, restricted fund balance of \$1,103,170 and nonspendable fund balance of \$292,680. The County's ability to spend each of these types of fund balance is more limited than with unassigned fund balance, and the limitations on spending are discussed more fully in the notes to the financial statements.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,014,110, while total fund balance was \$7,238,306. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 34.7 percent of total general fund expenditures, and total fund balance represents 38.43% of that same amount.

The fund balance of Matagorda County's general fund increased by \$271,282 compared to a net decrease of \$452,062 the prior year. Following are some of the more significant factors noted:

MATAGORDA COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2011

- As discussed above in the government-wide financial analysis, tax revenue was up \$791,574 as a result of increased values.
- Charges for services were down \$346,207. Transfer station fees accounted for \$115,355 of this decrease due to a change in management of the facility to an outside source. Housing of out of county inmates generated revenue of \$131,805 in the prior year with -0- in the current year.
- Miscellaneous revenue is down due to prior year recognition of road damage reimbursements in the amount of \$213,451.

Proprietary funds. The County has only one proprietary fund type which is an internal service fund. This internal service fund is used to account for a self-funded health insurance program. The fund for 2011 had an operating income of \$221 as compared to last year's loss of \$21,762. Although expenses increased by \$8,060, employer and employee contributions were also higher resulting in the positive result for the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Commissioners' Court approved several increases to budgeted revenues and appropriations. The most significant amendment was to Infrastructure & Environmental Services as a result of re-appropriations of unused prior year budgets for precincts.

Actual expenditures were less than appropriations. As mentioned above Infrastructure & Environmental Services expenditures were under spent as a result of re-appropriating unused prior year budgets.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets. The County's investment in capital assets for its governmental activities as of December 31, 2011 amounts to \$17,395,504 (net of accumulated depreciation). This investment in capital assets includes land; buildings and improvements; equipment and vehicles; and infrastructure for roads and bridges. Overall, the capital assets decreased by \$1,393,906. The main decrease in capital assets is \$3,387,520 in depreciation expense and capital asset disposal offset by increases noted below.

- Reworking of existing roads and bridges.
- Purchase of law enforcement vehicles.
- Purchase of equipment for road construction

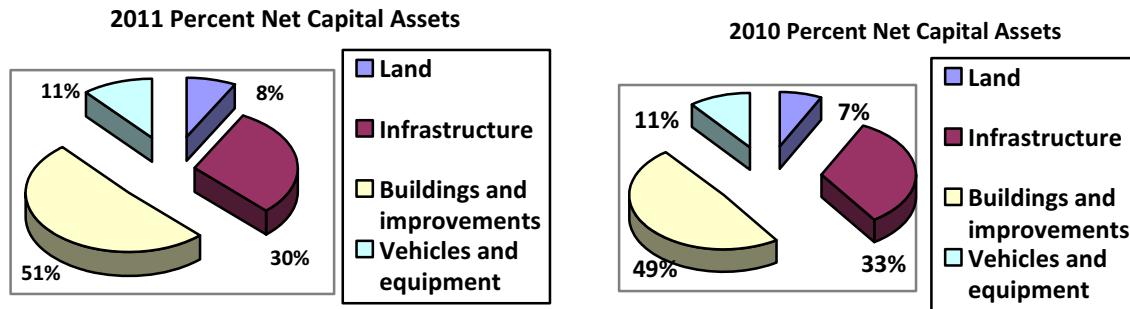
The following table lists the County's investment in capital assets as of December 31, 2011

MATAGORDA COUNTY'S CAPITAL ASSETS
Net of Accumulated Depreciation

	Balances 12/31/2010	Increases	Decreases	Balances 12/31/2011
Land	\$ 1,349,101	\$ 1,467,734	\$ 898,248	\$ 1,349,101
Infrastructure	39,251,606			39,821,092
Buildings and improvements	13,696,378			13,696,378
Vehicles and equipment	8,115,099	525,881	404,174	8,236,806
Less accumulated depreciation	(43,622,776)	(3,328,322)	(1,243,225)	(45,707,873)
	\$ 18,789,408	\$ (1,334,707)	\$ 59,197	\$ 17,395,504

MATAGORDA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011

Additional information of Matagorda County's capital assets can be found in note D of this report.



Long-term debt. In September of 2006 the county issued Certificates of Obligation in the amount of \$1,515,000 for the purpose of expansion of the jail facility. The obligation will be paid semiannually over a period of ten years at an interest rate of 4.69%. During the current fiscal year, the County's debt decreased by \$145,000 as a result of a scheduled payment and the outstanding balance as of December 31, 2011 is \$825,000. The County entered into a long-term capital lease for the purchase of a motor grader in 2011 at a cost of \$210,820 with a down payment of \$22,000.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective and controlled use of the County's resources. Through the budget the County Commissioners set the direction of the County, allocate its resources and establish its priorities. The 2012 budget was adopted on August 29, 2011 with General Fund expenditures of \$18.5 million, and a revenue budget of \$18.5 million.

The Commissioners' Court adopted a maintenance and operation tax rate of .27750 per \$100 assessed valuation. The court also adopted an interest and sinking tax rate of .00412.

The main factors affecting the 2012 Budget were as follows:

- Elimination of using any portion of fund balance to meet current year expenditures.
- A reduction in budgeted revenue from licenses & permits, charges for services and interest income.
- Increase in property values from oil and gas production and industry.
- Removal of the net loss in the transfer station budget.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Office of the Matagorda County Auditor, 1700 7th Street, Room 325, Bay City, Texas 77414, or call (979)244-7611.



Basic Financial Statements



MATAGORDA COUNTY

STATEMENT OF NET ASSETS

DECEMBER 31, 2011

ASSETS

Cash and cash equivalents

Governmental Activities

\$ 9,256,729

Receivables (net of allowances for uncollectibles):

10,230,203

2,807,162

284,874

7,806

9,257

108

2,515,554

1,349,102

8,538,768

353,021

5,208,168

1,946,447

42,507,199

Land

Buildings

Improvements

Infrastructure

Equipment

Total Assets

LIABILITIES

Accounts payable

447,912

Claims payable

313,815

Due to other governments

189,172

Due to others

282,390

Accrued interest payable

15,353

Unearned revenue

12,941,495

Escrow reserves

19,730

Noncurrent Liabilities:

35,935

62,555

150,000

203,802

3,327,908

126,265

675,000

18,791,332

Due within one year - compensated absences

Due within one year - capital leases

Due within one year - certificates of obligation

Due in more than one year - compensated absences

Due in more than one year - OPEB

Due in more than one year - capital leases

Due in more than one year - certificates of obligation

Total Liabilities

NET ASSETS

Invested in Capital Assets, Net of Related Debt

16,381,686

Restricted For:

4,324

1,091,807

6,238,050

Debt Service

Other Purposes

Unrestricted

Total Net Assets

\$ 23,715,867

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	
Government Activities:					
General government	\$ 3,238,152	\$ 1,227,359	\$ 89,241	\$ (1,921,552)	
Justice system	3,617,128	897,829	546,047	(2,173,252)	
Public safety	3,441,085	3,157,683	94,008	(189,394)	
Corrections and rehabilitation	2,246,252	128,297	9,549	(2,108,406)	
Health and human services	1,364,578	63,717	26,563	(1,274,298)	
Community and economic development	2,289,523	196,767	1,128,707	(964,049)	
Infrastructure and environmental services	6,881,349	278,522	181,137	(6,421,690)	
Intergovernmental	290,001	--	290,001	--	
Interest on debt	40,020	--	--	(40,020)	
Total governmental activities	<u>23,408,088</u>	<u>5,950,174</u>	<u>2,365,253</u>	<u>(15,092,661)</u>	
Total Primary Government	<u>\$ 23,408,088</u>	<u>\$ 5,950,174</u>	<u>\$ 2,365,253</u>	<u>\$ (15,092,661)</u>	
General Revenues:					
Property taxes				12,243,775	
Miscellaneous				117,281	
Unrestricted investment earnings				230,264	
Total General Revenues				<u>12,591,320</u>	
Change in Net Assets				(2,501,341)	
Net Assets - Beginning				26,217,208	
Net Assets - Ending				<u>\$ 23,715,867</u>	

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
<i>Cash and cash equivalents</i>	\$ 6,147,075	\$ 1,264,715	\$ 7,411,790
Receivables (net of allowances for uncollectibles):			
<i>Taxes</i>	10,083,820	146,383	10,230,203
<i>Other receivables</i>	2,698,387	108,775	2,807,162
<i>Prepaid items</i>	284,874	--	284,874
<i>Due from other funds</i>	51,059	--	51,059
<i>Inventories</i>	7,806	--	7,806
<i>Interest receivable</i>	9,257	--	9,257
<i>Purchased Interest receivable</i>	108	--	108
<i>Investments</i>	2,515,554	--	2,515,554
Total Assets	<u>\$ 21,797,940</u>	<u>\$ 1,519,873</u>	<u>\$ 23,317,813</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable</i>	\$ 337,617	\$ 86,108	\$ 423,725
<i>Due to other governments</i>	189,171	1	189,172
<i>Due to other funds</i>	--	51,059	51,059
<i>Due to others</i>	274,819	7,571	282,390
<i>Deferred revenue</i>	13,738,297	271,964	14,010,261
<i>Escrow reserves</i>	19,730	--	19,730
Total Liabilities	<u>\$ 14,559,634</u>	<u>\$ 416,703</u>	<u>\$ 14,976,337</u>
Fund Balances:			
Non-spendable:			
<i>Prepaid items</i>	284,874	--	284,874
<i>Inventory</i>	7,806	--	7,806
Restricted for:			
<i>Debt service</i>	--	11,363	11,363
<i>Other purposes</i>	--	1,091,807	1,091,807
Committed for:			
<i>Precincts</i>	931,516	--	931,516
Unassigned	<u>6,014,110</u>	<u>--</u>	<u>6,014,110</u>
Total Fund Balances	<u>\$ 7,238,306</u>	<u>\$ 1,103,170</u>	<u>\$ 8,341,476</u>
Total Liabilities and Fund Balances	<u>\$ 21,797,940</u>	<u>\$ 1,519,873</u>	<u>\$ 23,317,813</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**TO THE STATEMENT OF NET ASSETS**DECEMBER 31, 2011*

Total fund balances - governmental funds balance sheet	\$ 8,341,476
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	17,395,505
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	742,609
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	1,332,692
Payables for capital leases which are not due in the current period are not reported in the funds.	(188,820)
Payables for accrued interest which is not due in the current period is not reported in the funds.	(15,353)
Payables for certificates of obligation which are not due in the current period are not reported in the funds.	(825,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(239,737)
Other post empl benefits which are not due and payable in the current period are not reported in the funds.	(3,327,908)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	500,403
Net assets of governmental activities - Statement of Net Assets	\$ 23,715,867

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
<i>Taxes</i>	\$ 12,029,621	\$ 189,466	\$ 12,219,087
<i>Licenses and permits</i>	792,739	--	792,739
<i>Intergovernmental</i>	704,997	1,550,666	2,255,663
<i>Charges for services</i>	4,457,315	165,440	4,622,755
<i>Fines</i>	409,390	--	409,390
<i>Investment income</i>	228,645	17,625	246,270
<i>Miscellaneous</i>	222,931	47,336	270,267
Total revenues	18,845,638	1,970,533	20,816,171
EXPENDITURES			
Current:			
<i>General government</i>	2,742,360	63,207	2,805,567
<i>Justice system</i>	2,921,537	373,676	3,295,213
<i>Public Safety</i>	3,052,543	37,471	3,090,014
<i>Corrections and rehabilitation</i>	2,055,266	32,485	2,087,751
<i>Health and human services</i>	1,261,528	--	1,261,528
<i>Community and economic development</i>	1,253,532	13,490	1,267,022
<i>Infrastructure and environmental services</i>	5,058,387	--	5,058,387
Intergovernmental	--	290,001	290,001
Capital outlay	488,076	900,145	1,388,221
Debt service:			
<i>Principal</i>	--	145,000	145,000
<i>Interest and fiscal charges</i>	--	42,093	42,093
Total expenditures	18,833,229	1,897,568	20,730,797
Excess (deficiency) of revenues over (under) expenditures	12,409	72,965	85,374
OTHER FINANCING SOURCES (USES)			
<i>Transfers in</i>	70,053	--	70,053
<i>Transfers out</i>	--	(70,053)	(70,053)
<i>Capital lease proceeds</i>	188,820	--	188,820
Total other financing sources (uses)	258,873	(70,053)	188,820
Net change in fund balances	271,282	2,912	274,194
Fund balances - beginning	6,967,024	1,100,258	8,067,282
Fund balances - ending	\$ 7,238,306	\$ 1,103,170	\$ 8,341,476

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Net change in fund balances - total governmental funds \$ 274,194

Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	1,843,341
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,387,519)
Donations of capital assets increase net assets in the SOA but not in the funds.	150,275
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	24,688
Repayment of certs of obligation principal is an expenditure in the funds but is not an expense in the SOA.	145,000
(Increase) decrease in accrued interest from beginning of period to end of period.	(1,906)
The net revenue (expense) of internal service funds is reported with governmental activities.	23,307
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(29,501)
Net OPEB benefits are reported as the amount amortized in the SOA but as the amount paid in the funds.	(1,270,011)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	(84,387)
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(188,822)

Change in net assets of governmental activities - Statement of Activities \$ (2,501,341)

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY
STATEMENT OF NET ASSETS
INTERNAL SERVICE FUND
DECEMBER 31, 2011

	Nonmajor Internal Service Fund	Insurance Fund
ASSETS		
Current assets:		
<i>Cash and cash equivalents</i>	\$ 1,844,939	
Total Assets	<u>\$ 1,844,939</u>	
LIABILITIES		
Current liabilities:		
<i>Accounts payable</i>	\$ 24,187	
<i>Claims payable</i>	313,815	
<i>Deferred revenue</i>	174,245	
Total Liabilities	<u>512,247</u>	
NET ASSETS		
<i>Unrestricted</i>	1,332,692	
Total net assets	<u>\$ 1,332,692</u>	

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Nonmajor Internal Service Fund	Insurance Fund
OPERATING REVENUES		
<i>Employer contributions</i>	\$ 2,202,030	
<i>Employee contributions</i>	215,653	
<i>Retiree/Cobra contributions</i>	126,105	
<i>Special district contributions</i>	192,050	
<i>Drug rebates</i>	5,855	
Total Operating Revenues	<u>2,741,693</u>	
OPERATING EXPENSES		
<i>Administrative expenses</i>	475,350	
<i>Retiree premiums</i>	277,937	
<i>Claims expense</i>	1,613,255	
<i>Prescriptions</i>	374,940	
Total Operating Expenses	<u>2,741,482</u>	
Operating Income (Loss)	<u>211</u>	
NON-OPERATING REVENUES (EXPENSES)		
<i>Interest revenue</i>	23,096	
Total Non-operating Revenues (Expenses)	<u>23,096</u>	
Change in Net Assets	23,307	
Total net assets - beginning	1,309,385	
Total net assets - ending	<u>\$ 1,332,692</u>	

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Internal Service Fund
Cash Flows from Operating Activities:	
<i>Cash received from interfund services provided</i>	\$ 2,412,465
<i>Cash received from external users</i>	324,010
<i>Cash payments for administration</i>	(729,100)
<i>Cash payments for claims</i>	(1,918,117)
Net Cash Provided (Used) by Operating Activities	<u>89,258</u>
Cash Flows from Non-capital Financing Activities:	
<i>Transfers to general fund</i>	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
Cash Flows from Capital and Related Financing Activities:	
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>
Cash Flows from Investing Activities:	
<i>Interest and Dividends on Investments</i>	<u>23,096</u>
Net Cash Provided (Used) for Investing Activities	<u>23,096</u>
Net Increase (Decrease) in Cash and Cash Equivalents	112,354
Cash and Cash Equivalents at Beginning of Year	1,732,585
Cash and Cash Equivalents at End of Year	<u>1,844,939</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 211
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
<i>(Increase) Decrease in Accounts Receivable</i>	570,766
<i>Increase (Decrease) in Accounts Payable</i>	24,187
<i>Increase (Decrease) in Claims Payable</i>	(500,688)
<i>Increase (Decrease) in Deferred Revenue</i>	(5,218)
Total Adjustments	<u>89,047</u>
Net Cash Provided (Used) by Operating Activities	<u>89,258</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY**STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUNDS****DECEMBER 31, 2011**

	Agency Funds
ASSETS	
<i>Cash and cash equivalents</i>	\$ 1,643,680
Total Assets	<u>\$ 1,643,680</u>
LIABILITIES	
<i>Due to other governments</i>	\$ 165,647
<i>Due to others</i>	<u>1,478,033</u>
Total Liabilities	<u>1,643,680</u>
NET ASSETS	
<i>Unrestricted</i>	--
Total Net Assets	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

A. Summary of Significant Accounting Policies

The combined financial statements of Matagorda County (the "County") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

Matagorda County was established in 1836 by the Republic of Texas. Commissioners elected from each of four precincts serve as the governing body with the elected County Judge as the head of this body. The Commissioners and County Judge oversee all functions of general government applicable to the County as provided by state statutes.

The County's basic financial statements include the accounts of all its operations. The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the County holds the corporate powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County
- the exclusion of the organization would result in misleading or incomplete financial statements

The County also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the County to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County, its component units or its constituents; and 2) The County or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the County.

Based on these criteria, the County has no component units. Additionally, the County is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Substantially all of the effects of interfund activities have been removed from these statements. Governmental activities are supported primarily by taxes and intergovernmental revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County allocates indirect expenses in the statement of activities based on functional totals at the government-wide level for the prior year. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for the agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers collections within 60 days of the end of the current fiscal period to be revenues. Expenditures generally are recorded when a liability is incurred, similar to accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include property taxes, fines, forfeitures, licenses, interest income, and charges for services and, as such, have been recognized as revenues for the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the County.

Deferred revenue arises when potential revenues do not meet both the measurable and available test for recognition in the current period. Deferred revenue also arises when resources are received by the County before the County is legally entitled to them. In succeeding periods when both revenue recognition criteria are met, or when the County has legal claim to the resources, the liability for deferred revenue is removed from the statements and revenue is recognized.

The County reports only one major governmental fund, the General fund. This is the County's primary operating fund. It accounts for all financial resources of the County except those required to be accounted for in another fund.

Additionally, the County reports the following non-major governmental funds:

- a) Special revenue funds account for resources that are legally restricted for specific purposes.
- b) Debt service fund accounts for resources accumulated for subsequent payment of principal and interest on long-term debt of the County.

The County also reports the following fund types:

- a) Internal service fund accounts for health benefits provided to County employees, retirees, and dependents. Contributions to the fund consists of charges to the participating entities for covered employees along with contributions from employees and retirees.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

b) Agency Funds: These funds are used to report resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Agency funds for Matagorda County include District Clerk, County Clerk and Inmate Trust funds held for the benefit of others and the Tax Assessor/Collector account used for the collection of taxes and remittance to various taxing entities.

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the government's health benefits divisions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as program revenues include 1) charges for services (i.e. court costs, fees, and fines, etc.), 2) operating grants and contributions, and 3) capital grants and contributions. Other revenues that are not related to a specific activity or function are reported as general revenues. General revenues include all taxes, grants and contributions not restricted to a specific program or function, and any unrestricted investment earnings.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund is charges to other funds for health insurance. Operating expenses for internal service fund includes claims and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

4. Assets, Liabilities and Net Assets or Equities

a. 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.

The Public Funds Investment Act and local policy authorizes the County to invest in obligations of the US Treasury, certificates of deposit, repurchase agreements, commercial paper, mutual funds and public funds investment pools.

Investments for the County are reported at fair value. Public funds investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

b. Receivables and Payables

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

All other accounts receivable are net of allowance for uncollectible amounts based on historical collection rates.

c. Inventories and Prepaid Items

Inventories on the balance sheet are stated at historical cost. Inventory items are recorded as expenditures when they are consumed on a first in first out method.

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

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	15-40
Buildings	40-60
Improvements	10-20
Vehicles	3-8
Office Equipment	3-7
Other Equipment	5-20

e. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation, sick pay and comp time benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay these amounts when employees separate from service. All vacation and comp time pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

f. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate governmental activities, business-type activities or proprietary fund type statement of net assets.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

g. Use of Estimates

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

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds may be classified as follows

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form or legally required to remain intact.

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the County's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action.

Assigned Fund Balance - represents amounts which the County intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

Fund balance policy

On November 28, 2011, the Commissioners adopted the following fund balance policies:

Matagorda County Commissioners Court desires that the governmental fund types available for use in governmental financial reporting be appropriately selected based on the GASB-54 definitions of these fund types. Furthermore, the fund balance categories utilized within each of these fund types are also to be appropriately selected from the new GASB-54 classifications.

The Commissioners Court shall approve all commitments of Fund Balance by formal action. The action to commit funds must occur prior to year-end, to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year end. The Commissioners Court may commit fund balance for any reason that is consistent with the definition of Committed Fund Balance contained within GASB-54. A commitment can only be modified or removed by the same formal action.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by unrestricted fund balance in the following order: committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

B. Stewardship, Compliance and Accountability

Budgetary Data

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, and the following special revenue funds: DA Legal Law, Sheriff & Jail Discretionary, County Clerk Preservation & Automation, Countywide Records Management/Preservation, Courthouse Security, Justice Court Technology, District Clerk Records Management/Preservation and Technology. All annual budget appropriations lapse at fiscal year end, with the exception of the four precincts.

According to Chapter 111 of the Local Government Code, by July 31 the County Judge, assisted by the County Auditor shall prepare a budget to cover all proposed expenditures of the County government for the succeeding fiscal year. The proposed budget shall be filed with the County Clerk for inspection by any taxpayer. The Commissioners court shall hold a public hearing on the proposed budget after August 15th but before the date on which taxes are levied by the court. The final approved budget shall be filed with the County Clerk.

The appropriated budget is prepared by fund, department, and category (personnel, operating, capital outlay and debt service). Department heads may make transfers of appropriations within a category. Transfers of appropriations between categories require the approval of Commissioners Court. The budget was amended throughout the year as needed for emergency expenditures.

C. Deposits and Investments

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At December 31, 2011, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$12,096,459 and the bank balance was \$20,343,358. The County's cash deposits at December 31, 2011 and during the year ended December 31, 2011, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name. The County's investments at December 31, 2011 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
Federal Farm Credit Bank	3-5 yrs	Aaa	\$ 250,000
Federal National Mortgage Association	3-5 yrs	Aaa	944,328
Certificates of Deposit	1-3 yrs	n/a	480,000
Certificates of Deposit	3-5 yrs	n/a	719,160
Federal Judiciary	1-3 yrs	Not Rated	122,066
Total Investments			\$ <u>2,515,554</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

- a. Credit Risk - the risk that an insurer or other counterparty to an investment will not fulfil its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The above table indicates the credit rating by Standard & Poor's at December 31, 2010 by investment type. It is County policy to diversify the investment portfolio, display prudence in selecting investments and never invest in anything that jeopardizes the total capital position of the overall portfolio.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

- b. Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment. The County limits its exposure to interest rate risk by diversifying its investments by security type and institution and restricting the maximum investment term to less than five years from the purchase date for all funds except debt service funds which are limited to ten years.
- c. Concentration of Credit Risk - the risk of loss attributed to the magnitude of a government's investment in a single user. While the County's policy places no limits on the amount that may be invested in any one issuer, it does stress diversity and safety. At year end, more than five percent of the County's investments were held in each of the investment types listed above.

D. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,349,101	\$ --	\$ --	\$ 1,349,101
Total capital assets not being depreciated	<u>1,349,101</u>	<u>--</u>	<u>--</u>	<u>1,349,101</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	39,251,606	1,467,734	898,248	39,821,092
Buildings and improvements	13,696,378	--	--	13,696,378
Vehicles and equipment	8,115,099	525,881	404,174	8,236,806
Total capital assets being depreciated	<u>61,063,083</u>	<u>1,993,615</u>	<u>1,302,422</u>	<u>61,754,276</u>
Less accumulated depreciation for:				
Infrastructure	(32,982,548)	(2,485,877)	(855,501)	(34,612,924)
Buildings and improvements	(4,506,899)	(297,691)	--	(4,804,590)
Vehicles and equipment	(6,133,329)	(544,754)	(387,724)	(6,290,359)
Total accumulated depreciation	<u>(43,622,776)</u>	<u>(3,328,322)</u>	<u>(1,243,225)</u>	<u>(45,707,873)</u>
Total capital assets being depreciated, net	<u>17,440,307</u>	<u>(1,334,707)</u>	<u>59,197</u>	<u>16,046,403</u>
Governmental activities capital assets, net	<u>\$ 18,789,408</u>	<u>\$ (1,334,707)</u>	<u>\$ 59,197</u>	<u>\$ 17,395,504</u>

Depreciation expense net of asset disposals was charged to functions as follows:

General government	\$ 106,897
Justice system	134,643
Public safety	121,034
Corrections and rehabilitation	87,862
Health and human services	51,239
Community and economic development	73,404
Infrastructure and environmental services	<u>2,812,441</u>
	<u>\$ 3,387,520</u>

E. Interfund Balances and Activity

- Balances due to and from other funds payable within one year at December 31, 2011, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 50	Imprest funds
General Fund	Other Governmental Funds	51,009	Short-term loans
	Total	<u>\$ 51,059</u>	
Transfers From	Transfers To	Amount	Reason
Other Governmental Funds	General Fund	\$ 70,053	Reimburse expenditures

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended December 31, 2011, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Certificates of Obligation	\$ 970,000	\$ --	\$ 145,000	\$ 825,000	150,000
Capital leases*	--	188,820	--	188,820	62,555
Compensated absences *	210,236	259,835	230,333	239,738	35,935
Net OPEB Obligation*	2,057,897	1,798,851	528,840	3,327,908	--
Total governmental activities	\$ 3,238,133	\$ 2,247,506	\$ 904,173	\$ 4,581,466	\$ 248,490

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Capital leases	Governmental	General
Compensated absences	Governmental	General
Net OPEB Obligation	Governmental	General

2. Debt service requirements on long-term debt at December 31, 2011, are as follows:

Certificates of obligation of \$1,515,000, issued August 15, 2006 bearing interest at 4.69% and maturing March 15, 2016 were issued for the purpose of jail expansion.

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 145,000	\$ 42,093	\$ 187,093
2013	150,000	35,175	185,175
2014	155,000	28,023	183,023
2015	165,000	20,519	185,519
2016	175,000	12,546	187,546
2017-2021	180,000	4,221	184,221
Totals	\$ 970,000	\$ 142,577	\$ 1,112,577

3. Capital Leases

The County entered into a lease agreement as lessee for financing the acquisition of a motor grader. The motor grader was purchased through the general fund at a total cost of \$210,820 with a down payment of \$22,000 and an effective interest rate of 3.75%. Current year accumulated depreciation is \$5,271. Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of December 31, 2011, as follows:

Year Ending December 31:	
2012	\$ 66,705
2013	66,705
2014	66,705
Total minimum lease payments	200,115
Less: amount representing interest	(11,295)
Present value of minimum lease payments	\$ 188,820

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

G. Risk Management

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2011, the County obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities via interlocal agreement and forming a risk pool ("Pool"). The Pool is a legally separate entity operating as a common risk management and insurance program and is administered by TriStar Risk Management. The Pool provides third party liability, public officials liability, automobile liability, workers compensation, blanket crime coverage and property coverage. The County pays an annually determined premium to the pool for its share of the above insurance coverage. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will reinsurance through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. Latest audited financial statements for the self-insured pool can be obtained by contacting PO Box 1744, Bay City, Tx 77404-1744.

The County continues to carry insurance for other risks of loss through a group purchasing cooperative. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

H. Pension Plan

Plan Description

The County's pension plan ("Plan") is a non-traditional, joint contributory, defined benefit plan which provides retirement, disability and death benefits to Plan members and beneficiaries through its affiliation with the Texas County and District Retirement System ("TCDRS"), an agent multiple-employer public employee retirement system. TCDRS operates under the authority of Texas Government Code, Title 8, Subtitle G. The Texas legislature has the authority to establish or amend benefit provisions and the governing body of the County adopts the plan provisions within the options and constraints established by the legislature. TCDRS issues a publicly available financial report that includes financial statements and required supplementary information for TCDRS. That report may be obtained by writing to Texas County District Retirement System, P.O. Box 2034, Austin, TX 78768-2034 or calling (800) 823-7782. Additional nonauthoritative information is available at the TCDRS web site, <http://www.tcdrs.org>.

Funding Policy

Plan members are required to contribute 7% of their annual covered salary. The County is required to contribute at an actuarially determined rate; the current rate is 12.73% of annual covered payroll. The County's contributions to the TCDRS for the years ending December 31, 2011, 2010 and 2009 were \$862,051, \$849,211 and \$783,936 respectively, and were equal to the required contributions for each year.

Annual Pension Cost

The County's annual pension cost of \$862,051 for the Plan was equal to the County's required and actual contributions. Under the state law governing TCDRS, the actuary annually determines the County's contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the County matching percent, which are the obligation of the County as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the County to each employee at the time his/her retirement becomes effective. Since the County needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 1997 valuation is effective for rates beginning January 1999).

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Actuarial Information

	12/31/08	12/31/09	12/31/10
Actuarial valuation date	entry age	entry age	entry age
Amoritization method	Level % of payroll, closed	Level % of payroll, closed	Level % of payroll, closed
Amoritization period in years	20	20	20
Asset valuation method	SAF: 10yr smoothed value ESF: fund value	SAF: 10yr smoothed value ESF: fund value	SAF: 10yr smoothed value ESF: fund value
Assumptions:			
Investment return	8.0%	8.0%	8.0%
Projected salary increases	5.3%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost of living adjustments	0.0%	0.0%	0.0%

Schedule of Funding Information

Actuarial value of assets	20,792,234	22,061,414	22,428,773
Actuarial accrued liability (AAL)	26,008,934	27,189,071	28,004,109
Unfunded or (overfunded) actuarial accrued liability (UAAL or OAAL)	5,216,700	5,127,657	5,575,336
Funded ratio	79.94%	81.14%	80.09%
Annual covered payroll (actuarial)	6,630,495	7,095,458	7,377,350
UAAL or OAAL as percentage of covered payroll	78.68%	72.27%	75.57%

Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2009	\$ 783,936	100%	--
December 31, 2010	\$ 849,211	100%	--
December 31, 2011	\$ 862,051	100%	--

I. Health Care Coverage

During the year ended December 31, 2011, employees of the County were covered by a health insurance plan (the Plan). The County contributed \$585 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents in excess of the County contribution of \$215. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the County and the third party administrator is renewable October 1, 2012, and terms of coverage and contribution costs are included in the contractual provisions.

In accordance with state statute, the County was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Association of Counties Health Employee Benefit Program and Blue Cross Blue Shield of Texas, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$100,000 and for aggregate loss.

Other governmental entities and/or their employees contributed to the self-insurance pool which was operated under contractual provisions of Article 4413(32c), Interlocal Cooperation Act. Each member to the extent its benefit plan is self-insured, remains responsible for the payment of benefits under the benefit plan in the event HEBP fails to make such payments.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Changes in the balances of claims liabilities, which are based on claims paid in the three months following the periods ending December 31, 2011, 2010 and 2009 and thus are all current are as follows:

	2009	2010	2011
Unpaid claims, beginning	\$ 128,851	\$ 150,779	\$ 814,503
Claims incurred	2,078,730	2,692,762	1,487,507
Claims paid	(2,056,802)	(2,029,038)	(1,988,195)
Unpaid claims, ending	\$ 150,779	\$ 814,503	\$ 313,815

J. Contingencies

The County and its related agencies participate in a number of federally assisted grant programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996, OMB Circular A-133 and the Texas "Uniform Grant Management Standards" through December 31, 2011, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the County and its related agencies expect such amounts, if any, to be immaterial to the financial position of the County.

K. Closure and Postclosure Care Cost

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions. The County stopped receiving waste prior to October 9, 1993 at over 90% capacity used and officially closed in July, 2007. Post-closure costs are subject to change resulting from inflation, deflation, technology and/or changes in applicable laws and regulations and are expected to be nominal for the next five years after certification of the completion of closure. Therefore, no liability has been recorded in these financial statements.

L. Receivables and Deferred Revenue

Receivables as of year end for the County's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Other Governmental Funds		
	General		Totals
Taxes	\$ 10,195,219	\$ 146,820	\$ 10,342,039
Less allowance	(111,399)	(437)	(111,836)
	\$ 10,083,820	\$ 146,383	\$ 10,230,203
Other Receivables	\$ 45,792	\$ 407	\$ 46,199
Taxes and Tax Statements	1,612,188	23,299	1,635,487
Grants	280,564	85,069	365,633
Fines and Fees	7,225,351		7,225,351
Less allowance	(6,465,508)		(6,465,508)
	\$ 2,698,387	\$ 108,775	\$ 2,807,162

While allowances have been estimated for the above receivables, it is possible that some may not be collected within one year.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period and for amounts that have not yet been earned. Government-wide statements report only the unearned revenues as deferred and recognize the unavailable as revenue. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds and government-wide statements were as follows:

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

	Government- Wide Totals Unearned	Unavailable	Governmental & Proprietary Fund Totals
Property taxes:			
General fund	\$ 12,456,958	\$ 735,041	\$ 13,191,999
All other nonmajor funds	184,938	7,568	192,506
Fines/fees receivable:			
General fund		500,402	500,402
Grant drawdowns prior to meeting all eligibility requirements:			
General fund	45,896		45,896
All other non-major funds	79,458		79,458
			\$ 14,010,261
Health insurance premiums (internal service fund)	174,245		\$ 174,245
	\$ 12,941,495		

M. Jointly Governed and Related Organizations

1. The County is accountable for the following related organizations in that they appoint the commissioners:

Matagorda County Drainage District No. 1
Matagorda County Drainage District No. 2
Matagorda County Drainage District No. 3
Matagorda County Drainage District No. 4
Matagorda County Conservaton & Reclamation District
Matagorda County Hospital District

The County is not financially accountable for the above organizations nor does the County's accountability for these organizations extend significantly beyond making the appointments. Accordingly, financial information for these entities is excluded from the County's financial statements.

Latest audited financial statements for these entities may be obtained by writing 1700 7th Street, Room 302, Bay City, Tx 77414-5091.

2. The Adult Probation division is operated as a multi-county department doing business as 23rd Judicial District Community Supervision and Correction Department (CSCD) Matagorda and Wharton Counties. The CSCD services both Matagorda and Wharton Counties with each county providing required office space for the operations of the Department and substantially all of the Department's funding provided by the State.

The Department's board consists of the two district judges for Matagorda and Wharton Counties. Matagorda County is not able to appoint a voting majority to the Department's board or otherwise impose its will. The Department is not fiscally dependent on Matagorda County since the County's role is ministerial in nature. As a result, the Department is considered to be legally separate from Matagorda County and thus not a part of the reporting entity of Matagorda County.

N. Postretirement Healthcare Benefits

Description

Effective January 1, 2008, the County adopted the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions".

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

The County, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a single-employer defined benefit plan to provide certain postretirement healthcare benefits to all retired employees who qualified under the Texas County District Retirement System and are currently receiving retirement (pension) income. Such benefits are not available to members' spouses or dependents; rather, only to former employees as previously described. Specific details of the Plan include the provision of certain hospitalization, major medical insurance and prescription drug coverage. These benefits are provided through insurance companies. The County is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Because the Plan consists solely of the County's firm commitment to provide OPEB through the payment of premiums on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Funding Policy

Premiums under the Plan for post-employment healthcare benefits provided to the employees previously described are funded entirely by the County. The Plan is financed on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, 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 of 27 years. The following table illustrates 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 net OPEB obligation:

Normal cost	\$ 918,349
Amortization of past service	919,362
Interest on prior year obligation	82,316
Adjustment to prior year OPEB	(121,176)
Annual OPEB cost	<u>1,798,851</u>
Contributions made	(528,840)
Increase in net OPEB obligation	1,270,011
Net OPEB obligation - beginning of year	<u>2,057,897</u>
Net OPEB obligation - end of year	<u>\$ 3,327,908</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011, 2010 and 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation End of Year
12/31/09	\$ 1,123,605	\$ 491,427	43.74%	\$ 1,273,234
12/31/10	\$ 1,284,838	\$ 500,175	38.93%	\$ 2,057,897
12/31/11	\$ 1,270,011	\$ 528,840	41.64%	\$ 3,327,908

Funding Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the Plan was not funded. The actuarial present value of accrued liability for past and future service benefits equaled \$21,832,881 and there were \$0 in actuarial valued assets, resulting in an unfunded actuarial accrued liability (UAAL) of the same. The total payroll (annual payroll of active employees) was \$7,028,205, and the ratio of the UAAL to the covered payroll equaled 310.65%.

Actuarial valuations of an ongoing plan involve estimates of the value of 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.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the County maintains no Plan assets, information relative to Plan asset required disclosures is not applicable.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the County and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and Plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the actuarial valuation dated January 1, 2011, the projected unit credit cost actuarial method was used. Because the County funds its OPEB on a pay-as-you-go basis, the plan has no assets (investments) used specifically for paying the post-retirement medical benefits; therefore, the actuarial assumptions included a 4% discount rate, which approximates the expected rate of return on non-pension investments held by the County. Actuarial assumptions also included medical inflation taken at 10% for pre-medicare grading down to 5% in the ultimate. The UAAL is being amortized as a level dollar amount over twenty-seven years on an open basis.

O. Committed and Restricted Fund Balances

In the November 28, 2011 mintues, the Commissioners agreed to commit fund balances for each of the four precincts unspent budgeted funds at year end to be added to the subsequent years approved budget upon completion of the audit.

Fund balances in other governmental funds are restricted for specific use by legislation or grantors as shown in each of the special revenue funds noted in the combining statements.

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.

General Fund

The general fund is used to account for all financial resources of the general government except those required to be accounted for in another fund. fund.

MATAGORDA COUNTY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
<i>Taxes</i>	\$ 12,039,827	\$ 12,164,827	\$ 12,029,621	\$ (135,206)
<i>Licenses and permits</i>	845,350	1,045,350	792,739	(252,611)
<i>Intergovernmental</i>	361,100	309,468	704,997	395,529
<i>Charges for services</i>	4,568,956	4,568,956	4,457,315	(111,641)
<i>Fines</i>	356,000	356,000	409,390	53,390
<i>Investment income</i>	300,000	300,000	228,645	(71,355)
<i>Miscellaneous</i>	113,918	204,445	222,931	18,486
Total revenues	18,585,151	18,949,046	18,845,638	(103,408)
EXPENDITURES				
GENERAL GOVERNMENT				
County Judge:				
<i>Personnel</i>	165,109	171,989	171,918	71
<i>Operating costs</i>	8,300	9,300	8,210	1,090
Total County Judge	173,409	181,289	180,128	1,161
Commissioners Court				
<i>Operating costs</i>	112,700	114,490	113,685	805
Total Commissioners Court	112,700	114,490	113,685	805
Information Services:				
<i>Personnel</i>	122,748	122,924	122,924	--
<i>Operating costs</i>	172,500	172,234	174,566	(2,332)
<i>Capital outlay</i>	7,500	7,290	--	7,290
Total Information Services	302,748	302,448	297,490	4,958
County Courthouse:				
<i>Personnel</i>	74,307	78,007	77,957	50
<i>Operating costs</i>	249,700	246,000	209,228	36,772
Total County Courthouse	324,007	324,007	287,185	36,822
County Office Building:				
<i>Operating costs</i>	108,500	108,500	108,441	59
Total County Office Building	108,500	108,500	108,441	59
Unallocable by Department:				
<i>Insurance</i>	75,052	74,986	71,633	3,353
<i>Appraisal fees</i>	15,557	15,557	14,862	695
<i>Retiree Insurance</i>	154,621	155,993	145,080	10,913
<i>Other costs</i>	73,000	3,000	761	2,239
Total Unallocable by Department	318,230	249,536	232,336	17,200
County Clerk:				
<i>Personnel</i>	313,750	308,750	308,157	593
<i>Operating costs</i>	44,650	45,150	34,237	10,913
Total County Clerk	358,400	353,900	342,394	11,506

MATAGORDA COUNTY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
County Auditor:				
<i>Personnel</i>	354,063	354,063	353,732	331
<i>Operating costs</i>	11,400	11,400	9,551	1,849
Total County Auditor	365,463	365,463	363,283	2,180
County Treasurer:				
<i>Personnel</i>	173,066	173,260	173,058	202
<i>Operating costs</i>	29,900	29,706	24,217	5,489
Total County Treasurer	202,966	202,966	197,275	5,691
Special Districts				
<i>Personnel</i>	40,756	40,756	40,719	37
<i>Operating costs</i>	7,232	7,532	6,891	641
Total Special Districts	47,988	48,288	47,610	678
County Tax Assessor Collector:				
<i>Personnel</i>	446,001	447,401	428,172	19,229
<i>Operating costs</i>	69,850	69,850	55,060	14,790
Total Tax Assessor Collector	515,851	517,251	483,232	34,019
Elections:				
<i>Personnel</i>	3,555	1,658	1,658	--
<i>Operating costs</i>	12,600	18,997	87,643	(68,646)
Total Elections	16,155	20,655	89,301	(68,646)
TOTAL GENERAL GOVERNMENT	2,846,417	2,788,793	2,742,360	46,433
JUSTICE SYSTEM				
District Court:				
<i>Personnel</i>	156,675	155,675	154,562	1,113
<i>Operating costs</i>	40,250	51,250	42,458	8,792
Total District Court	196,925	206,925	197,020	9,905
County Court:				
<i>Operating costs</i>	19,150	21,270	22,666	(1,396)
Total County Court	19,150	21,270	22,666	(1,396)
Court Expenses:				
<i>Operating costs</i>	271,500	326,500	307,172	19,328
Total Court Expenses	271,500	326,500	307,172	19,328
Capital Trials				
<i>Operating costs</i>	100,000	60,000	9,608	50,392
Total Capital Trials	100,000	60,000	9,608	50,392
District Clerk:				
<i>Personnel</i>	232,870	231,370	229,025	2,345
<i>Operating costs</i>	23,050	24,550	17,111	7,439
Total District Clerk	255,920	255,920	246,136	9,784

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
District Attorney:				
<i>Personnel</i>	478,053	572,055	572,049	6
<i>Operating costs</i>	87,750	68,810	54,257	14,553
Total District Attorney	565,803	640,865	626,306	14,559
County Attorney:				
<i>Personnel</i>	208,219	208,219	206,332	1,887
<i>Operating costs</i>	17,925	17,925	11,346	6,579
Total County Attorney	226,144	226,144	217,678	8,466
Justice of the Peace #1				
<i>Personnel</i>	128,596	128,596	127,835	761
<i>Operating costs</i>	10,600	10,600	9,239	1,361
Total Justice of the Peace #1	139,196	139,196	137,074	2,122
Justice of the Peace #2				
<i>Personnel</i>	131,937	133,237	133,002	235
<i>Operating costs</i>	20,880	26,076	24,892	1,184
Total Justice of the Peace #2	152,817	159,313	157,894	1,419
Justice of the Peace #3				
<i>Personnel</i>	94,471	98,809	97,254	1,555
<i>Operating costs</i>	8,750	7,612	7,211	401
Total Justice of the Peace #3	103,221	106,421	104,465	1,956
Justice of the Peace #4				
<i>Personnel</i>	105,836	105,836	106,108	(272)
<i>Operating costs</i>	8,990	8,990	8,500	490
Total Justice of the Peace #4	114,826	114,826	114,608	218
Justice of the Peace #6				
<i>Personnel</i>	25,098	25,898	25,797	101
<i>Operating costs</i>	5,500	4,700	4,236	464
Total Justice of the Peace #6	30,598	30,598	30,033	565
Law Library:				
<i>Operating costs</i>	21,000	21,000	20,872	128
Total Law Library	21,000	21,000	20,872	128
Child Support:				
<i>Personnel</i>	85,047	85,047	41,397	43,650
<i>Operating costs</i>	3,250	3,250	1,371	1,879
Total Child Support	88,297	88,297	42,768	45,529
Juvenile Probation Board:				
<i>Personnel</i>	31,395	31,395	31,366	29
Total Juvenile Probation Board	31,395	31,395	31,366	29
Juvenile Probation:				
<i>Personnel</i>	144,032	144,032	143,867	165
<i>Operating costs</i>	67,000	110,729	109,464	1,265
Total Juvenile Probation	211,032	254,761	253,331	1,430

MATAGORDA COUNTY
GENERAL FUND
**BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Juvenile Alternative School:				
<i>Personnel</i>	86,405	86,405	83,819	2,586
<i>Operating costs</i>	12,000	17,000	17,645	(645)
Total Juvenile Alternative School	98,405	103,405	101,464	1,941
Juvenile Alert Program:				
<i>Operating costs</i>	1,000	3,075	2,573	502
Total Juvenile Alternative Program	1,000	3,075	2,573	502
Child Protective Services:				
<i>Operating costs</i>	54,000	54,000	54,000	--
Total Child Protective Services	54,000	54,000	54,000	--
Unallocable by Department:				
<i>Insurance</i>	94,533	94,450	90,226	4,224
<i>Appraisal fees</i>	19,595	19,595	18,719	876
<i>Autopsies</i>	55,000	55,000	57,753	(2,753)
<i>Retiree Insurance</i>	82,922	83,658	77,805	5,853
Total unallocable by Department	252,050	252,703	244,503	8,200
TOTAL JUSTICE SYSTEM	2,933,279	3,096,614	2,921,537	175,077
PUBLIC SAFETY				
Constable Precinct #1:				
<i>Personnel</i>	17,000	17,000	16,991	9
<i>Operating costs</i>	14,800	14,800	10,071	4,729
Total Constable Precinct #1	31,800	31,800	27,062	4,738
Constable Precinct #2:				
<i>Personnel</i>	19,582	19,582	19,580	2
<i>Operating costs</i>	11,750	11,750	9,924	1,826
Total Constable Precinct #2	31,332	31,332	29,504	1,828
Constable Precinct #3:				
<i>Personnel</i>	12,562	12,562	12,518	44
<i>Operating costs</i>	4,730	4,730	4,347	383
Total Constable Precinct #3	17,292	17,292	16,865	427
Constable Precinct #4:				
<i>Personnel</i>	12,562	12,562	12,507	55
<i>Operating costs</i>	4,065	4,065	3,701	364
Total Constable Precinct #4	16,627	16,627	16,208	419
Constable Precinct #6:				
<i>Personnel</i>	17,002	17,002	16,989	13
<i>Operating costs</i>	5,900	7,680	6,783	897
Total Constable Precinct #6	22,902	24,682	23,772	910

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
County Sheriff:				
<i>Personnel</i>	2,039,451	2,062,574	2,063,496	(922)
<i>Operating costs</i>	390,850	423,594	419,443	4,151
<i>Capital outlay</i>	100,000	112,765	112,762	3
Total County Sheriff	2,530,301	2,598,933	2,595,701	3,232
Department of Public Safety:				
<i>Personnel</i>	10,637	10,637	5,476	5,161
<i>Operating costs</i>	11,600	6,600	3,502	3,098
Total Department of Public Safety	22,237	17,237	8,978	8,259
Game Wardens:				
<i>Operating costs</i>	29,800	29,800	29,559	241
Total Game Wardens	29,800	29,800	29,559	241
Fire Protection:				
<i>Operating costs</i>	31,848	89,448	81,852	7,596
Total Fire Protection	31,848	89,448	81,852	7,596
Emergency Management:				
<i>Personnel</i>	113,563	110,063	109,580	483
<i>Operating costs</i>	28,000	31,500	23,576	7,924
Total Emergency Management	141,563	141,563	133,156	8,407
Unallocable by department:				
<i>Insurance</i>	84,977	84,903	81,106	3,797
<i>Appraisal fees</i>	17,615	17,615	16,827	788
<i>Retiree insurance</i>	111,602	112,592	104,715	7,877
Total unallocable by department	214,194	215,110	202,648	12,462
TOTAL PUBLIC SAFETY	3,089,896	3,213,824	3,165,305	48,519
CORRECTIONS & REHABILITATION				
County Jail:				
<i>Personnel</i>	1,519,578	1,519,578	1,519,652	(74)
<i>Operating costs</i>	441,860	472,142	437,233	34,909
<i>Capital outlay</i>	--	3,069	3,069	--
Total County Jail	1,961,438	1,994,789	1,959,954	34,835
Adult Probation:				
<i>Operating costs</i>	2,400	2,400	2,718	(318)
Total Adult Probation	2,400	2,400	2,718	(318)
Unallocable by department:				
<i>Insurance</i>	61,688	61,634	58,878	2,756
<i>Appraisal fees</i>	12,787	12,787	12,215	572
<i>Retiree insurance</i>	26,186	26,418	24,570	1,848
Total unallocable by department	100,661	100,839	95,663	5,176
TOTAL CORRECTIONS & REHABILITATION	2,064,499	2,098,028	2,058,335	39,693

MATAGORDA COUNTY
GENERAL FUND
**BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011**

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
HEALTH & HUMAN SERVICES				
Health Department:				
<i>Personnel</i>	235,324	231,724	231,726	(2)
<i>Operating costs</i>	44,275	80,438	75,776	4,662
Total Health Department	279,599	312,162	307,502	4,660
Animal Control:				
<i>Personnel</i>	68,555	68,555	67,725	830
<i>Operating costs</i>	60,700	65,700	70,326	(4,626)
<i>Capital outlay</i>	--	16,777	16,777	--
Total Animal Control	129,255	151,032	154,828	(3,796)
Mental Health:				
<i>Operating costs</i>	35,419	35,419	35,419	--
Total Mental Health	35,419	35,419	35,419	--
Ambulance Service:				
<i>Operating costs</i>	599,775	599,775	592,592	7,183
Total Ambulance Service	599,775	599,775	592,592	7,183
Aid to Others:				
<i>Economic Action Committee</i>	4,000	6,900	6,900	--
<i>Edith Armstrong Center</i>	8,400	8,400	8,400	--
<i>Friends of the Elderly</i>	39,900	37,000	37,000	--
<i>Cemetery</i>	3,000	3,000	3,000	--
<i>Indigent Burials</i>	2,000	2,000	2,686	(686)
Total Aid to Others	57,300	57,300	57,986	(686)
Veteran's Service Officer:				
<i>Personnel</i>	60,283	61,116	61,115	1
<i>Operating costs</i>	7,900	7,067	6,342	725
Total Veteran's Service Officer	68,183	68,183	67,457	726
Unallocable by department:				
<i>Insurance</i>	35,975	35,943	34,337	1,606
<i>Appraisal fees</i>	7,457	7,457	7,124	333
<i>Retiree insurance</i>	22,445	22,644	21,060	1,584
Total unallocable by department	65,877	66,044	62,521	3,523
TOTAL HEALTH & HUMAN SERVICES	1,235,408	1,289,915	1,278,305	11,610
COMMUNITY & ECONOMIC DEVELOPMENT				
521 Park:				
<i>Operating costs</i>	5,400	5,400	4,834	566
Total 521 Park	5,400	5,400	4,834	566
Marine Department:				
<i>Personnel</i>	88,797	88,797	85,949	2,848
<i>Operating costs</i>	66,600	253,381	281,787	(28,406)
Total Marine Department	155,397	342,178	367,736	(25,558)

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Aid to Others:				
<i>Economic Development</i>	60,000	97,693	97,693	--
<i>Bay City Library</i>	181,757	181,757	181,757	--
<i>Palacios Library</i>	62,686	62,686	62,686	--
<i>Matagorda County Museum</i>	50,148	50,148	50,148	--
<i>Economic Development</i>	6,000	6,000	6,000	--
<i>Historical Commission Markers</i>	6,000	6,000	4,996	1,004
<i>Service Center</i>	3,591	3,591	3,591	--
Total Aid to Others	370,182	407,875	406,871	1,004
Agricultural Extension Service:				
<i>Personnel</i>	170,596	170,596	157,925	12,671
<i>Operating costs</i>	23,200	23,200	21,103	2,097
Total Agricultural Extension Service	193,796	193,796	179,028	14,768
Home Economist Service:				
<i>Personnel</i>	117,712	117,712	108,406	9,306
<i>Operating costs</i>	5,500	5,500	3,578	1,922
Total Home Economist Service	123,212	123,212	111,984	11,228
County Fairgrounds:				
<i>Personnel</i>	39,421	39,421	39,893	(472)
<i>Operating costs</i>	69,800	70,310	62,733	7,577
Total County Fairgrounds	109,221	109,731	102,626	7,105
Unallocable by department:				
<i>Insurance</i>	51,537	51,492	49,188	2,304
<i>Appraisal fees</i>	10,683	10,683	10,205	478
<i>Retiree insurance</i>	22,445	22,644	21,060	1,584
Total unallocable by department	84,665	84,819	80,453	4,366
TOTAL COMMUNITY & ECONOMIC DEVELOPMENT	1,041,873	1,267,011	1,253,532	13,479
INFRASTRUCTURE & ENVIRONMENTAL SERVICES				
Transfer Station:				
<i>Personnel</i>	24,108	24,108	24,677	(569)
<i>Operating costs</i>	341,100	341,100	294,036	47,064
<i>Capital outlay</i>	--	36,745	36,745	--
Total Transfer Station	365,208	401,953	355,458	46,495
Commissioner Precinct #1:				
<i>Personnel</i>	424,780	450,780	450,428	352
<i>Operating costs</i>	746,940	865,820	724,411	141,409
<i>Capital outlay</i>	25,000	--	--	--
Total Commissioner Precinct #1	1,196,720	1,316,600	1,174,839	141,761
Commissioner Precinct #2:				
<i>Personnel</i>	483,575	427,166	409,547	17,619
<i>Operating costs</i>	713,145	798,858	545,077	253,781
<i>Capital outlay</i>	--	56,409	26,101	30,308
Total Commissioner Precinct #2	1,196,720	1,282,433	980,725	301,708

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

Page 8 of 8

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Commissioner Precinct #3:				
<i>Personnel</i>	456,176	456,176	388,037	68,139
<i>Operating costs</i>	740,544	948,573	775,475	173,098
<i>Capital outlay</i>	--	231,332	231,332	--
Total Commissioner Precinct #3	1,196,720	1,636,081	1,394,844	241,237
Commissioner Precinct #4:				
<i>Personnel</i>	459,300	464,500	417,126	47,374
<i>Operating costs</i>	737,420	863,101	665,375	197,726
<i>Capital outlay</i>	--	63,000	61,290	1,710
Total Commissioner Precinct #4	1,196,720	1,390,601	1,143,791	246,810
Unallocable by department:				
<i>Insurance</i>	199,267	199,092	190,188	8,904
<i>Appraisal fees</i>	41,305	41,305	39,460	1,845
<i>Retiree insurance</i>	143,399	144,671	134,550	10,121
Total unallocable by department	383,971	385,068	364,198	20,870
TOTAL INFRASTRUCTURE & ENVIRONMENTAL SVCS	5,536,059	6,412,736	5,413,855	998,881
Total Expenditures	18,747,431	20,166,921	18,833,229	1,333,692
Excess (deficiency) of revenues over (under) expenditures	(162,280)	(1,217,875)	12,409	1,230,284
OTHER FINANCING SOURCES (USES)				
<i>Transfers in</i>	--	70,053	70,053	--
<i>Capital lease proceeds</i>	--	188,820	188,820	--
Total other financing sources (uses)	--	258,873	258,873	--
Net Change in Fund Balances	(162,280)	(959,002)	271,282	1,230,284
Fund balance - beginning	6,967,024	6,967,024	6,967,024	--
Fund balance - ending	\$ 6,804,744	\$ 6,008,022	\$ 7,238,306	\$ 1,230,284

MATAGORDA COUNTY**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF FUNDING PROGRESS****POST EMPLOYMENT HEALTHCARE BENEFITS**

YEAR ENDED DECEMBER 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Proj Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Total Payroll (c)	UAAL as a Percentage of Total Payroll ((b-a)/c)
1/1/2009	\$ --	\$ 14,648,697	\$ 14,648,697	--	\$ 7,254,327	201.9%
1/1/2010	--	18,289,792	18,289,792	--	7,580,282	241.3%
1/1/2011	--	21,832,881	21,832,881	--	7,768,050	281.1%

MATAGORDA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2011

Budgetary Basis of Accounting

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The County adopted a budget for the General fund using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

The County exceeded a few departments as noted in the budgetary comparison schedule.

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

District Attorney Legal/Law -- This fund is used to account for the transactions related to hot check fees of the district attorney's office, funds awarded to the County from forfeitures and state funds for the district attorney.

Sheriff & Jail Discretionary -- This fund is used to account for the transactions related to forfeited funds and inmate commissary sales. sales.

County Clerk Preservation & Automation -- This fund is used to account for the fees collected by the County Clerk for preservation and automation.

Countywide Records Management & Preservation -- This fund is used to account for fees collected by the County Clerk for records management and preservation.

Courthouse Security -- This fund is used to account for fees collected by the County Court, District Court and JP Court for courthouse security.

Justice Court Technology -- This fund is used to account for fees collected by the District Clerk specifically for justice court technology.

District Clerk Records Management & Preservation --This fund is used to account for fees collected by the District Clerk for records management and preservation.

County and District Court Technology -- This fund is used to account for fees collected by the County Clerk specifically for county and district court technology.

Intergovernmental Grants -- This fund is used to account for federal and state grants awarded to Matagorda County as a pass-through agent for other entities.

Historical Commission Grant -- This fund is used to account for grant proceeds and local match for the purpose of conducting an historic resource survey in Matagorda County.

Markham Water & Sewer -- This fund is used to account for the receipts and disbursements related to the Texas Community Development Grant for the purpose of wastewater system improvements within the Matagorda County limits in Markham,, Texas.

CDBG Disaster Recovery -- This fund is used to account for the receipts and disbursements related to the Texas Community Development Grant for recovery from presidentially declared disasters to rebuild the affected areas and provide crucial seed money to start the recovery process.

Local Emergency Planning -- This fund was created to account for the activities of the Matagorda County Local Emergency Planning Committee (LEPC) which is to carry out those responsibilities specified by Public Law (PL) 99-499 and to implement other emergency plans or strategies as deemed appropriate.

Juvenile Probation Fund -- This fund is used to account for Texas Juvenile Probation Commission grant funds for administering the juvenile probation program.

MATAGORDA COUNTY

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2011

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Note)
ASSETS			
<i>Cash and cash equivalents</i>	\$ 1,179,519	\$ 85,196	\$ 1,264,715
Receivables (net of allowances for uncollectibles):			
<i>Taxes</i>	--	146,383	146,383
<i>Other receivables</i>	85,476	23,299	108,775
Total Assets	<u>\$ 1,264,995</u>	<u>\$ 254,878</u>	<u>\$ 1,519,873</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable</i>	\$ 86,108	\$ --	\$ 86,108
<i>Due to other governments</i>	1	--	1
<i>Due to other funds</i>	50	51,009	51,059
<i>Due to others</i>	7,571	--	7,571
<i>Deferred revenue</i>	79,458	192,506	271,964
Total Liabilities	<u>173,188</u>	<u>243,515</u>	<u>416,703</u>
Fund Balances:			
Restricted for:			
<i>Debt service</i>	--	11,363	11,363
<i>Other purposes</i>	1,091,807	--	1,091,807
Total Fund Balances	<u>1,091,807</u>	<u>11,363</u>	<u>1,103,170</u>
Total Liabilities and Fund Balances	<u>\$ 1,264,995</u>	<u>\$ 254,878</u>	<u>\$ 1,519,873</u>



MATAGORDA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See)
REVENUES			
<i>Taxes</i>	\$ --	\$ 189,466	\$ 189,466
<i>Intergovernmental</i>	1,550,666	--	1,550,666
<i>Charges for services</i>	165,440	--	165,440
<i>Investment income</i>	16,140	1,485	17,625
<i>Miscellaneous</i>	47,336	--	47,336
Total revenues	<u>1,779,582</u>	<u>190,951</u>	<u>1,970,533</u>
EXPENDITURES			
Current:			
<i>General government</i>	63,207	--	63,207
<i>Justice system</i>	373,676	--	373,676
<i>Public Safety</i>	37,471	--	37,471
<i>Corrections and rehabilitation</i>	32,485	--	32,485
<i>Community and economic development</i>	13,490	--	13,490
Intergovernmental	290,001	--	290,001
Capital outlay	900,145	--	900,145
Debt service:			
<i>Principal</i>	--	145,000	145,000
<i>Interest and fiscal charges</i>	--	42,093	42,093
Total expenditures	<u>1,710,475</u>	<u>187,093</u>	<u>1,897,568</u>
Excess (deficiency) of revenues over (under) expenditures	<u>69,107</u>	<u>3,858</u>	<u>72,965</u>
OTHER FINANCING SOURCES (USES)			
<i>Transfers out</i>	(70,053)	--	(70,053)
Total other financing sources (uses)	<u>(70,053)</u>	<u>--</u>	<u>(70,053)</u>
Net change in fund balances	(946)	3,858	2,912
Fund balances - beginning	1,092,753	7,505	1,100,258
Fund balances - ending	<u>\$ 1,091,807</u>	<u>\$ 11,363</u>	<u>\$ 1,103,170</u>

MATAGORDA COUNTY

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

DECEMBER 31, 2011

	District Attorney Legal/Law	Sheriff & Jail Discretionary	County Clerk Preservation & Automation	Countywide Records Mgmt Preservation
ASSETS				
<i>Cash and cash equivalents</i>	\$ 90,598	\$ 44,315	\$ 552,858	\$ 188,490
Receivables (net of allowances for uncollectibles):				
<i>Other receivables</i>	--	--	197	32
Total Assets	<u>\$ 90,598</u>	<u>\$ 44,315</u>	<u>\$ 553,055</u>	<u>\$ 188,522</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
<i>Accounts payable</i>	\$ --	\$ 1,039	\$ --	\$ --
<i>Due to other governments</i>	--	1	--	--
<i>Due to other funds</i>	--	50	--	--
<i>Due to others</i>	292	7,279	--	--
<i>Deferred revenue</i>	--	--	--	--
Total Liabilities	<u>292</u>	<u>8,369</u>	<u>--</u>	<u>--</u>
Fund Balances:				
Restricted for:				
<i>Other purposes</i>	<u>90,306</u>	<u>35,946</u>	<u>553,055</u>	<u>188,522</u>
Total Fund Balances	<u>90,306</u>	<u>35,946</u>	<u>553,055</u>	<u>188,522</u>
Total Liabilities and Fund Balances	<u>\$ 90,598</u>	<u>\$ 44,315</u>	<u>\$ 553,055</u>	<u>\$ 188,522</u>

Courthouse Security	Justice Court Technology	District Clerk Records Mgmt Preservation	County & District Court Technology	Historical Commission Grant
\$ 109,368	\$ 66,811	\$ 29,378	\$ 13,230	\$ 1
103	56	5	14	--
<u>\$ 109,471</u>	<u>\$ 66,867</u>	<u>\$ 29,383</u>	<u>\$ 13,244</u>	<u>\$ 1</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
109,471	66,867	29,383	13,244	1
<u>109,471</u>	<u>66,867</u>	<u>29,383</u>	<u>13,244</u>	<u>1</u>
<u>\$ 109,471</u>	<u>\$ 66,867</u>	<u>\$ 29,383</u>	<u>\$ 13,244</u>	<u>\$ 1</u>

MATAGORDA COUNTY

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

DECEMBER 31, 2011

	Markham Water & Sewer Grant	CDBG Disaster Recovery
ASSETS		
<i>Cash and cash equivalents</i>	\$ --	\$ --
Receivables (net of allowances for uncollectibles):		
<i>Other receivables</i>	3,600	81,469
Total Assets	<u>3,600</u>	<u>81,469</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
<i>Accounts payable</i>	\$ 3,600	\$ 81,469
<i>Due to other governments</i>	--	--
<i>Due to other funds</i>	--	--
<i>Due to others</i>	--	--
<i>Deferred revenue</i>	--	--
Total Liabilities	<u>3,600</u>	<u>81,469</u>
Fund Balances:		
Restricted for:		
<i>Other purposes</i>	--	--
Total Fund Balances	<u>--</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 3,600</u>	<u>\$ 81,469</u>

MATAGORDA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	District Attorney Legal/Law	Sheriff & Jail Discretionary	County Clerk Preservation & Automation	Countywide Records Mgmt Preservation
REVENUES				
<i>Intergovernmental</i>	\$ --	\$ --	\$ --	\$ --
Charges for services	60,537	4,655	45,165	10,010
Investment income	963	595	7,772	2,713
Miscellaneous	--	40,623	--	--
Total revenues	<u>61,500</u>	<u>45,873</u>	<u>52,937</u>	<u>12,723</u>
EXPENDITURES				
Current:				
<i>General government</i>	--	--	6,143	2,690
<i>Justice system</i>	7,676	--	--	--
<i>Public Safety</i>	--	31,300	--	--
<i>Corrections and rehabilitation</i>	--	32,485	--	--
<i>Community and economic development</i>	--	--	--	--
Intergovernmental	--	--	--	--
Capital outlay	--	2,731	--	--
Debt service:				
Total expenditures	<u>7,676</u>	<u>66,516</u>	<u>6,143</u>	<u>2,690</u>
Excess (deficiency) of revenues over (under) expenditures	<u>53,824</u>	<u>(20,643)</u>	<u>46,794</u>	<u>10,033</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(70,053)	--	--	--
Total other financing sources (uses)	<u>(70,053)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balances	(16,229)	(20,643)	46,794	10,033
Fund balances - beginning	106,535	56,589	506,261	178,489
Fund balances - ending	<u>\$ 90,306</u>	<u>\$ 35,946</u>	<u>\$ 553,055</u>	<u>\$ 188,522</u>

Courthouse Security	Justice Court Technology	District Clerk Records Mgmt Preservation	County & District Court Technology	Intergovernmental Grants
\$ --	\$ --	\$ --	\$ --	\$ 290,001
22,811	9,733	5,546	6,983	--
1,907	1,006	382	134	--
--	--	--	--	--
<u>24,718</u>	<u>10,739</u>	<u>5,928</u>	<u>7,117</u>	<u>290,001</u>
54,374	--	--	--	--
1,836	12,174	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	290,001
--	--	--	--	--
<u>56,210</u>	<u>12,174</u>	<u>--</u>	<u>--</u>	<u>290,001</u>
(31,492)	(1,435)	5,928	7,117	--
--	--	--	--	--
--	--	--	--	--
(31,492)	(1,435)	5,928	7,117	--
140,963	68,302	23,455	6,127	--
<u>\$ 109,471</u>	<u>\$ 66,867</u>	<u>\$ 29,383</u>	<u>\$ 13,244</u>	<u>\$ --</u>

MATAGORDA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Historical Commission Grant	Markham Water & Sewer Grant
REVENUES		
<i>Intergovernmental</i>	\$ --	\$ 66,882
<i>Charges for services</i>	--	--
<i>Investment income</i>	--	--
<i>Miscellaneous</i>	--	1,677
Total revenues	<hr/> --	<hr/> 68,559
EXPENDITURES		
Current:		
<i>General government</i>	--	--
<i>Justice system</i>	--	--
<i>Public Safety</i>	--	--
<i>Corrections and rehabilitation</i>	--	--
<i>Community and economic development</i>	--	13,490
Intergovernmental	--	--
Capital outlay	--	55,069
Debt service:		
Total expenditures	<hr/> --	<hr/> 68,559
Excess (deficiency) of revenues over (under) expenditures	<hr/> --	<hr/> --
OTHER FINANCING SOURCES (USES)		
<i>Transfers out</i>	--	--
Total other financing sources (uses)	<hr/> --	<hr/> --
Net change in fund balances	--	--
Fund balances - beginning	1	--
Fund balances - ending	<hr/> \$ 1	<hr/> \$ --

CDBG Disaster Recovery	Local Emergency Planning	Juvenile Probation Fund	Total Nonmajor Special Revenue Funds
\$ 842,345	\$ --	\$ 351,438	\$ 1,550,666
--	--	--	165,440
--	116	552	16,140
--	5,036	--	47,336
<u>842,345</u>	<u>5,152</u>	<u>351,990</u>	<u>1,779,582</u>
--	--	--	63,207
--	--	351,990	373,676
--	6,171	--	37,471
--	--	--	32,485
--	--	--	13,490
--	--	--	290,001
842,345	--	--	900,145
<u>842,345</u>	<u>6,171</u>	<u>351,990</u>	<u>1,710,475</u>
--	(1,019)	--	69,107
--	--	--	(70,053)
--	--	--	(70,053)
--	(1,019)	--	(946)
--	6,031	--	1,092,753
\$ --	<u>5,012</u>	<u>--</u>	<u>\$ 1,091,807</u>

MATAGORDA COUNTY

DA LEGAL LAW

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES			
<i>Charges for services</i>	\$ 67,617	\$ 60,537	\$ (7,080)
<i>Investment income</i>	1,400	963	(437)
Total revenues	<u>69,017</u>	<u>61,500</u>	<u>(7,517)</u>
EXPENDITURES			
JUSTICE SYSTEM			
District Attorney:			
<i>Operating costs</i>	25,350	7,676	17,674
Total District Attorney	<u>25,350</u>	<u>7,676</u>	<u>17,674</u>
TOTAL JUSTICE SYSTEM	25,350	7,676	17,674
Total Expenditures	<u>25,350</u>	<u>7,676</u>	<u>17,674</u>
Excess (deficiency) of revenues over (under) expenditures	<u>43,667</u>	<u>53,824</u>	<u>10,157</u>
<i>Transfers out</i>	(43,667)	(70,053)	(26,386)
Total other financing sources (uses)	<u>(43,667)</u>	<u>(70,053)</u>	<u>(26,386)</u>
Net Change in Fund Balances	--	(16,229)	(16,229)
Fund balance - beginning	106,535	106,535	--
Fund balance - ending	<u>\$ 106,535</u>	<u>\$ 90,306</u>	<u>\$ (16,229)</u>

MATAGORDA COUNTY
SHERIFF & JAIL DISCRETIONARY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 20,000	\$ 4,655	\$ (15,345)
Investment income	1,500	595	(905)
Miscellaneous	50,000	40,623	(9,377)
Total revenues	<u>71,500</u>	<u>45,873</u>	<u>(25,627)</u>
EXPENDITURES			
PUBLIC SAFETY			
County Sheriff:			
<i>Operating costs</i>	45,094	31,300	13,794
Total County Sheriff	<u>45,094</u>	<u>31,300</u>	<u>13,794</u>
TOTAL PUBLIC SAFETY	<u>45,094</u>	<u>31,300</u>	<u>13,794</u>
CORRECTIONS & REHABILITATION			
County Jail:			
<i>Operating costs</i>	50,000	32,485	17,515
<i>Capital outlay</i>	--	2,731	(2,731)
Total County Jail	<u>50,000</u>	<u>35,216</u>	<u>14,784</u>
TOTAL CORRECTIONS & REHABILITATION	<u>50,000</u>	<u>35,216</u>	<u>14,784</u>
Total Expenditures	<u>95,094</u>	<u>66,516</u>	<u>28,578</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(23,594)</u>	<u>(20,643)</u>	<u>2,951</u>
Net Change in Fund Balances	<u>(23,594)</u>	<u>(20,643)</u>	<u>2,951</u>
Fund balance - beginning	56,589	56,589	--
Fund balance - ending	<u>\$ 32,995</u>	<u>\$ 35,946</u>	<u>\$ 2,951</u>

MATAGORDA COUNTY

COUNTY CLERK PRESERVATION & AUTOMATION

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES			
<i>Charges for services</i>	\$ 45,500	\$ 45,165	\$ (335)
<i>Investment income</i>	12,000	7,772	(4,228)
Total revenues	<u>57,500</u>	<u>52,937</u>	<u>(4,563)</u>
EXPENDITURES			
GENERAL GOVERNMENT			
County Clerk:			
<i>Personnel</i>	5,270	--	5,270
<i>Operating costs</i>	27,070	6,143	20,927
<i>Capital outlay</i>	24,500	--	24,500
Total County Clerk	<u>56,840</u>	<u>6,143</u>	<u>50,697</u>
TOTAL GENERAL GOVERNMENT	<u>56,840</u>	<u>6,143</u>	<u>50,697</u>
Total Expenditures	<u>56,840</u>	<u>6,143</u>	<u>50,697</u>
Excess (deficiency) of revenues over (under) expenditures	<u>660</u>	<u>46,794</u>	<u>46,134</u>
Net Change in Fund Balances	660	46,794	46,134
Fund balance - beginning	506,261	506,261	--
Fund balance - ending	<u>\$ 506,921</u>	<u>\$ 553,055</u>	<u>\$ 46,134</u>

MATAGORDA COUNTY

COUNTYWIDE RECORDS MANAGEMENT/PRESERVATION

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 10,000	\$ 10,010	\$ 10
Investment income	6,500	2,713	(3,787)
Total revenues	16,500	12,723	(3,777)
EXPENDITURES			
GENERAL GOVERNMENT			
County Courthouse:			
<i>Operating costs</i>	16,500	2,690	13,810
Total County Courthouse	16,500	2,690	13,810
TOTAL GENERAL GOVERNMENT	16,500	2,690	13,810
Total Expenditures	16,500	2,690	13,810
Excess (deficiency) of revenues over (under) expenditures	--	10,033	10,033
Net Change in Fund Balances	--	10,033	10,033
Fund balance - beginning	178,489	178,489	--
Fund balance - ending	\$ 178,489	\$ 188,522	\$ 10,033

MATAGORDA COUNTY
COURTHOUSE SECURITY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 25,500	\$ 22,811	\$ (2,689)
Investment income	5,000	1,907	(3,093)
Total revenues	<u>30,500</u>	<u>24,718</u>	<u>(5,782)</u>
EXPENDITURES			
GENERAL GOVERNMENT			
County Courthouse:			
Personnel	65,308	52,039	13,269
Operating costs	5,348	2,335	3,013
Total County Courthouse	<u>70,656</u>	<u>54,374</u>	<u>16,282</u>
TOTAL GENERAL GOVERNMENT	<u>70,656</u>	<u>54,374</u>	<u>16,282</u>
JUSTICE SYSTEM			
Justice of the Peace #2			
Operating costs	1,837	1,836	1
Total Justice of the Peace #2	<u>1,837</u>	<u>1,836</u>	<u>1</u>
TOTAL JUSTICE SYSTEM	<u>1,837</u>	<u>1,836</u>	<u>1</u>
Total Expenditures	<u>72,493</u>	<u>56,210</u>	<u>16,283</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(41,993)</u>	<u>(31,492)</u>	<u>10,501</u>
Net Change in Fund Balances	<u>(41,993)</u>	<u>(31,492)</u>	<u>10,501</u>
Fund balance - beginning	<u>140,963</u>	<u>140,963</u>	<u>--</u>
Fund balance - ending	<u>\$ 98,970</u>	<u>\$ 109,471</u>	<u>\$ 10,501</u>

MATAGORDA COUNTY
JUSTICE COURT TECHNOLOGY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 12,000	\$ 9,733	\$ (2,267)
Investment income	1,300	1,006	(294)
Total revenues	13,300	10,739	(2,561)
EXPENDITURES			
JUSTICE SYSTEM			
Justice Court Technology:			
<i>Operating costs</i>	13,300	12,174	1,126
Total Justice Court Technology	13,300	12,174	1,126
TOTAL JUSTICE SYSTEM			
Total Expenditures	13,300	12,174	1,126
Excess (deficiency) of revenues over (under) expenditures	--	(1,435)	(1,435)
Net Change in Fund Balances	--	(1,435)	(1,435)
Fund balance - beginning	68,302	68,302	--
Fund balance - ending	\$ 68,302	\$ 66,867	\$ (1,435)

MATAGORDA COUNTY

DISTRICT CLERK RECORDS MGMT/PRESERVATION

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 3,500	\$ 5,546	\$ 2,046
Investment income	500	382	(118)
Total revenues	4,000	5,928	1,928
EXPENDITURES			
JUSTICE SYSTEM			
District Clerk:			
Operating costs	3,500	--	3,500
Total District Clerk	3,500	--	3,500
TOTAL JUSTICE SYSTEM	3,500	--	3,500
Total Expenditures	3,500	--	3,500
Excess (deficiency) of revenues over (under) expenditures	500	5,928	5,428
Net Change in Fund Balances	500	5,928	5,428
Fund balance - beginning	23,455	23,455	--
Fund balance - ending	\$ 23,955	\$ 29,383	\$ 5,428

MATAGORDA COUNTY
COUNTY & DISTRICT COURT TECHNOLOGY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 6,150	\$ 6,983	\$ 833
Investment income	25	134	109
Total revenues	<u>6,175</u>	<u>7,117</u>	<u>942</u>
EXPENDITURES			
GENERAL GOVERNMENT			
County Clerk:			
<i>Operating costs</i>	1,550	--	1,550
Total County Clerk	<u>1,550</u>	<u>--</u>	<u>1,550</u>
TOTAL GENERAL GOVERNMENT	<u>1,550</u>	<u>--</u>	<u>1,550</u>
JUSTICE SYSTEM			
District Clerk:			
<i>Operating costs</i>	4,625	--	4,625
Total District Clerk	<u>4,625</u>	<u>--</u>	<u>4,625</u>
TOTAL JUSTICE SYSTEM	<u>4,625</u>	<u>--</u>	<u>4,625</u>
Total Expenditures	<u>6,175</u>	<u>--</u>	<u>6,175</u>
Excess (deficiency) of revenues over (under) expenditures	--	<u>7,117</u>	<u>7,117</u>
Net Change in Fund Balances	--	<u>7,117</u>	<u>7,117</u>
Fund balance - beginning	6,127	6,127	--
Fund balance - ending	<u>\$ 6,127</u>	<u>\$ 13,244</u>	<u>\$ 7,117</u>



Fiduciary Funds

Fiduciary funds are used to account for funds held in a trustee or agency capacity for the benefit of others and therefore cannot be used to support the government's own programs. Fiduciary funds include pension trust funds, investment funds, private-purpose trust funds and agency funds. The County is only combining agency funds as defined below.

County Clerk Trust Fund -- This fund is used to account for County Court awards for the benefit of minors or others considered by the County Court to be incapable of handling the award individually.

District Clerk Trust Fund -- This fund is used to account for District Court awards for the benefit of minors or others considered by the District Court to be incapable of handling the award individually.

Inmate Trust Fund -- This fund is used to account for money held on behalf of inmates booked into the County jail.

Tax Assessor Collector -- This fund is used as a clearing account for the receipt and disbursement of tax collected by the County Tax Assessor Collector on behalf of other governmental entities.

MATAGORDA COUNTY**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES****AGENCY FUNDS****DECEMBER 31, 2011**

	County Clerk Trust	District Clerk Trust
ASSETS		
<i>Cash and cash equivalents</i>	\$ 23,838	\$ 1,429,345
Total Assets	\$ 23,838	\$ 1,429,345
LIABILITIES		
<i>Due to other governments</i>	\$ --	\$ --
<i>Due to others</i>	23,838	1,429,345
Total Liabilities	23,838	1,429,345
NET ASSETS		
<i>Unrestricted</i>	--	--
Total Net Assets	\$ --	\$ --

Inmate Trust Fund	Tax Assessor Collector	Total Agency Funds
\$ 16,371	\$ 174,126	\$ 1,643,680
\$ 16,371	\$ 174,126	\$ 1,643,680
\$ -- 16,371 16,371	\$ 165,647 8,479 174,126	\$ 165,647 1,478,033 1,643,680
\$ --	\$ --	\$ --

MATAGORDA COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

YEAR ENDED DECEMBER 31, 2011

	Balance December 31 2010	Additions	Deductions	Balance December 31 2011
COUNTY CLERK TRUST FUNDS				
ASSETS				
<i>Cash & investments</i>	133,510 \$	5,389 \$	115,061 \$	23,838 \$
Total Assets	<u>133,510 \$</u>	<u>5,389 \$</u>	<u>115,061 \$</u>	<u>23,838 \$</u>
LIABILITIES				
<i>Due to others</i>	133,510 \$	5,389 \$	115,061 \$	23,838 \$
Total Liabilities	<u>133,510 \$</u>	<u>5,389 \$</u>	<u>115,061 \$</u>	<u>23,838 \$</u>
DISTRICT CLERK TRUST FUNDS				
ASSETS				
<i>Cash & investments</i>	1,169,811 \$	462,360 \$	202,826 \$	1,429,345 \$
Total Assets	<u>1,169,811 \$</u>	<u>462,360 \$</u>	<u>202,826 \$</u>	<u>1,429,345 \$</u>
LIABILITIES				
<i>Due to others</i>	1,169,811 \$	462,360 \$	202,826 \$	1,429,345 \$
Total Liabilities	<u>1,169,811 \$</u>	<u>462,360 \$</u>	<u>202,826 \$</u>	<u>1,429,345 \$</u>
INMATE TRUST FUND				
ASSETS				
<i>Cash & investments</i>	15,402 \$	242,493 \$	241,524 \$	16,371 \$
Total Assets	<u>15,402 \$</u>	<u>242,493 \$</u>	<u>241,524 \$</u>	<u>16,371 \$</u>
LIABILITIES				
<i>Due to others</i>	15,402 \$	242,493 \$	241,524 \$	16,371 \$
Total Liabilities	<u>15,402 \$</u>	<u>242,493 \$</u>	<u>241,524 \$</u>	<u>16,371 \$</u>
TAX ASSESSOR COLLECTOR				
ASSETS				
<i>Cash & investments</i>	253,058 \$	73,453,667 \$	73,532,599 \$	174,126 \$
Total Assets	<u>253,058 \$</u>	<u>73,453,667 \$</u>	<u>73,532,599 \$</u>	<u>174,126 \$</u>
LIABILITIES				
<i>Due to other governments</i>	248,829 \$	73,444,190 \$	73,527,372 \$	165,647 \$
<i>Due to other funds</i>	--	--	--	--
<i>Due to others</i>	4,229	9,476	5,226	8,479
Total Liabilities	<u>253,058 \$</u>	<u>73,453,666 \$</u>	<u>73,532,598 \$</u>	<u>174,126 \$</u>
TOTAL AGENCY FUNDS:				
ASSETS				
<i>Cash & investments</i>	1,571,781 \$	74,163,909 \$	74,092,010 \$	1,643,680 \$
Total Assets	<u>1,571,781 \$</u>	<u>74,163,909 \$</u>	<u>74,092,010 \$</u>	<u>1,643,680 \$</u>
LIABILITIES				
<i>Due to other governments</i>	248,829 \$	73,444,190 \$	73,527,372 \$	165,647 \$
<i>Due to other funds</i>	--	--	--	--
<i>Due to others</i>	1,322,952	719,718	564,637	1,478,033
Total Liabilities	<u>1,571,781 \$</u>	<u>74,163,908 \$</u>	<u>74,092,009 \$</u>	<u>1,643,680 \$</u>

STATISTICAL SECTION

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

Contents	Page
Financial Trends	72-76
<i>These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.</i>	
Revenue Capacity	77-81
<i>These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.</i>	
Debt Capacity	82-85
<i>These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	86-88
<i>These schedules offer demographic and economic indicators to help the reader understand how the County's financial activities take place and to help make comparisons over time and with other governments.</i>	
Operating Information	89-90
<i>These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.</i>	

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



MATAGORDA COUNTY
 NET ASSETS BY COMPONENT
 LAST NINE FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fiscal Year									
Governmental Activities									
Invested in Capital Assets,									
Net of Related Debt	\$ 20,094,284	\$ 23,302,072	\$ 23,813,922	\$ 20,768,339	\$ 21,151,366	\$ 20,506,971	\$ 19,522,703	\$ 17,819,411	\$ 16,381,686
Restricted	20,000	—	—	52	—	5,594	5,034	3,978	1,096,131
Unrestricted	19,975,813	12,488,348	12,381,152	12,621,657	10,373,595	10,355,793	9,800,301	8,393,819	6,238,050
Total Governmental Activities Net Assets	\$ 40,090,097	\$ 35,790,420	\$ 36,195,074	\$ 33,390,048	\$ 31,524,961	\$ 30,968,358	\$ 29,328,038	\$ 26,217,208	\$ 23,715,867

Note: The County began reporting net asset information when it implemented GASB Statement 34 in fiscal year 2003.

MATAGORDA COUNTY

EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST NINE FISCAL YEARS
(ACCURIAL BASIS OF ACCOUNTING)

Note: The County has no information when it implemented CASS+ and CASS+ in fiscal year 2002

MATAGORDA COUNTY
 GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS
 LAST NINE FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Net (Expense)/Revenue						
Governmental Activities	\$ (10,376,515)\$	(10,517,599)\$	(10,408,896)\$	(9,786,846)\$	(11,958,368)\$	(10,989,339)\$
General Revenues and Other Changes in Net Assets						
Governmental Activities:						
Property taxes	\$ 8,472,638	\$ 8,384,447	\$ 8,294,370	\$ 8,174,199	\$ 9,194,415	\$ 9,921,906
Miscellaneous	1,687,274	473,856	14,053	103,303	104,940	70,657
Unrestricted investment earnings	195,782	247,964	456,110	704,318	793,926	380,173
Total Governmental Activities	\$ 10,355,694	\$ 9,106,267	\$ 8,764,533	\$ 8,981,820	\$ 10,093,281	\$ 10,372,736
Change in Net Assets						
Governmental Activities	\$ (20,821)\$	(1,411,332)\$	(1,644,363)\$	(805,026)\$	(1,865,087)\$	(1,580,320)\$

Note: The County began reporting accrual information when it implemented GASB Statement 34 in fiscal year 2003.

MATAGORDA COUNTY
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Non-Spendable	\$ 1,028,742	\$ 20,000	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 282,669	\$ 292,680
Committed	--	--	--	--	--	--	--	--	--	931,516
Unassigned	--	--	--	--	--	--	--	--	--	6,014,110
Unreserved	9,531,807	10,332,639	10,653,266	10,481,450	10,063,575	7,542,080	7,496,109	7,419,087	6,684,356	--
Total General Fund	<u>\$ 10,560,549</u>	<u>\$ 10,352,639</u>	<u>\$ 10,653,266</u>	<u>\$ 10,481,450</u>	<u>\$ 10,063,575</u>	<u>\$ 7,542,080</u>	<u>\$ 7,496,109</u>	<u>\$ 7,419,087</u>	<u>\$ 6,967,025</u>	<u>\$ 7,238,306</u>
All Other Governmental Funds										
Restricted	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,103,170
Reserved	--	--	--	--	--	52	--	817	4,924	7,505
Unreserved, Reported In:										--
Special Revenue Funds	560,886	641,263	699,870	796,122	898,220	968,729	1,066,974	1,072,242	1,092,752	--
Debt Service Funds	--	--	--	--	--	(33,467)	--	--	--	--
Total All Other Governmental Funds	<u>\$ 560,886</u>	<u>\$ 641,263</u>	<u>\$ 699,870</u>	<u>\$ 796,122</u>	<u>\$ 898,272</u>	<u>\$ 935,262</u>	<u>\$ 1,067,791</u>	<u>\$ 1,077,168</u>	<u>\$ 1,100,257</u>	<u>\$ 1,103,170</u>

MATAGORDA COUNTY
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 8,445,748	\$ 8,357,402	\$ 8,313,120	\$ 8,330,557	\$ 8,341,847	\$ 9,147,597	\$ 9,903,450	\$ 11,124,689	\$ 11,422,107	\$ 12,219,087
Licenses and permits	808,192	970,331	833,355	830,979	828,052	833,238	842,590	813,885	792,739	
Intergovernmental	1,316,796	1,710,510	1,020,701	1,794,052	1,010,040	1,729,944	1,694,349	2,478,021	2,130,808	2,255,663
Charges for services	3,740,359	4,177,998	4,441,197	4,541,652	5,475,765	5,098,908	4,838,363	4,524,898	4,959,784	4,622,755
Fines	353,815	385,380	359,315	313,281	415,787	340,318	407,980	415,196	358,715	409,390
Investment income	311,127	195,099	256,591	480,942	744,641	840,854	411,266	272,525	368,082	246,270
Miscellaneous	489,581	480,764	871,912	220,429	331,482	557,011	347,093	273,743	523,112	270,267
Total Revenues	<u>15,465,618</u>	<u>16,277,484</u>	<u>16,096,191</u>	<u>16,511,892</u>	<u>17,147,614</u>	<u>18,547,870</u>	<u>18,445,091</u>	<u>19,907,621</u>	<u>20,576,493</u>	<u>20,816,171</u>
Expenditures										
General administration	3,211,119	2,620,415	2,379,815	2,169,018	2,218,233	2,359,736	2,439,805	2,646,612	2,683,735	2,805,567
Justice	1,502,076	2,539,135	2,556,715	2,571,259	2,786,928	2,803,386	2,740,721	3,155,191	3,389,233	3,295,213
Public safety	4,627,452	2,304,868	2,416,017	2,878,613	2,807,335	2,881,351	2,984,941	3,547,744	2,967,366	3,090,014
Corrections and rehabilitation	--	1,546,588	1,709,487	1,988,531	2,092,130	2,550,113	2,147,703	2,018,431	2,161,546	2,087,751
Environmental protection	--	--	--	--	--	--	--	--	--	--
Health and human services	507,745	1,040,808	977,663	998,854	1,068,561	1,130,644	1,141,036	1,208,428	1,316,134	1,261,528
Community and economic development	782,190	853,060	961,982	982,734	978,022	988,856	1,093,049	1,223,005	1,223,185	1,267,022
Infrastructure and environmental	3,439,321	4,328,262	4,030,857	3,635,842	4,293,688	4,376,057	4,541,745	5,063,458	5,722,007	5,058,387
Intergovernmental	--	--	--	--	--	--	--	--	--	--
Capital outlay	511,853	1,105,468	632,931	1,342,358	2,705,570	3,691,545	1,083,682	927,524	1,358,599	290,001
Debt service:										
Principal	121,898	66,187	65,199	96,744	25,129	181,466	125,000	130,000	135,000	145,000
Interest	14,112	10,194	6,292	2,621	2,745	69,221	60,853	54,873	48,659	42,093
Total Expenditures	<u>14,717,766</u>	<u>16,414,985</u>	<u>15,736,958</u>	<u>16,666,574</u>	<u>18,978,341</u>	<u>21,032,375</u>	<u>18,358,535</u>	<u>19,975,266</u>	<u>21,005,464</u>	<u>20,730,797</u>
Excess of Revenues Over (Under) Expenditures	747,852	(137,501)	359,233	(154,682)	(1,830,727)	(2,484,505)	86,556	(67,645)	(428,971)	85,374
Other Financing Sources (Uses)										
Flow thru in	--	47,711	--	12,297	--	--	--	--	--	--
Flow thru out	--	(47,711)	--	(12,297)	--	--	--	--	--	--
Certificates of obligation	--	--	--	1,515,000	--	--	--	--	--	--
Capital lease proceeds	--	--	--	79,119	--	--	--	--	--	188,820
Transfers In	26,638	26,537	38,127	7,000	698,736	2,794,384	489,115	67,612	53,450	70,053
Transfers Out	(26,638)	(26,537)	(38,127)	(7,000)	(698,736)	(2,794,384)	(489,115)	(67,612)	(53,450)	(70,053)
Total Other Financing Sources (Uses)	--	--	--	79,119	1,515,000	--	--	--	--	188,820
Net Change in Fund Balances	<u>\$ 747,852</u>	<u>\$ (137,501)</u>	<u>\$ 359,233</u>	<u>\$ (75,563)</u>	<u>\$ (315,727)</u>	<u>\$ (2,484,505)</u>	<u>\$ 86,556</u>	<u>\$ (67,645)</u>	<u>\$ (428,971)</u>	<u>\$ 274,194</u>
Debt Service As A Percentage Of Noncapital Expenditures	1.0%	0.50%	0.47%	0.65%	0.18%	1.45%	1.11%	1.01%	0.94%	1.00%

MATAGORDA COUNTY*TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS**LAST TEN FISCAL YEARS**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)*

Fiscal Year	Property Tax
2002	\$ 8,445,148
2003	8,357,402
2004	8,313,120
2005	8,330,557
2006	8,341,847
2007	9,147,597
2008	9,903,450
2009	11,124,689
2010	11,422,107
2011	12,219,087
Percent Change 2002-2011	44.7%

MATAGORDA COUNTY
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Assessed Real Property	Assessed Non-real Property	Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
					Tax Rate	Value	
2001/02	\$ * * \$	* * \$	* \$	\$ 2,788,104,359	0.2930	\$ 2,788,104,359	100.000%
2002/03	1,327,058,095	1,622,221,157	(382,827,307)	2,566,451,945	0.3220	2,566,451,945	100.000%
2003/04	2,656,745,852	327,878,186	(404,313,434)	2,580,310,604	0.3180	2,580,310,604	100.000%
2004/05	1,528,321,761	1,423,438,755	(400,342,742)	2,551,417,774	0.3180	2,551,417,774	100.000%
2005/06	2,717,106,070	459,670,380	(511,752,684)	2,665,023,766	0.3090	2,665,023,766	100.000%
2006/07	3,276,215,172	551,077,039	(463,734,746)	3,363,557,465	0.26829	3,363,557,465	100.000%
2007/08	3,580,834,451	426,262,334	(461,540,256)	3,545,556,529	0.27593	3,545,556,529	100.000%
2008/09	4,381,977,682	95,029,605	(491,074,920)	3,985,932,367	0.27518	3,985,932,367	100.000%
2009/10	3,533,533,063	1,116,722,810	(510,369,654)	4,139,886,219	0.27498	4,139,886,219	100.000%
2010/11	3,412,943,688	1,553,978,640	(552,937,135)	4,413,985,193	0.27478	4,413,985,193	100.000%

Source: Matagorda County Appraisal District

* Breakdown between real and personal not available for these years.

MATAGORDA COUNTY
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

Fiscal Year	County		City		Utility Districts		Special Districts		Schools		Total
	Operating	Debt	Operating	Debt	Operating	Debt	Operating	Debt	Operating	Debt	
2001/02	\$ 0.29300	\$ --	\$ 0.625	\$ --	\$ 0.353	\$ 0.172	\$ 0.078	\$ 0.030	\$ 1.394	\$ 0.150	\$ 3.095
2002/03	0.32200	--	0.628	--	0.361	0.193	0.088	0.030	1.455	0.150	3.227
2003/04	0.31800	--	0.605	0.045	0.143	0.139	0.090	0.030	1.407	0.100	2.877
2004/05	0.31800	--	0.620	0.043	0.141	0.130	0.091	0.030	1.415	0.110	2.898
2005/06	0.30900	--	0.605	0.046	0.136	0.104	0.083	0.030	1.455	0.095	2.863
2006/07	0.26264	0.00565	0.605	0.043	0.127	0.058	0.071	0.030	1.280	0.098	2.580
2007/08	0.26978	0.00615	0.605	0.043	0.119	0.077	0.071	0.030	1.008	0.162	2.390
2008/09	0.27055	0.00463	0.594	0.034	0.116	0.076	0.070	0.030	1.019	0.127	2.341
2009/10	0.27055	0.00443	0.613	0.030	0.123	0.087	0.067	0.030	1.038	0.129	2.392
2010/11	0.27055	0.00423	0.651	0.038	0.126	0.083	0.069	0.030	1.047	0.118	2.437

Source: County Tax Assessor and Palacios ISD Tax Assessor

MATAGORDA COUNTY

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2010/2011			2001/2002		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
NRG	\$ 1,116,324,480	1	25.29%	\$ --	--	--
Tres Palacios Gas Storage LLC	173,759,140	2	3.94%	--	--	--
Texas Brine Company LLC	118,968,590	3	2.70%	20,965,060	10	0.75%
Equistar Chemicals LP	114,931,120	4	2.60%	117,082,930	3	4.20%
Midtex Gas Storage Company	88,610,490	5	2.01%	--	--	--
Williams Fld Svcs - Gulf Coast Co.	67,250,680	6	1.52%			
Oxea Corporation	52,188,230	7	1.18%			
Flint Hills Resources INV	45,568,550	8	1.03%			--
Equistar Chemicals LP UGS	45,120,800	9	1.02%	--	--	--
Celanese LTD Chemical Division	33,939,170	10	0.77%	109,133,380	4	3.91%
Reliant Energy HL&P Company	--	--	--	618,744,390	1	22.19%
Central Power & Light Company	--	--	--	530,601,480	2	19.03%
Amoco Production Company	--	--	--	31,464,330	5	1.13%
EI Paso Offshore Gathering	--	--	--	29,065,600	6	1.04%
EOG Resources, Inc.	--	--	--	26,144,390	7	0.94%
Transcontinental Gas Pipeline	--	--	--	24,018,370	8	0.86%
Dow Chemical Company	--	--	--	21,770,300	9	0.78%
Total	\$ 1,856,661,250		42.06%	\$ 1,528,990,230		54.84%
Total Taxable Assessed Value	\$ 4,413,985,193			\$ 2,788,104,359		

Source: Matagorda County Tax Assessor

MATAGORDA COUNTY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Tax Year/ Fiscal Year	Taxes Levied for the Fiscal Year	Adjustments	Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Amount	Total Collections to Date Percentage of Levy
				Amount	Percentage of Levy			
2001/2002	\$ 8,180,299	\$ 171,581	\$ 8,351,880	\$ 8,096,089	96.94%	\$ 232,569	\$ 8,328,658	99.72%
2002/2003	8,253,713	(86,983)	8,166,730	7,979,552	97.71%	150,926	8,130,478	99.56%
2003/2004	8,213,576	(15,142)	8,198,434	7,946,142	96.92%	215,504	8,161,646	99.55%
2004/2005	8,123,105	75,683	8,198,788	8,015,644	97.77%	143,070	8,158,714	99.51%
2005/2006	8,178,222	(7,519)	8,170,703	8,047,767	98.50%	93,383	8,141,150	99.64%
2006/2007	9,039,485	(12,753)	9,026,732	8,895,062	98.54%	97,931	8,992,993	99.63%
2007/2008	9,783,727	26,599	9,810,326	9,653,410	98.40%	102,101	9,755,511	99.44%
2008/2009	10,968,961	(596)	10,968,365	10,797,638	98.44%	91,947	10,889,585	99.28%
2009/2010	11,384,047	(26,975)	11,357,072	11,155,160	98.22%	85,299	11,240,459	98.97%
2010/2011	12,129,877	(23,237)	12,106,640	11,923,482	98.49%	--	11,923,482	98.49%

Sources: Matagorda County Tax Assessor

MATAGORDA COUNTY
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Percentage of Personal Income	* Per Capita Total Debt
	Certificates of Obligation	Capital Leases	Total Governmental Activities		
2002	\$ --	200,606	200,606	0.02%	\$ 5
2003	--	134,420	134,420	0.02%	4
2004	--	69,221	69,221	0.01%	2
2005	--	51,595	51,595	0.01%	1
2006	1,515,000	26,466	1,541,466	0.18%	39
2007	1,360,000	--	1,360,000	0.15%	37
2008	1,235,000	--	1,235,000	0.13%	34
2009	1,105,000	--	1,105,000	0.10%	30
2010	970,000	--	970,000	0.09%	26
2011	825,000	188,820	1,013,820	0.09%	28

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

* These ratios are calculated using personal income and population provided by Bureau of Economic Analysis for the prior calendar year.

MATAGORDA COUNTY

*RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS*

Fiscal Year	General Bonded Debt Outstanding		* Percentage of Actual Taxable Value of Property	** Per Capita
	General Obligation Bonds			
2002	\$ --		--	\$ --
2003		--	--	--
2004		--	--	--
2005		--	--	--
2006		1,515,000	0.06%	38
2007		1,360,000	0.04%	37
2008		1,235,000	0.04%	34
2009		1,105,000	0.03%	30
2010		970,000	0.02%	26
2011		825,000	0.02%	22

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

* See page 78 for taxable assessed values.

** See page 86 for population.

MATAGORDA COUNTY
DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid With Property Taxes			
City of Bay City	10,257,500	100.000%	10,257,500
Palacios Independent School District	5,620,000	94.076%	5,287,063
Bay City Independent School District	20,865,654	100.000%	20,865,654
Matagorda Independent School District	5,150,000	100.000%	5,150,000
Matagorda County Navigation District #1	3,475,000	100.000%	3,475,000
Caney Creek Municipal Utility District	3,362,000	100.000%	3,362,000
Beach Road Municipal Utility District	421,000	100.000%	421,000
Other Debt			
Bay City Independent School District Capital Lease	1,899,890	100.000%	1,899,890
Bay City Independent School District Notes Payable	3,682,754	100.000%	3,682,754
Van Vleck Independent School District Notes Payable	265,000	100.000%	265,000
Van Vleck Independent School District Capital Lease	946,734	100.000%	946,734
City of Bay City Capital Lease	116,052	100.000%	116,052
City of Bay City Notes Payable	3,913,401	100.000%	3,913,401
City of Palacios	160,900	100.000%	160,900
Subtotal, Overlapping Debt			59,802,948
County Direct Debt:			
Capital Lease			188,820
Certificates of Obligation			825,000
Total Direct and Overlapping Debt			\$ 60,816,768

Sources: Assessed value data used to estimate applicable percentages provided by Matagorda County Appraisal District
 Debt outstanding data provided by each governmental unit.

MATAGORDA COUNTY
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 399,753,565	\$ 504,533,620	\$ 531,833,479	\$ 597,889,855	\$ 620,982,933
Total Net Debt Applicable to Limit	--	--	--	--	--	1,514,948	1,360,000	1,234,183	1,100,076	977,505
Legal Debt Margin	--	--	--	--	--	398,238,617	503,173,620	530,599,296	596,789,779	620,005,428
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	--	--	--	--	0.38%	0.27%	0.23%	0.18%	0.16%	0.07%

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed Value	\$ 4,413,985,193
Debt Limit (25% of Assessed Value)	\$ 1,103,496,298
Debt Applicable to Limit:	
General Obligation Bonds	825,000
Less: Amount Set Aside for Repayment of General Obligation Debt	(11,363)
Total Net Debt Applicable to Limit	813,637
Legal Debt Margin	\$ 1,102,682,661

Sources: Matagorda County Appraisal District and County annual audit report.

MATAGORDA COUNTY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Population	38,027	37,954	38,290	39,205	39,529	37,122	36,860	37,265	36,978	36,763
Personal Income (thousands)	\$ 814,220	\$ 807,057	\$ 817,708	\$ 850,375	\$ 858,520	\$ 926,647	\$ 959,353	\$ 1,073,586	\$ 1,124,476	\$ 1,211,531
Per Capita Personal Income	\$ 21,412	\$ 21,264	\$ 21,356	\$ 21,690	\$ 21,719	\$ 24,962	\$ 26,027	\$ 28,809	\$ 30,409	\$ 32,955
School Enrollment	8,073	7,884	7,952	7,934	7,884	7,685	7,453	7,373	7,182	7,159
Unemployment	11.1%	12.6%	14.2%	14.0%	8.2%	7.2%	6.0%	7.0%	10.3%	16.4%

Note: This data represents a one year lag from the fiscal year end as this type of information is never available for the current year under audit.

Sources: Personal income per capita and population provided by Bureau of Economic Analysis; school enrollment provided by Texas Education Agency website to include five independent school districts located within the county. Unemployment provided by Texas LMCI Tracer 2.

MATAGORDA COUNTY

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

<u>Top Employers</u>	2011	2011	2002	2002
	Employment	Percentage of Total County Employment	Employment	Percentage of Total County Employment
South Texas Project	1,143	7.15%	1,207	6.93%
Bay City ISD	545	3.41%	*	--
Wal-Mart	254	1.59%	*	--
Matagorda Hospital	249	1.56%	322	1.85%
Palacios ISD	245	1.53%	246	1.41%
City of Bay City	229	1.43%	221	1.27%
Matagorda County	218	1.36%	213	1.22%
Lyondell	207	1.30%	194	1.11%
Oxea	150	0.94%	**	--
Van Vleck ISD	147	0.92%	158	0.91%
Tidehaven ISD	135	0.84%	150	0.86%
HEB	116	0.73%	93	0.53%
McAda Drilling Fluids	73	0.46%	63	0.36%
Total	<u>3,711</u>	<u>23.22%</u>	<u>2,867</u>	<u>16.45%</u>
Total County Employment		15,979		17,424

Sources:

Each employer

Texas LMCI Tracer - Total County employment for 2011

Labor Force - Total County employment for 2002

* Top employers 2002 employment data not available.

** Opened in 2007

MATAGORDA COUNTY
FULL-TIME-EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	Full-Time-Equivalent Employees as of Year End						2011
	2002	2003	2004	2005	2006	2007	
General government	32	31	32	33	33	34	34
Justice system	34	38	35	35	34	37	37
Public safety	45	45	45	45	46	47	48
Corrections and rehabilitation	28	31	31	31	30	32	35
Community & economic development	13	14	9	10	10	10	10
Health & human services	7	7	7	7	7	7	7
Infrastructure & environmental services	35	33	34	34	33	34	35
Total	194	199	193	195	194	197	203
							204
							208

Source: County Treasurer and Auditor Office

MATAGORDA COUNTY
 OPERATING INDICATORS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Function/Program	Fiscal Year						2010	2011
	2002	2003	2004	2005	2006	2007		
General Government								
Births filed	*	281	342	310	291	322	420	389
Deaths filed	*	284	251	258	239	290	261	258
Marriage license applications	*	311	289	277	251	300	261	321
Registered voters	*	20,380	21,398	20,746	21,049	20,818	21,725	20,806
Auto titles	*	7,714	6,399	6,115	6,103	5,934	5,833	5,489
Justice								
District Court								
Civil cases filed	*	937	823	978	984	951	848	764
Civil case dispositions	*	1,030	1,051	1,021	1,023	961	994	933
Criminal cases filed	*	485	413	446	557	540	526	538
Criminal case dispositions	*	478	451	423	517	514	518	548
County Court								
Civil cases filed	*	85	60	77	94	63	73	52
Civil case dispositions	*	40	34	55	31	50	59	30
Criminal cases filed	*	1,391	1,234	1,362	1,323	1,371	983	935
Criminal case dispositions	*	1,602	1,433	1,455	1,467	1,594	1,085	1,073
Justice of the Peace								
Civil cases filed	*	377	150	413	328	592	408	363
Civil case dispositions	*	85	203	126	127	176	244	166
Criminal cases filed	*	9,318	7,417	7,082	8,426	5,878	6,591	5,351
Criminal case dispositions	*	7,411	5,765	4,600	6,241	4,450	5,153	3,848
Public Safety								
Total calls for service	*	7,206	7,809	8,043	7,847	8,235	7,957	7,851
Total arrests	*	1,073	928	695	588	775	890	744
Corrections and Rehabilitation								
Number of inmates per year	*	2,987	2,906	2,901	2,852	2,472	1,553	1,582
Health and Human Services								
Food permits issued	*	256	260	278	274	260	245	245
Food inspections	*	802	567	685	606	443	333	362
Septic permits issued	*	117	136	121	138	134	160	104
Building permits issued	*	295	346	338	436	368	449	367
Electrical permits issued	*	322	291	306	510	510	496	210

* Information not available

Source: County records

MATAGORDA COUNTY
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Function/Program	Fiscal Year						2010	2011
	2002	2003	2004	2005	2006	2007		
General Government County buildings	*	40	40	40	40	42	42	42
Public Safety Sheriff vehicles	*	42	42	43	48	43	47	48
Fire and ambulance	*	40	40	39	39	48	48	48
Infrastructure and Env. Svcs	*	*	*	*	1,126	1,126	1,126	1,126
County roads (miles)	*	*	*	*	87	87	87	87
County bridges								87
Community and Economic Development	*	7	7	8	9	9	9	9
Number of county parks								9

* Information not available.

Sources: HGAC & TxDot and County Commissioner inventory report.



Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.



Reed & Associates, PC

Certified Public Accountants

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Independent Auditor's Report

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

Commissioners
Matagorda County
1700 Seventh Street
Bay City, Texas 77414

Members of Commissioners Court:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Matagorda County as of and for the year ended December 31, 2011, which collectively comprise the Matagorda County's basic financial statements and have issued our report thereon dated May 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Matagorda 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 Matagorda County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Matagorda County's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Matagorda 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*.

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

Respectfully submitted,

Reed & Associates, PC

Reed & Associates, PC

May 18, 2012

Reed & Associates, PC

Certified Public Accountants

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Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

Commissioners
Matagorda County
1700 Seventh Street
Bay City, Texas 77414

Members of Commissioners Court:

Compliance

We have audited Matagorda County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Matagorda County's major federal programs for the year ended December 31, 2011. Matagorda County's major federal programs are identified in the summary of auditor's 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 Matagorda County's management. Our responsibility is to express an opinion on Matagorda County's 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 Non-Profit 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 Matagorda County's 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 Matagorda County's compliance with those requirements.

In our opinion, Matagorda County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of Matagorda County 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 Matagorda County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Matagorda County's internal control over compliance.

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

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

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

Respectfully submitted,

Reed & Associates, PC

Reed & Associates, PC

May 18, 2012

MATAGORDA COUNTY
SCHEDE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>	
Internal control over financial reporting:		
One or more material weaknesses identified?	<input type="checkbox"/>	Yes
One or more significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/>	Yes
Noncompliance material to financial statements noted?	<input type="checkbox"/>	Yes
	<input checked="" type="checkbox"/>	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/>	Yes
	<input checked="" type="checkbox"/>	None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	Yes
	<input checked="" type="checkbox"/>	No

2. Federal Awards

Internal control over major programs:		
One or more material weaknesses identified?	<input type="checkbox"/>	Yes
One or more significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/>	Yes
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<input type="checkbox"/>	Yes
	<input checked="" type="checkbox"/>	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.255 & 14.228	Community Development Block Grant Cluster
15.426	Coastal Impact Assistance Program

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

MATAGORDA COUNTY**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
-------------------------------	-----------------------	--

None noted

MATAGORDA COUNTY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2011

Not Applicable



MATAGORDA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. ELECTION ASSISTANCE COMMISSION			
Passed Through Texas Secretary of State:			
Help America Vote Act Requirements Payments	90.401	78633	\$ 69,450
Help America Vote Act Requirements Payments	90.401	77453	1,715
Total Passed Through Texas Secretary of State			<u>71,165</u>
Total U. S. Election Assistance Commission			<u>71,165</u>
U. S. DEPARTMENT OF THE INTERIOR/FISH AND WILDLIFE SERVICE			
Direct Programs:			
Coastal Impact Assistance Program	15.426	M10AF20087	10,450
Coastal Impact Assistance Program	15.426	M11AF00071	199,551
Total Direct Programs			<u>210,001</u>
Total U. S. Department of the Interior/Fish and Wildlife Service			<u>210,001</u>
U. S. DEPARTMENT OF THE INTERIOR			
Passed Through Texas Historical Commission:			
National Register of Historic Places	15.914	TX10027	40,000
Total U. S. Department of the Interior			<u>40,000</u>
U. S. DEPARTMENT OF JUSTICE			
Direct Program:			
State Criminal Alien Assistance Program	16.606	2011H2917TXAP	9,549
Passed Through Texas Office of the Governor Criminal Justice Division:			
Violence Against Women Formula Grant	16.588	WF10V302378901	30,776
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Unknown	730
Total Passed Through Texas Office of the Governor Criminal Justice Division			<u>31,506</u>
Total U. S. Department of Justice			<u>41,055</u>
U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Passed Through Texas General Land Office:			
Community Development Block Grant* *	14.228	DRS010112	842,345
Passed Through Texas Department of Agriculture:			
2009 Community Development Block Grant (Recovery Act Funded)* *	14.255	R729390A	30,497
2009 Community Development Block Grant* *	14.255	R729390B	36,385
Total Passed Through Texas Department of Agriculture			<u>66,882</u>
Total U. S. Department of Housing & Urban Development			<u>909,227</u>
U. S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Texas Department of Public Safety Division of Emergency Management:			
Emergency Management Performance Grant	97.042	11TXEMPG528	25,203
Total U. S. Department of Homeland Security			<u>25,203</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Texas Juvenile Probation Commission:			
Foster Care Title VI-E	93.658	E2011161	769
Foster Care Title IV-E	93.658	E2010161	862
Foster Care Title IV-E	93.658	E2009161	2,801
Foster Care Title IV-E	93.658	E2008161	24,642
Total Passed Through Texas Juvenile Probation Commission			<u>29,074</u>
Passed Through Texas Department of Family & Protective Services:			
Foster Care Title IV-E	93.658	23379424	14,664
Foster Care Title IV-E	93.658	23379423	1,562
Total Passed Through Texas Department of Family & Protective Services			<u>\$ 16,226</u>
Total U. S. Department of Health and Human Services			<u>\$ 45,300</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			

* Indicates clustered program under OMB Circular A-133 Compliance Supplement
The accompanying notes are an integral part of this schedule.

MATAGORDA COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2011

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Matagorda County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

2. Subrecipients

Of the federal expenditures presented in the schedule, Matagorda County provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Coastal Impact Assistance Progam	15.426	\$ 210,001