

**HENDERSON COUNTY,
TEXAS**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

**PREPARED BY:
HENDERSON COUNTY AUDITOR'S OFFICE
Ann Marie Lee, CPA – County Auditor**

HENDERSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

DECEMBER 31, 2011

**Page
Number**

INTRODUCTORY SECTION

Directory of Officials..... i

FINANCIAL SECTION

Independent Auditors' Report..... 1 – 2

Management's Discussion and Analysis 3 – 9

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Assets 10

Statement of Activities..... 11 – 12

Fund Financial Statements

Balance Sheet – Governmental Funds 13 – 14

Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds 15

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds to the
Statement of Activities..... 16

Statement of Revenues, Expenditures and Changes in
Fund Balances – Budget and Actual – General Fund 17 – 20

(continued)

HENDERSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS (Continued) DECEMBER 31, 2011

**Page
Number**

FINANCIAL SECTION (Continued)

Fund Financial Statements (Continued)

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Road and Bridge Fund.....	21
Statement of Net Assets – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds.....	24
Statement of Fiduciary Net Assets.....	25
Notes to the Financial Statements.....	26 – 44

Combining Statements

Nonmajor Governmental Funds

Combining Balance Sheet.....	45 – 46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	47 – 48

Agency Funds

Combining Statement of Changes in Assets and Liabilities – All Agency Funds	49 – 54
--	---------

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

HENDERSON COUNTY, TEXAS

DIRECTORY OF OFFICIALS

DECEMBER 31, 2011

Office	Name
County Judge	Judge Richard Sanders
Commissioner – Precinct 1	Joe Hall
Commissioner – Precinct 2	Wade McKinney
Commissioner – Precinct 3	Ronald Lawrence
Commissioner – Precinct 4	Ken Geeslin
County Attorney	Clint Davis
County Auditor	Ann Marie Lee
County Clerk	Gwen Moffeit
County Tax Assessor/Collector	Milburn Chaney
County Treasurer	Michael Bynum
Sheriff	Ray Nutt
District Clerk	Jean Godwin
District Attorney	Scott McKee
Justice of the Peace – Precinct 1	Judge Henry Ashford
Justice of the Peace – Precinct 2	Judge Dale Blaylock
Justice of the Peace – Precinct 3	Judge Sue Starnes
Justice of the Peace – Precinct 4	Judge Kelly Harris
Justice of the Peace – Precinct 5	Judge Tommy Barnett
Justice of the Peace – Precinct 6	Judge Milton Adams
Constable – Precinct 1	Daryl Graham
Constable – Precinct 2	Norman Terry
Constable – Precinct 3	David Grubbs
Constable – Precinct 4	Richard Stewart
Constable – Precinct 5	Brad Miers
Constable – Precinct 6	Mike Warren
Chief Juvenile Probation	Bonny Turnage
Chief Community Supervision & Corrections Officer	Steve Jeffus
County Court-at-Law No. 1 Judge	Judge Matt Livingston
County Court-at-Law No. 2 Judge	Judge Nancy Perryman
173rd District Court Judge	Judge Dan Moore
392nd District Judge	Judge Carter Tarrance
3rd District Court Judge	Judge Mark Calhoon

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



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

INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge
and Commissioners' Court
Henderson County, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henderson County, Texas 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 Henderson County, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 4, the County has not implemented Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. These financial statements recognize the cost of postemployment benefits, other than retirement benefits, on a pay-as-you-go basis. Accounting principles generally accepted in the United States of America require that annual required contributions related to postemployment benefits, other than retirement benefits, attributable to employee services already rendered be recorded as expenses as employees earn the benefits, which, if not funded would increase the liabilities, reduce the net assets, and change the expenses of the governmental activities, the business-type activities, and each major proprietary fund. The effects on these financial statements, although not reasonably determinable, are presumed to be material.

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major proprietary fund of Henderson County, Texas, 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 addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of Henderson County, Texas, as of December 31, 2011, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund and Road and Bridge Fund 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 July 20, 2012, on our consideration of Henderson County, Texas' 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 on pages 3 through 9 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 County's financial statements as a whole. The introductory section and combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements 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 has 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.

Pattillo, Brown & Hill, LLP

July 20, 2012

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

THIS PAGE LEFT BLANK INTENTIONALLY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Henderson County, we offer readers of Henderson County's financial statements this narrative overview and analysis of the financial activities of Henderson County for the fiscal year ended December 31, 2011. The MD&A should be read in conjunction with the County's basic financial statements.

FINANCIAL HIGHLIGHTS

The assets of Henderson County exceeded its liabilities at the close of fiscal year 2011 by \$45,862,288 (*net assets*). Of this amount, \$10,845,039 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's total net assets increased by \$1,999,774.
- As of December 31, 2011, Henderson County's governmental funds reported combined ending fund balances of \$9,633,696, an increase of \$2,174,223 .
- At the end of fiscal year 2011, unassigned fund balance for the General Fund was \$8,030,430.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Henderson County's basic financial statements. Henderson County's 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 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 Henderson County's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of Henderson 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 Henderson County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of Henderson County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Henderson County include general government, legal, health and welfare, judicial, public safety, culture and recreation, roads and bridges and interest on long-term debt. Henderson County business-type activities consist of a recreational arena and corresponding concessions.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund 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*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Road and Bridge Fund, both of which are considered to be major funds. Data from the other 12 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.

Henderson County adopts an annual appropriated budget for its General Fund and Road and Bridge Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget.

Proprietary Funds – Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Fair Park operations.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support Henderson County's own programs.

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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents combining fund statements that further support the information in the financial statements. The combining fund statements for nonmajor funds are presented immediately following the notes to the financial statements.

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 Henderson County, assets exceeded liabilities by \$45,862,288 at the close of the most recent fiscal year.

Investment in capital assets (e.g., land, buildings, machinery, infrastructure and equipment), less any debt used to acquire those assets that are still outstanding accounted for \$32,961,979 of the County’s net assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that 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.

HENDERSON COUNTY’S NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 27,534,735	\$ 24,335,337	\$ 62,644	\$ 11,023	\$ 27,597,379	\$ 24,346,360
Capital assets	37,660,226	38,963,100	1,123,735	1,163,665	38,783,961	40,126,765
Total assets	<u>65,194,961</u>	<u>63,298,437</u>	<u>1,186,379</u>	<u>1,174,688</u>	<u>66,381,340</u>	<u>64,473,125</u>
Long-term liabilities	4,824,197	5,899,957	40,000	56,982	4,864,197	5,956,939
Other liabilities	15,602,882	14,615,189	51,973	38,483	15,654,855	14,653,672
Total liabilities	<u>20,427,079</u>	<u>20,515,146</u>	<u>91,973</u>	<u>95,465</u>	<u>20,519,052</u>	<u>20,610,611</u>
Net assets:						
Invested in capital assets, net of related debt	31,895,226	32,151,221	1,066,753	1,090,037	32,961,979	33,241,258
Restricted	2,055,270	1,725,601	-	-	2,055,270	1,725,601
Unrestricted	<u>10,817,386</u>	<u>8,906,469</u>	<u>27,653</u>	<u>(10,814)</u>	<u>10,845,039</u>	<u>8,895,655</u>
Total net assets	\$ <u>44,767,882</u>	\$ <u>42,783,291</u>	\$ <u>1,094,406</u>	\$ <u>1,079,223</u>	\$ <u>45,862,288</u>	\$ <u>43,862,514</u>

Approximately 5% of the County’s net assets represent *restricted net assets*. These are resources that are subject to external restrictions on how they may be used. Restrictions include statutory requirements, bond covenants, and granting conditions. The remaining balance, *unrestricted net assets*, may be used to meet the County’s ongoing obligations to citizens and creditors.

HENDERSON COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 6,476,642	\$ 6,349,858	\$ 288,843	\$ 221,051	\$ 6,765,485	\$ 6,570,909
Operating grants and contributions	1,360,517	1,165,995	29,830	26,185	1,390,347	1,192,180
General revenues:						
Property taxes	24,806,246	24,822,566	53,587	13,524	24,859,833	24,836,090
Other taxes	75,405	87,947	-	-	75,405	87,947
Investment earnings	83,973	61,564	-	-	83,973	61,564
Miscellaneous	119,727	29,718	-	-	119,727	29,718
Total revenues	<u>32,922,510</u>	<u>32,517,648</u>	<u>372,260</u>	<u>260,760</u>	<u>33,294,770</u>	<u>32,778,408</u>
Expenses:						
Governmental activities:						
General government	9,542,424	9,394,809	-	-	9,542,424	9,394,809
Legal	2,817,780	3,040,561	-	-	2,817,780	3,040,561
Health and welfare	69,001	74,199	-	-	69,001	74,199
Judicial	2,159,390	2,120,040	-	-	2,159,390	2,120,040
Public safety	10,155,360	10,522,737	-	-	10,155,360	10,522,737
Culture and recreation	378,236	394,367	-	-	378,236	394,367
Roads and bridges	5,520,135	5,610,702	-	-	5,520,135	5,610,702
Interest on long-term debt	228,110	275,205	-	-	228,110	275,205
Business-type activities:						
Fair Park	-	-	348,337	360,522	348,337	360,522
Fair Park Concessions	-	-	76,223	52,615	76,223	52,615
Total expenses	<u>30,870,436</u>	<u>31,432,620</u>	<u>424,560</u>	<u>413,137</u>	<u>31,294,996</u>	<u>31,845,757</u>
Change in net assets before transfers	2,052,074	1,085,028	(52,300)	(152,377)	1,999,774	932,651
Transfers	(67,483)	(100,112)	67,483	100,112	-	-
Gain on sale of assets	-	62,551	-	-	-	62,551
Change in net assets	1,984,591	1,047,467	15,183	(52,265)	1,999,774	995,202
Net assets, beginning	<u>42,783,291</u>	<u>41,735,824</u>	<u>1,079,223</u>	<u>1,131,488</u>	<u>43,862,514</u>	<u>42,867,312</u>
Net assets, ending	<u>\$ 44,767,882</u>	<u>\$ 42,783,291</u>	<u>\$ 1,094,406</u>	<u>\$ 1,079,223</u>	<u>\$ 45,862,288</u>	<u>\$ 43,862,514</u>

Governmental Activities. Governmental activities increased Henderson County's net assets by \$1,984,591. Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Program revenues of \$7,837,159 equaled 25.3% of governmental expenses of \$30,870,436. As expected, general revenues of \$25,085,351 provided the additional support and coverage for expenses.
- Approximately 33% of the expenses were for public safety and 31% was for general government activities.

HENDERSON COUNTY'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 3,384,915	\$ 3,384,915	\$ 250,504	\$ 250,504	\$ 3,635,419	\$ 3,635,419
Buildings and improvements	28,458,155	28,449,535	1,949,164	1,967,126	30,407,319	30,416,661
Furniture and equipment	11,135,620	10,859,916	214,765	122,054	11,350,385	10,981,970
Infrastructure	32,024,869	32,024,869	-	-	32,024,869	32,024,869
Less: accumulated depreciation	(37,343,333)	(35,756,135)	(1,290,698)	(1,176,019)	(38,634,031)	(36,932,154)
Total capital assets	<u>\$ 37,660,226</u>	<u>\$ 38,963,100</u>	<u>\$ 1,123,735</u>	<u>\$ 1,163,665</u>	<u>\$ 38,783,961</u>	<u>\$ 40,126,765</u>

Significant Capital Assets Events

During the 2011 year, several offices moved into the new annex that was purchased in 2010. All employees were moved out of the tax annex and this building remains vacant at this time. This move required updating the phone system, so the County chose to install a VOIP system for the Athens campuses. It is expected that this system will save significant tax dollars in the next three years.

Long-term Debt. At the end of fiscal year 2011, Henderson County had total bonded debt outstanding of \$5,815,000. This amount is the combination of \$5,765,000 of general obligation bonds and \$50,000 of certificates of obligation.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The effective rate was adopted for the 2012 budget. New property value increased the tax base by \$57,204,040. State funding cuts and inflation have heightened the awareness of budget control and spending limitations. The Commissioners' Court was very sensitive to the plight of the taxpayer and provided a very conservative budget for 2012.

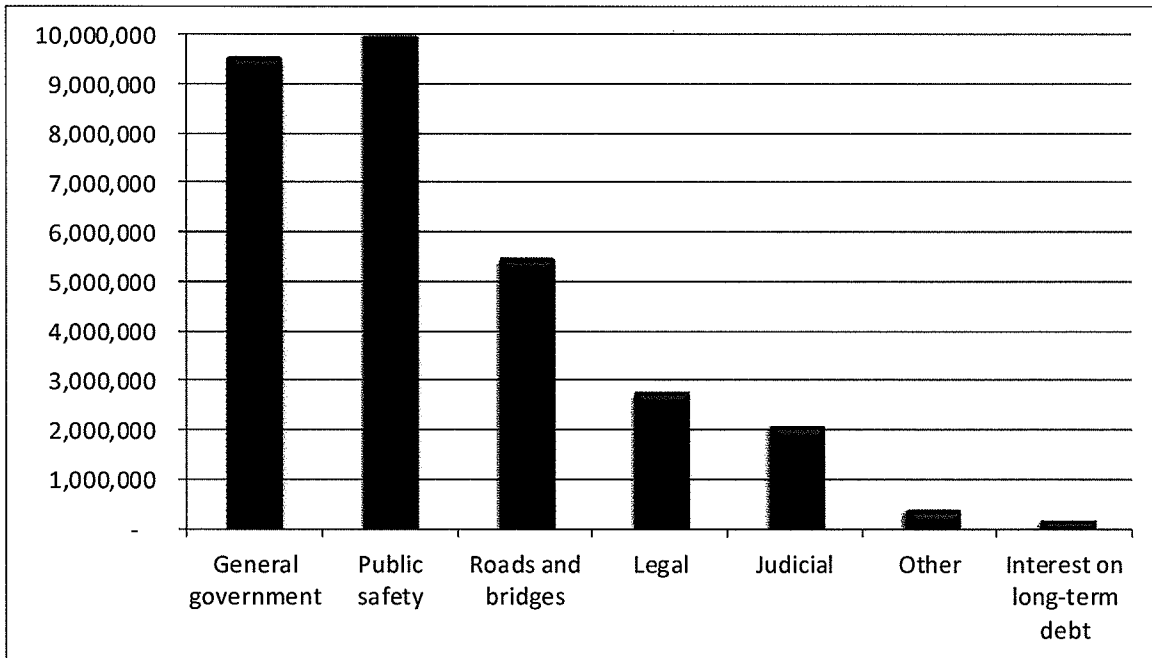
REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Henderson County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Auditor's Office
 100 E. Tyler, St Room 300
 Athens, TX 75751

- Infrastructure (roads and bridges) expenses, at \$5,520,135 accounted for 17.8% of expenses.
- Grant revenues and contributions comprised roughly 4% of total revenues.

GOVERNMENTAL ACTIVITIES EXPENSES



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

At the end of fiscal year 2011, Henderson County's *governmental funds* reported combined ending fund balances of \$9,633,696. Overall fund balance increased by \$2,174,223.

A significant portion of this increase is due to the high awareness of all officials to be frugal during these economic times. There was a great sensitivity to spending by all; remembering that these funds belong to the taxpayers. Also, during 2011, the County received a gift of \$400,000 to be used for the benefit of the Clint W. Murchison Library.

The General Fund is the chief operating fund of Henderson County. At the end of fiscal year 2011, the General Fund had an ending fund balance of \$8,042,625. 99.85% of this total amount (\$8,030,430) constitutes unassigned fund balance. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total General Fund expenditures. Unassigned fund balance represents 33% of total General Fund expenditures.

The Road and Bridge Fund had an ending fund balance of \$1,061,037, a net increase of \$351,003. The increase was mainly due to an unexpected increase in revenues and unspent lateral road funding provided by the State of Texas.

Enterprise Funds.

A new hotel/motel tax was imposed in 2011 that generated over \$38,000 in revenues to assist the Fairgrounds in growth and development. Of the \$424,560 of expenses, \$93,756 was due to depreciation.

Budgetary Highlights

The budget is prepared in accordance to historical practices that conform to State of Texas statutes and approved by the Commissioners' Court following a public hearing. Appropriated budgets are approved and employed as a management control device during the year. The County maintains strict budgetary controls and sets its appropriations as the category level for all operating expenses and at the position/line item level for all salaries and benefits. Budget amendments may be made between operating categories and benefits only with the approval of Commissioners' Court.

The following are significant variations between the final budget and actual amounts in budget for General Fund or Road and Bridge Fund, as noted:

- Poor economic conditions and unemployment led to a shortfall in collections of ad valorem taxes. Though overall revenues collected in the General Fund were higher than budgeted.
- Road and Bridge also experienced an unanticipated shortfall in property taxes, but this was offset by higher than anticipated revenues in motor vehicle registration.
- Countywide, there was full participation in a conscientious reduction in spending; resulting in a positive variance (budget to actual) in all funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Henderson County's investment in capital assets for its governmental activities as of December 31, 2011, was \$37,660,226 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, furniture and equipment and infrastructure.

THIS PAGE LEFT BLANK INTENTIONALLY

**BASIC
FINANCIAL STATEMENTS**

THIS PAGE LEFT BLANK INTENTIONALLY

HENDERSON COUNTY, TEXAS

STATEMENT OF NET ASSETS

DECEMBER 31, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 22,976,389	\$ 54,204	\$ 23,030,593
Receivables, net of allowance for uncollectibles			
Taxes	2,381,680	1,343	2,383,023
Fines	1,649,301	-	1,649,301
Other	335,219	7,097	342,316
Due from other governments	192,146	-	192,146
Total current assets	27,534,735	62,644	27,597,379
Noncurrent assets:			
Capital assets:			
Land	3,384,915	250,504	3,635,419
Buildings and improvements	28,458,155	1,949,164	30,407,319
Furniture and equipment	11,135,620	214,765	11,350,385
Infrastructure	32,024,869	-	32,024,869
Less: accumulated depreciation	(37,343,333)	(1,290,698)	(38,634,031)
Total capital assets	37,660,226	1,123,735	38,783,961
Total noncurrent assets	37,660,226	1,123,735	38,783,961
Total assets	65,194,961	1,186,379	66,381,340
LIABILITIES			
Current liabilities:			
Accounts payable	711,841	23,942	735,783
Accrued liabilities	571,622	4,266	575,888
Due to other governments	336,514	-	336,514
Unearned revenue	12,053,585	6,783	12,060,368
Cash bond deposits	309,615	-	309,615
Accrued interest payable	32,918	-	32,918
General obligation bonds	1,070,000	-	1,070,000
Capital lease obligation	-	6,982	6,982
Certificates of obligation	-	10,000	10,000
Compensated absences	516,787	-	516,787
Total current liabilities	15,602,882	51,973	15,654,855
Noncurrent liabilities:			
General obligation bonds	4,695,000	-	4,695,000
Certificates of obligation	-	40,000	40,000
Compensated absences	129,197	-	129,197
Total noncurrent liabilities	4,824,197	40,000	4,864,197
Total liabilities	20,427,079	91,973	20,519,052
NET ASSETS			
Invested in capital assets, net of related debt	31,895,226	1,066,753	32,961,979
Restricted for:			
Roads and bridges	1,394,542	-	1,394,542
Debt service	178,649	-	178,649
Other purposes	482,079	-	482,079
Unrestricted	10,817,386	27,653	10,845,039
Total net assets	\$ 44,767,882	\$ 1,094,406	\$ 45,862,288

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

HENDERSON COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 9,542,424	\$ 1,840,522	\$ 387,184
Legal	2,817,780	73,877	70,673
Health and welfare	69,001	85,480	-
Judicial	2,159,390	1,817,139	243,365
Public safety	10,155,360	1,183,436	197,580
Culture and recreation	378,236	11,392	409,604
Roads and bridges	5,520,135	1,464,796	52,111
Interest on long-term debt	228,110	-	-
Total governmental activities	30,870,436	6,476,642	1,360,517
Business-type activities:			
Fair Park	348,337	189,955	29,830
Fair Park concessions	76,223	98,888	-
Total business-type activities	424,560	288,843	29,830
Total	\$ 31,294,996	\$ 6,765,485	\$ 1,390,347
General revenues:			
Taxes:			
Property			
Alcoholic beverages			
Investment earnings			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in net assets			
Net assets, beginning			
Net assets, ending			

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

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (7,314,718)	\$ -	\$ (7,314,718)
(2,673,230)	-	(2,673,230)
16,479	-	16,479
(98,886)	-	(98,886)
(8,774,344)	-	(8,774,344)
42,760	-	42,760
(4,003,228)	-	(4,003,228)
(228,110)	-	(228,110)
<u>(23,033,277)</u>	<u>-</u>	<u>(23,033,277)</u>
-	(128,552)	(128,552)
-	<u>22,665</u>	<u>22,665</u>
-	<u>(105,887)</u>	<u>(105,887)</u>
<u>(23,033,277)</u>	<u>(105,887)</u>	<u>(23,139,164)</u>
24,806,246	53,587	24,859,833
75,405	-	75,405
83,973	-	83,973
119,727	-	119,727
<u>(67,483)</u>	<u>67,483</u>	<u>-</u>
<u>25,017,868</u>	<u>121,070</u>	<u>25,138,938</u>
1,984,591	15,183	1,999,774
<u>42,783,291</u>	<u>1,079,223</u>	<u>43,862,514</u>
<u>\$ 44,767,882</u>	<u>\$ 1,094,406</u>	<u>\$ 45,862,288</u>

HENDERSON COUNTY, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2011

	<u>General</u>	<u>Road and Bridge</u>
ASSETS		
Cash and investments	\$ 18,738,793	\$ 2,917,284
Receivables, net of allowance for uncollectibles:		
Taxes	1,865,540	349,544
Fines	1,649,301	-
Other	315,628	16,333
Due from other governments	<u>192,146</u>	<u>-</u>
Total assets	<u>\$ 22,761,408</u>	<u>\$ 3,283,161</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	604,918	100,105
Accrued liabilities	511,109	60,333
Due to other governments	221,261	-
Deferred revenue	13,071,880	2,061,686
Cash bonds and deposits	<u>309,615</u>	<u>-</u>
Total liabilities	<u>14,718,783</u>	<u>2,222,124</u>
Fund balances:		
Restricted	-	1,061,037
Assigned	12,195	-
Unassigned	<u>8,030,430</u>	<u>-</u>
Total fund balances	<u>8,042,625</u>	<u>1,061,037</u>
Total liabilities and fund balances	<u>\$ 22,761,408</u>	<u>\$ 3,283,161</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Net assets of governmental activities

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,320,312	\$ 22,976,389
166,596	2,381,680
-	1,649,301
3,258	335,219
-	192,146
<u>\$ 1,490,166</u>	<u>\$ 27,534,735</u>

6,818	711,841
180	571,622
115,253	336,514
837,881	15,971,447
-	309,615
960,132	17,901,039
530,034	1,591,071
-	12,195
-	8,030,430
530,034	9,633,696
<u>\$ 1,490,166</u>	

37,660,226
3,917,862
(6,443,902)
\$ 44,767,882

HENDERSON COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Road and Bridge	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 20,116,200	\$ 3,451,304	\$ 1,222,075	\$ 24,789,579
Fees of office	2,145,152	1,034,766	219,024	3,398,942
Intergovernmental	1,774,836	52,111	62,500	1,889,447
Licenses and permits	5,142	430,030	-	435,172
Fines and forfeitures	1,237,699	-	35,798	1,273,497
Donations	400,000	-	-	400,000
Investment earnings	83,791	-	182	83,973
Miscellaneous	267,155	349,074	7,864	624,093
Total revenues	26,029,975	5,317,285	1,547,443	32,894,703
EXPENDITURES				
Current:				
General government	8,726,096	-	119,798	8,845,894
Public safety	10,091,256	-	43,588	10,134,844
Roads and bridges	-	4,966,282	-	4,966,282
Legal	2,059,910	-	119,508	2,179,418
Judicial	2,790,624	-	10,070	2,800,694
Health and welfare	68,729	-	-	68,729
Culture and recreation	321,589	-	55,886	377,475
Debt service:				
Principal	21,879	-	1,025,000	1,046,879
Interest and other charges	301	-	237,559	237,860
Total expenditures	24,080,384	4,966,282	1,611,409	30,658,075
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	1,949,591	351,003	(63,966)	2,236,628
OTHER FINANCING SOURCES (USES)				
Proceeds from insurance	3,578	-	-	3,578
Sale of capital assets	1,500	-	-	1,500
Transfers in	22,426	-	1,220	23,646
Transfers out	(67,483)	-	(23,646)	(91,129)
Total other financing sources and uses	(39,979)	-	(22,426)	(62,405)
NET CHANGE IN FUND BALANCES	1,909,612	351,003	(86,392)	2,174,223
FUND BALANCES, BEGINNING	6,133,013	710,034	616,426	7,459,473
FUND BALANCES, ENDING	\$ 8,042,625	\$ 1,061,037	\$ 530,034	\$ 9,633,696

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

HENDERSON COUNTY, TEXAS

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

FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances - total governmental funds:	\$ 2,174,223
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(1,257,375)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	27,807
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This has no effect on the statement of activities.	1,046,879
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.	<u>38,556</u>
Change in net assets of governmental activities	<u>\$ 1,984,591</u>

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

HENDERSON COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 20,201,683	\$ 20,201,683	\$ 20,040,795	\$(160,888)
Mixed beverage taxes	78,000	78,000	75,405	(2,595)
Fees of office:				
Sheriff	200,000	200,000	181,543	(18,457)
County clerk	680,000	680,000	723,222	43,222
Tax assessor/collector	564,000	564,000	602,207	38,207
District clerk	255,500	300,500	319,036	18,536
Justice of the peace	87,600	87,600	93,440	5,840
County attorney	27,000	27,000	22,053	(4,947)
Constables	59,500	59,500	63,774	4,274
Court costs	98,400	98,400	103,507	5,107
Other	35,000	35,000	36,370	1,370
Total fees of office	<u>2,007,000</u>	<u>2,052,000</u>	<u>2,145,152</u>	<u>93,152</u>
Intergovernmental	1,614,313	1,638,092	1,774,836	136,744
Licenses and permits	15,000	15,000	5,142	(9,858)
Fines and forfeitures	1,200,000	1,200,000	1,237,699	37,699
Donations	-	-	400,000	400,000
Investment earnings	70,000	70,000	83,791	13,791
Miscellaneous	161,100	140,410	267,155	126,745
Total revenues	<u>25,347,096</u>	<u>25,395,185</u>	<u>26,029,975</u>	<u>634,790</u>
EXPENDITURES				
General government:				
County Judge	229,470	230,244	210,563	19,681
General County operations	3,503,706	3,464,249	3,344,166	120,083
Juvenile	120,000	100,000	88,217	11,783
General information systems	460,925	533,325	527,362	5,963
County clerk	775,458	764,296	688,218	76,078

(continued)

HENDERSON COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
EXPENDITURES (Continued)				
General government: (Continued)				
County clerk records management	\$ 79,000	\$ 104,531	\$ 104,529	\$ 2
Elections administration	255,710	269,681	265,456	4,225
Veterans services	19,165	19,739	19,737	2
County auditor	631,947	629,051	611,631	17,420
Information technology	255,481	253,272	242,426	10,846
County treasurer	212,743	213,427	213,197	230
Tax assessor/collector	791,589	811,575	795,923	15,652
Public facilities	1,785,766	1,787,705	1,602,621	185,084
Jury	25,000	25,000	12,050	12,950
Total general government	9,145,960	9,206,095	8,726,096	479,999
Public safety:				
Constables general	9,000	11,030	1,858	9,172
Constable, precinct 1	61,688	61,688	60,801	887
Constable, precinct 2	62,217	62,217	61,268	949
Constable, precinct 3	87,017	87,857	87,507	350
Constable, precinct 4	61,305	61,305	60,613	692
Constable, precinct 5	60,817	60,817	60,804	13
Constable, precinct 6	62,551	62,551	61,369	1,182
Sheriff's office field operations	4,304,392	4,451,023	4,372,232	78,791
Jail operations	5,049,122	5,015,891	4,894,268	121,623
County funding of CSCD	2,000	1,994	727	1,267
Emergency management	74,519	73,783	65,656	8,127
Fire marshal/environmental crimes	296,860	294,751	294,553	198
Department of public safety	71,685	70,948	69,600	1,348
Total public safety	10,203,173	10,315,855	10,091,256	224,599

(continued)

HENDERSON COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2011

EXPENDITURES (Continued)	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Legal:				
County attorney prosecution	\$ 743,419	\$ 735,263	\$ 721,964	\$ 13,299
County attorney collections	323,891	323,871	289,621	34,250
District attorney	1,048,389	1,048,389	1,047,567	822
District attorney capital cases	81,000	77,000	758	76,242
Total legal	2,196,699	2,184,523	2,059,910	124,613
Judicial:				
County court-at-law 1	348,325	344,617	330,674	13,943
County court-at-law 2	340,257	338,049	331,327	6,722
District courts general	71,500	71,500	36,424	35,076
Indigent defense	52,516	51,780	51,648	132
3rd district court	130,443	127,472	119,710	7,762
173rd district court	211,888	211,888	210,056	1,832
392nd district court	213,485	213,485	212,044	1,441
District Clerk	596,765	585,069	576,615	8,454
Justice of the peace, precinct 1	139,111	141,466	140,741	725
Justice of the peace, precinct 2	196,324	194,056	191,183	2,873
Justice of the peace, precinct 3	126,192	124,720	122,578	2,142
Justice of the peace, precinct 4	126,270	125,723	117,275	8,448
Justice of the peace, precinct 5	120,186	118,715	116,420	2,295
Justice of the peace, precinct 6	172,386	170,357	152,528	17,829
Arraignments	15,418	15,418	8,213	7,205
Jury	88,500	88,500	73,188	15,312
Total judicial	2,949,566	2,922,815	2,790,624	132,191

(continued)

HENDERSON COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

**GENERAL FUND
(Continued)**

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Health and welfare:				
Health care coordination	\$ 85,599	\$ 85,599	\$ 68,729	\$ 16,870
Total health and welfare	<u>85,599</u>	<u>85,599</u>	<u>68,729</u>	<u>16,870</u>
Culture and recreation:				
Public library	136,311	160,111	158,615	1,496
County extension office	195,609	195,609	144,901	50,708
Historical Commission	19,355	19,456	18,073	1,383
Total culture and recreation	<u>351,275</u>	<u>375,176</u>	<u>321,589</u>	<u>53,587</u>
Debt service:				
Principal	21,879	21,879	21,879	-
Interest and other charges	301	301	301	-
Total expenditures	<u>24,954,452</u>	<u>25,112,243</u>	<u>24,080,384</u>	<u>1,031,859</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>392,644</u>	<u>282,942</u>	<u>1,949,591</u>	<u>1,666,649</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from insurance	-	-	3,578	3,578
Sale of capital assets	-	-	1,500	1,500
Transfers in	-	-	22,426	22,426
Transfers out	-	-	(67,483)	(67,483)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(39,979)</u>	<u>(39,979)</u>
NET CHANGE IN FUND BALANCES	392,644	282,942	1,909,612	1,626,670
FUND BALANCES, BEGINNING	<u>6,133,013</u>	<u>6,133,013</u>	<u>6,133,013</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 6,525,657</u>	<u>\$ 6,415,955</u>	<u>\$ 8,042,625</u>	<u>\$ 1,626,670</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

HENDERSON COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ROAD AND BRIDGE

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 3,581,469	\$ 3,581,469	\$ 3,451,304	\$(130,165)
Fees of office	930,500	930,500	1,034,766	104,266
Licenses and permits	265,000	265,000	430,030	165,030
Intergovernmental	52,000	52,000	52,111	111
Miscellaneous	-	350,756	349,074	(1,682)
Total revenues	<u>4,828,969</u>	<u>5,179,725</u>	<u>5,317,285</u>	<u>137,560</u>
EXPENDITURES				
Waste management	230,949	323,257	329,624	(6,367)
Road and bridge general	33,620	32,620	16,625	15,995
Road and bridge precinct #1	1,128,100	1,162,687	1,162,631	56
Road and bridge precinct #2	1,128,100	1,177,324	1,176,033	1,291
Road and bridge precinct #3	1,128,100	1,100,174	1,096,702	3,472
Road and bridge precinct #4	1,128,100	1,200,477	1,180,756	19,721
Precinct #1 lateral road	13,000	13,000	3,911	9,089
Precinct #2 lateral road	13,000	13,000	-	13,000
Precinct #3 lateral road	13,000	13,000	-	13,000
Precinct #4 lateral road	13,000	13,000	-	13,000
Total expenditures	<u>4,828,969</u>	<u>5,048,539</u>	<u>4,966,282</u>	<u>82,257</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>131,186</u>	<u>351,003</u>	<u>219,817</u>
OTHER FINANCING SOURCES				
Transfers in	37,975	-	-	-
NET CHANGE IN FUND BALANCES	37,975	131,186	351,003	219,817
FUND BALANCES, BEGINNING	<u>710,034</u>	<u>710,034</u>	<u>710,034</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 748,009</u>	<u>\$ 841,220</u>	<u>\$ 1,061,037</u>	<u>\$ 219,817</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

HENDERSON COUNTY, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

DECEMBER 31, 2011

	Enterprise Funds		
	Fair Park	Fair Park Concessions	Total
ASSETS			
Current assets:			
Cash and investments	\$ 25,178	\$ 29,026	\$ 54,204
Accounts receivable, net	4,209	2,888	7,097
Taxes receivable, net	1,343	-	1,343
Total current assets	30,730	31,914	62,644
Non-current assets:			
Capital assets:			
Land	250,504	-	250,504
Buildings and improvements	1,949,164	-	1,949,164
Furniture and equipment	214,765	-	214,765
Less: accumulated depreciation	(1,290,698)	-	(1,290,698)
Total non-current assets	1,123,735	-	1,123,735
Total assets	1,154,465	31,914	1,186,379
LIABILITIES			
Current liabilities:			
Accounts payable	23,219	723	23,942
Accrued liabilities	4,055	211	4,266
Unearned revenue	6,783	-	6,783
Capital lease obligation	6,982	-	6,982
Certificates of obligation	10,000	-	10,000
Total current liabilities	51,039	934	51,973
Non-current liabilities:			
Certificates of obligation	40,000	-	40,000
Total non-current liabilities	40,000	-	40,000
Total liabilities	91,039	934	91,973
NET ASSETS			
Invested in capital assets, net of related debt	1,066,753	-	1,066,753
Unrestricted	(3,327)	30,980	27,653
Total net assets	\$ 1,063,426	\$ 30,980	\$ 1,094,406

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

THIS PAGE LEFT BLANK INTENTIONALLY

HENDERSON COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Enterprise Funds		
	Fair Park	Fair Park Concessions	Total
OPERATING REVENUES			
Rentals	\$ 117,680	\$ -	\$ 117,680
Concessions	-	98,888	98,888
Contributions	29,830	-	29,830
Other	72,275	-	72,275
Total operating revenues	<u>219,785</u>	<u>98,888</u>	<u>318,673</u>
OPERATING EXPENSES			
Personnel	148,154	15,009	163,163
Supplies and materials	29,976	40,990	70,966
Repairs and maintenance	8,880	-	8,880
Utilities	62,789	-	62,789
Professional services	500	13,041	13,541
Depreciation	93,756	-	93,756
Other	320	7,183	7,503
Total operating expenses	<u>344,375</u>	<u>76,223</u>	<u>420,598</u>
OPERATING INCOME (LOSS)	<u>(124,590)</u>	<u>22,665</u>	<u>(101,925)</u>
NON-OPERATING REVENUES (EXPENSES)			
Taxes	53,587	-	53,587
Interest expense	(3,962)	-	(3,962)
Total non-operating revenues (expenses)	<u>49,625</u>	<u>-</u>	<u>49,625</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(74,965)</u>	<u>22,665</u>	<u>(52,300)</u>
Transfers in	67,483	-	67,483
CHANGE IN NET ASSETS	<u>(7,482)</u>	<u>22,665</u>	<u>15,183</u>
TOTAL NET ASSETS, BEGINNING	<u>1,070,908</u>	<u>8,315</u>	<u>1,079,223</u>
TOTAL NET ASSETS, ENDING	<u>\$ 1,063,426</u>	<u>\$ 30,980</u>	<u>\$ 1,094,406</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

HENDERSON COUNTY, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Enterprise Funds		
	Fair Park	Fair Park Concessions	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 215,566	\$ 96,000	\$ 311,566
Cash paid to suppliers for goods and services	(134,002)	(15,252)	(149,254)
Cash paid to employees for services	(102,361)	(61,212)	(163,573)
Net cash provided (used) by operating activities	(20,797)	19,536	(1,261)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from taxes	52,726	-	52,726
Transfers from other funds	67,483	-	67,483
Net cash provided by noncapital financing activities	120,209	-	120,209
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(53,826)	-	(53,826)
Interest and fiscal charges on long-term debt	(3,962)	-	(3,962)
Principal payments on long-term debt	(16,646)	-	(16,646)
Net cash used by capital and related financing activities	(74,434)	-	(74,434)
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,978	19,536	44,514
CASH AND CASH EQUIVALENTS, BEGINNING	200	9,490	9,690
CASH AND CASH EQUIVALENTS, ENDING	\$ 25,178	\$ 29,026	\$ 54,204
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$(124,590)	\$ 22,665	\$(101,925)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	93,756	-	93,756
(Increase) decrease in assets:			
Accounts receivable	(4,219)	(2,888)	(7,107)
Increase (decrease) in liabilities:			
Accounts payable	14,152	2	14,154
Accrued liabilities	104	(243)	(139)
Net cash provided (used) by operating activities	\$(20,797)	\$ 19,536	\$(1,261)

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

THIS PAGE LEFT BLANK INTENTIONALLY

HENDERSON COUNTY, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2011

ASSETS	
Cash and investments	\$ <u>4,165,273</u>
Total assets	\$ <u><u>4,165,273</u></u>
LIABILITIES	
Due to other agencies and individuals	\$ <u>4,165,273</u>
Total liabilities	\$ <u><u>4,165,273</u></u>

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

HENDERSON COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Henderson County, Texas (the County) uses a commission form of government under the laws and statutes of the constitution of the State of Texas. The County provides various services to advance the welfare, health, morals, comfort, safety, and convenience of the County and its inhabitants. A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Financial Reporting Entity

The definition of the reporting entity is based primarily on the notion of financial accountability. The elected officials governing Henderson County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity, it is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the County.

Depending upon the significance of the County's financial and operational relationships with various separate entities, the organizations are classified as blended or discrete component units, related organizations, joint ventures, or jointly governed organizations, and the financial disclosure is treated accordingly. As of December 31, 2011, the County does not report any component units.

B. 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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*. Revenues are recognized as soon as it is both measurable and available. Revenues are considered to be *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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under 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.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Road and Bridge Fund is used to account for the operation, repair and maintenance of roads and bridges within the County.

The County reports the following major Enterprise Funds:

The Fair Park Fund is used to account for the activities of the Henderson County Fairgrounds.

The Fair Park Concessions Fund is used to account for the concessions activities of the Henderson County Fairgrounds.

Additionally, the County reports the following fund type:

Agency Funds account for assets held by the County in a trustee capacity or as an agent for individuals or other governments. They are custodial in nature and do not include measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

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 County invests its resources in bank certificates of deposit. These investments are recorded at cost, which approximates fair value. The County is entitled to invest in obligations of the United States, the State of Texas, and certificates of deposit of state or national banks or savings and loan associations with the State.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g. roads, bridges, sidewalks and similar items), are reported in the governmental column in the government-wide financial statements. The County defines capital assets as physical assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Property improvements are capitalized if valued over \$10,000 with an estimated useful life in excess of 10 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 40
Furniture and equipment	5 - 10
Infrastructure	50 - 100

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide and proprietary fund 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.

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 applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance Classification

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Equity

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the Commissioners' Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Net Assets

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

Estimates

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

2. **RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(6,443,902) difference are as follows:

General obligation bonds	\$(5,765,000)
Accrued interest payable	(32,918)
Compensated absences	<u>(645,984)</u>
 Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u>\$(6,443,902)</u>

(continued)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(1,257,375) difference are as follows:

Capital outlay	\$ 817,979
Depreciation expense	<u>(2,075,354)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (1,257,375)</u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$27,807 difference are as follows:

Property taxes	\$ 92,842
Court fines	<u>65,035</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 27,807</u>

Another element of that reconciliation states that, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$38,556 difference are as follows:

Compensated absences	\$ 28,806
Accrued interest	<u>9,750</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 38,556</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Commissioners' Court approves a proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them. For each budgeted fund, budgetary control is maintained at the departmental classification level. This is the level at which expenditures may not legally exceed funds. Any expenditures which alter the total budgeted amounts must be approved by the Commissioners' Court and the budget appropriately amended. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Capital Projects Fund. All annual appropriations lapse at fiscal year-end.

4. DETAILED NOTES ON ALL FUNDS

Deposits

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of the State of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of the deposits. As of December 31, 2011, the County's \$28,120,081 deposit balance was entirely collateralized with securities pledged by the pledging financial institution or covered by FDIC insurance.

Receivables

Receivables as of year-end for the County's individual major funds and nonmajor funds including the applicable allowances for uncollectible accounts are as follows:

	Governmental Funds			Enterprise Funds		Total
	General	Road and Bridge	Nonmajor	Fair Park	Fair Park Concessions	
Receivables:						
Taxes	\$ 1,963,726	\$ 367,941	\$ 175,364	\$ 1,343	\$ -	\$ 2,508,374
Fines	16,493,010	-	-	-	-	16,493,010
Other	315,628	16,333	3,258	4,209	2,888	342,316
Gross receivables	18,772,364	384,274	178,622	5,552	2,888	19,343,700
Less: allowance for uncollectibles	(14,941,895)	(18,397)	(8,768)	-	-	(14,969,060)
Net total receivables	\$ 3,830,469	\$ 365,877	\$ 169,854	\$ 5,552	\$ 2,888	\$ 4,374,640

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Deferred Revenue

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

	<u>Unavailable</u>	<u>Unearned</u>
Governmental activities:		
General fund:		
Delinquent property taxes	\$ 1,639,746	\$ -
Unearned property taxes	-	9,421,334
Fines	1,784,512	-
Other	-	226,288
Road and bridge:		
Delinquent property taxes	333,505	-
Unearned property taxes	-	1,728,181
Nonmajor governmental funds:		
Delinquent property taxes	160,099	-
Unearned property taxes	<u>-</u>	<u>677,782</u>
Total governmental activities	<u>\$ 3,917,862</u>	<u>\$ 12,053,585</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,384,915	\$ -	\$ -	\$ 3,384,915
Total capital assets not being depreciated	<u>3,384,915</u>	<u>-</u>	<u>-</u>	<u>3,384,915</u>
Capital assets, being depreciated:				
Buildings and improvements	28,449,535	8,620	-	28,458,155
Furniture and fixtures	10,859,916	809,359	(533,655)	11,135,620
Infrastructure	<u>32,024,869</u>	<u>-</u>	<u>-</u>	<u>32,024,869</u>
Total capital assets being depreciated	<u>71,334,320</u>	<u>817,979</u>	<u>(533,655)</u>	<u>71,618,644</u>
Less accumulated depreciation:				
Buildings and improvements	(10,045,224)	(855,126)	-	(10,900,350)
Furniture and fixtures	(8,181,802)	(725,996)	488,155	(8,419,643)
Infrastructure	<u>(17,529,109)</u>	<u>(494,231)</u>	<u>-</u>	<u>(18,023,340)</u>
Total accumulated depreciation	<u>(35,756,135)</u>	<u>(2,075,353)</u>	<u>488,155</u>	<u>(37,343,333)</u>
Total capital assets, being depreciated, net	<u>35,578,185</u>	<u>(1,257,374)</u>	<u>(45,500)</u>	<u>34,275,311</u>
Governmental activities capital assets, net	<u>\$ 38,963,100</u>	<u>\$ (1,257,374)</u>	<u>\$ (45,500)</u>	<u>\$ 37,660,226</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 250,504	\$ -	\$ -	\$ -	\$ 250,504
Total capital assets not being depreciated	<u>250,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,504</u>
Capital assets, being depreciated:					
Buildings	1,756,465	-	-	(200,184)	1,556,281
Improvements	210,661	-	-	182,222	392,883
Furniture and fixtures	<u>122,054</u>	<u>14,060</u>	<u>-</u>	<u>78,651</u>	<u>214,765</u>
Total capital assets being depreciated	<u>2,089,180</u>	<u>14,060</u>	<u>-</u>	<u>60,689</u>	<u>2,163,929</u>
Less accumulated depreciation:					
Buildings	(943,029)	(51,136)	-	(14,945)	(1,009,110)
Improvements	(145,690)	(25,743)	-	17,737	(153,696)
Furniture and fixtures	<u>(87,300)</u>	<u>(16,877)</u>	<u>-</u>	<u>(23,715)</u>	<u>(127,892)</u>
Total accumulated depreciation	<u>(1,176,019)</u>	<u>(93,756)</u>	<u>-</u>	<u>(20,923)</u>	<u>(1,290,698)</u>
Total capital assets, being depreciated, net	<u>913,161</u>	<u>(79,696)</u>	<u>-</u>	<u>39,766</u>	<u>873,231</u>
Business-type activities capital assets, net	<u>\$ 1,163,665</u>	<u>\$ (79,696)</u>	<u>\$ -</u>	<u>\$ 39,766</u>	<u>\$ 1,123,735</u>

Depreciation expense was charged to functions/programs of the County as follows:

Governmental activities:	
General government	\$ 944,285
Legal	20,754
Judicial	10,377
Public safety	290,550
Road and bridge	<u>809,387</u>
Total depreciation expense - governmental activities	<u>\$ 2,075,353</u>
Business-type activities:	
Fair Park	<u>\$ 93,756</u>
Total depreciation expense - business-type activities	<u>\$ 93,756</u>

(continued)

4. **DETAILED NOTES ON ALL FUNDS (Continued)**

Interfund Transfers

The composition of interfund transfers as of December 31, 2011, is as follows:

Interfund Transfers:

	<u>Receiving Fund</u>		
	<u>General</u>	<u>Fair Park</u>	<u>Nonmajor Governmental</u>
Transferring Fund			
General	\$ -	\$ 67,483	\$ -
Nonmajor governmental	<u>22,426</u>	<u>-</u>	<u>1,220</u>
	<u>\$ 22,426</u>	<u>\$ 67,483</u>	<u>\$ 1,220</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to another fund that is allowed to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and (3) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Capital Leases

The County has entered into a lease agreement as lessee for financing and acquisition of a utility tractor for the Henderson County Fair Park. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011, were as follows:

<u>Year Ending December 31,</u>	<u>Business-type Activities</u>
2012	\$ 7,336
Less amount representing interest	<u>(354)</u>
Present value of minimum lease payments	<u>\$ 6,982</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt

The County issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business-type activities. These instruments include general obligation bonds, certificates of obligation, and capital leases. These debt obligations are secured by either future tax revenue or liens on property and equipment. Debt obligations that are intended to be repaid from Fair Park revenue have been recorded as business-type activities. All other long-term obligations of the County are considered to be governmental type activities.

Bonds Payable and Certificates of Obligation

A summary of the terms of general obligation bonds and certificates of obligation outstanding and their corresponding allocations to the governmental and business-type activities at December 31, 2011, follows:

Series and Original Issue Amount	Final Maturity	Interest Rate	Governmental Activities	Business-type Activities	
<u>General Obligation Bonds</u>					
2006 General Obligations	\$ 8,500,000	2016	3.625%-4.0%	\$ 5,765,000	\$ -
<u>Certificates of Obligation</u>					
2000 Certificates of Obligation	140,000	2015	5.95%	-	50,000
Total Bonds and Certificates of Obligation			\$ 5,765,000	\$ 50,000	

Annual debt service requirements for bonds and certificates of obligation are as follows:

Year Ending December 31,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	Principal	Interest	Principal	Interest
2012	\$ 1,070,000	\$ 197,508	\$ 10,000	\$ 2,678
2013	1,110,000	155,245	10,000	2,083
2014	1,145,000	133,045	15,000	1,339
2015	1,190,000	87,245	15,000	446
2016	1,250,000	45,000	-	-
Total	\$ 5,765,000	\$ 618,043	\$ 50,000	\$ 6,546

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds	\$ 6,790,000	\$ -	\$ (1,025,000)	\$ 5,765,000	\$ 1,070,000
Capital leases	21,879	-	(21,879)	-	-
Compensated absences	<u>674,790</u>	<u>479,947</u>	<u>(508,753)</u>	<u>645,984</u>	<u>516,787</u>
Governmental activities long-term liabilities	<u>\$ 7,486,669</u>	<u>\$ 479,947</u>	<u>\$ (1,555,632)</u>	<u>\$ 6,410,984</u>	<u>\$ 1,586,787</u>
Business-type activities					
Certificates of obligation	\$ 60,000	\$ -	\$ (10,000)	\$ 50,000	\$ 10,000
Capital leases	<u>13,628</u>	<u>-</u>	<u>(6,646)</u>	<u>6,982</u>	<u>6,982</u>
Business-type activities long-term liabilities	<u>\$ 73,628</u>	<u>\$ -</u>	<u>\$ (16,646)</u>	<u>\$ 56,982</u>	<u>\$ 16,982</u>

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

Other Information

Risk Management

Henderson County is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property, damage to County assets, errors and omissions and personnel risks which relate to workers' compensation. The County carries commercial insurance in order to manage the above listed risks. Amounts of coverage for the above types of risk have not been subject to a significant reduction in the past year. The amounts of settlements have not exceeded insurance coverage for the past three fiscal years.

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 100% of the premium for each employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a Health Maintenance Organization. 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 licensed insurer is renewable, and terms of coverage and contribution costs are included in the contractual provisions.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Postemployment Benefits Other than Pension Benefits (OPEB)

Currently, health insurance benefits are provided to eligible retirees of the County in accordance with the policies and procedures approved by Commissioners' Court. Health insurance premiums for eligible retirees are paid for by the County for a maximum of three years.

Eligible retired employees are regular fulltime employees who retire under the employees' established retirement program (Texas County and District Retirement System) on or after January 1, 1991, and hired on or before December 31, 2009. Retired employee's eligibility shall cease upon the occurrence of the following events, whichever occurs first: 1) the last day of the contract month in which a retiree becomes eligible for Medicare by reason of obtaining age 65; 2) the last day of the contract month in which a retiree becomes eligible for disability under the United States Social Security Act; or 3) the last day of the contract month in which the County has contributed premiums for a three-year period.

As of December 31, 2011, the County had 10 retirees that were eligible for the OPEB plan and the cost per retiree to the County was \$734 per month for the months of January through October, and \$790 for November and December. Expenses for post-retirement health care benefits are recognized on a pay-as-you-go basis. During the year, premiums paid by the County were \$96,634.

In June 2004, the Government Accounting Standards Board (GASB) issued Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which was effective for the County for the year ending December 31, 2008. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. This Statement requires systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The County has not obtained the required actuarial evaluation of the benefits it provides to retirees and, therefore, has not implemented this standard.

Litigation

The County is involved in certain legal actions and claims arising in the ordinary course of its operations. The outcome of these lawsuits is not presently determinable, but according to the County's attorneys, a judgment, if any, would have an immaterial impact on the County as a whole.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Commitments and Contingencies

The County participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Pension Plans

Defined Benefit Plan – Texas County and District Retirement System (TCDRS)

Plan Description

Henderson County provides pension, disability, and death benefits for all of its fulltime employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement system (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 618 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the County, within the options available in the state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years, but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Pension Plans (Continued)

Defined Benefit Plan – Texas County and District Retirement System (TCDRS) (Continued)

Plan Description (Continued)

Funding Policy

Henderson County has elected the annually determined contribution rate (variable-rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County contributed using the actuarially determined rate of 11.46% for the fiscal year 2011.

The deposit rate payable by the employee members of the plan for calendar year 2011 is the rate of 7% as adopted by the governing body of the County. The employee deposit rate and the employer contribution rate may be changed by the Commissioners' Court of the County within the options available in the TCDRS Act.

Annual Pension Cost

For Henderson County's accounting year ended December 31, 2011, the annual pension cost for the TCDRS plan for its employees was \$1,618,978 and the actual contributions were \$1,618,978.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2008 and December 31, 2009, the basis for determining the contribution rates for calendar years 2010 and 2011. The December 31, 2010, actuarial valuation is the most recent valuation.

Actuarial Valuation Date	12/31/08	12/31/09	12/31/10
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	20	20	20
Asset valuation method	SAF: 10-yr smoothed value ESF: Fund Value	SAF: 10-yr smoothed value ESF: Fund Value	SAF: 10-yr smoothed value ESF: Fund Value
Actuarial Assumptions:			
Investment return (1)	8.00%	8.00%	8.00%
Projected salary increases (1)	5.30%	5.40%	5.40%
Inflation	3.50%	3.50%	3.50%
Cost-of-living adjustments	0.0%	0.0%	0.0%

(1) includes inflation at the stated rate

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Trend Information

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/09	\$ 1,560,081	100%	\$ -
12/31/10	1,666,373	100%	-
12/31/11	1,618,978	100%	-

Schedule of Funding Progress

Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2008	\$ 28,383,093	\$ 34,498,398	\$ 6,115,305	82.27%	\$ 13,386,568	45.68%
2009	31,927,564	37,996,569	6,069,005	84.03%	14,661,247	41.39%
2010	34,099,577	40,924,730	6,825,153	83.32%	14,517,507	47.01%

(1) The annual covered payroll is based on the employee contributions received by TCDRS for the year ending with the valuation date.

Change in Accounting Principles

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

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.

	General	Road and Bridge	Other Governmental Funds	Totals
Fund balance at December 31, 2010	\$ 6,146,874	\$ 710,034	\$ 602,565	\$ 7,459,473
Change in fund structure	(13,861)	-	13,861	-
Adjusted fund balance at December 31, 2010	\$ <u>6,133,013</u>	\$ <u>710,034</u>	\$ <u>616,426</u>	\$ <u>7,459,473</u>

COMBINING STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Records Management – This fund is generated from fees collected by both the District and County Clerks. The use of these fees is statute driven to provide these offices with funds for records management and preservation services. Expenditures must be approved by Commissioners' Court.

CWM Library – This fund is used for the operation of the Clint W. Murchison Memorial Library.

Hot Check– This fund is funded by fees from hot check collections. The Hot Check Department is a division of the County Attorney's office and is a computerized operation for the prosecution and collection of hot checks. This department assists merchants by preparing witness statements, collection and return of restitution to merchants, and filing criminal cases against check writers. Revenue derived from these collections is utilized for the benefit of the County Attorney's office.

Law Enforcement – District Attorney – This fund constitutes funds from the seizure of property and money, which may be used by the District Attorney for law enforcement purposes. The fund is also a clearing account for seizures held pending disposition. The District Attorney may dispense funds according to court orders and pro rata shares determined by interlocal agreements with other law enforcement agencies.

Law Enforcement – Sheriff – This fund represents funding from seizures awarded to the Sheriff Department through an interlocal agreement with the District Attorney. The fund may be used by the Sheriff for law enforcement purposes.

County Attorney State Allotment – The County Attorney's office receives a state supplement provided by House Bill 801 for County Attorney salary and other uses of the office. The amount is appropriated from the State General Fund to enhance prosecution.

Law Library – This fund is used for the operation of the fees collected at the District Clerk and County Clerk for the Law Library fees collected.

Federal Seizures Sheriff – This fund constitutes funds from the forfeiture of property and money, which may be used at the Sheriff's Department.

DEBT SERVICE FUNDS

C.H.&J. Interest and Sinking – The ***Courthouse and Jail Interest and Sinking Fund*** was established to accumulate resources and pay principal and interest on the courthouse and jail bonds.

R.O.W. Interest and Sinking – The ***Right-of-Way Interest and Sinking Fund*** was established to accumulate resources and pay principal and interest on the 1993 Right-of-Way Refunding Bonds.

Jail Expansion Interest and Sinking – The ***Jail Expansion Interest and Sinking Fund*** was established to accumulate resources and pay principal and interest on the jail expansion bonds.

CAPITAL PROJECTS FUND

The ***Capital Projects Fund*** is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

HENDERSON COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2011

	<u>Special Revenue</u>			
	<u>Records Management</u>	<u>CWM Library</u>	<u>Hot Check</u>	<u>Law Enforcement District Attorney</u>
ASSETS				
Cash and investments	\$ 217,678	\$ 4,590	\$ 57,411	\$ 118,264
Taxes receivable, net of allowance for uncollectibles	-	-	-	-
Other receivables	-	-	3,258	-
Total assets	<u>\$ 217,678</u>	<u>\$ 4,590</u>	<u>\$ 60,669</u>	<u>\$ 118,264</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 721	\$ 57	\$ -
Accrued liabilities	-	-	-	180
Due to other governments	-	-	-	115,253
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>721</u>	<u>57</u>	<u>115,433</u>
Fund balances:				
Restricted	<u>217,678</u>	<u>3,869</u>	<u>60,612</u>	<u>2,831</u>
Total fund balances	<u>217,678</u>	<u>3,869</u>	<u>60,612</u>	<u>2,831</u>
Total liabilities and fund balances	<u>\$ 217,678</u>	<u>\$ 4,590</u>	<u>\$ 60,669</u>	<u>\$ 118,264</u>

Special Revenue				Debt Service				Total Governmental Funds
Law Enforcement Sheriff	County Attorney State Allotment	Law Library	Federal Seizures Sheriff	CH&J Interest and Sinking	Right-of-Way Interest and Sinking	Jail Expansion Interest and Sinking	Capital Projects	
\$ 78,221	\$ 71,073	\$ 53,835	\$ -	\$ 1,111	\$ 11,390	\$ 678,748	\$ 27,991	\$ 1,320,312
-	-	-	-	-	32,322	134,274	-	166,596
-	-	-	-	-	-	-	-	3,258
<u>\$ 78,221</u>	<u>\$ 71,073</u>	<u>\$ 53,835</u>	<u>\$ -</u>	<u>\$ 1,111</u>	<u>\$ 43,712</u>	<u>\$ 813,022</u>	<u>\$ 27,991</u>	<u>\$ 1,490,166</u>
\$ 3,436	\$ -	\$ 2,604	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,818
-	-	-	-	-	-	-	-	180
-	-	-	-	-	-	-	-	115,253
-	-	-	-	-	31,012	806,869	-	837,881
<u>3,436</u>	<u>-</u>	<u>2,604</u>	<u>-</u>	<u>-</u>	<u>31,012</u>	<u>806,869</u>	<u>-</u>	<u>960,132</u>
<u>74,785</u>	<u>71,073</u>	<u>51,231</u>	<u>-</u>	<u>1,111</u>	<u>12,700</u>	<u>6,153</u>	<u>27,991</u>	<u>530,034</u>
<u>74,785</u>	<u>71,073</u>	<u>51,231</u>	<u>-</u>	<u>1,111</u>	<u>12,700</u>	<u>6,153</u>	<u>27,991</u>	<u>530,034</u>
<u>\$ 78,221</u>	<u>\$ 71,073</u>	<u>\$ 53,835</u>	<u>\$ -</u>	<u>\$ 1,111</u>	<u>\$ 43,712</u>	<u>\$ 813,022</u>	<u>\$ 27,991</u>	<u>\$ 1,490,166</u>

HENDERSON COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue			
	Records Management	CWM Library	Hot Check	Law Enforcement District Attorney
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Fees of office	144,338	11,352	29,719	-
Intergovernmental	-	-	-	-
Fines and forfeitures	-	-	-	22,105
Investment earnings	-	-	-	69
Miscellaneous	-	7,640	-	-
Total revenues	144,338	18,992	29,719	22,174
EXPENDITURES				
Current:				
General government	119,798	-	-	-
Legal	-	-	22,248	31,127
Judicial	10,070	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	20,384	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	129,868	20,384	22,248	31,127
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	14,470	(1,392)	7,471	(8,953)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(729)
Total other financing sources and uses	-	-	-	(729)
NET CHANGE IN FUND BALANCES	14,470	(1,392)	7,471	(9,682)
FUND BALANCES, BEGINNING	203,208	5,261	53,141	12,513
FUND BALANCES, ENDING	\$ 217,678	\$ 3,869	\$ 60,612	\$ 2,831

Special Revenue				Debt Service				Total Governmental Funds
Law Enforcement Sheriff	County Attorney State Allotment	Law Library	Federal Seizures Sheriff	CH&J Interest and Sinking	Right-of-Way Interest and Sinking	Jail Expansion Interest and Sinking	Capital Projects	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,188	\$ 1,216,887	\$ -	\$ 1,222,075
-	-	33,615	-	-	-	-	-	219,024
-	62,500	-	-	-	-	-	-	62,500
8,693	-	-	5,000	-	-	-	-	35,798
113	-	-	-	-	-	-	-	182
224	-	-	-	-	-	-	-	7,864
<u>9,030</u>	<u>62,500</u>	<u>33,615</u>	<u>5,000</u>	<u>-</u>	<u>5,188</u>	<u>1,216,887</u>	<u>-</u>	<u>1,547,443</u>
-	-	-	-	-	-	-	-	119,798
-	66,133	-	-	-	-	-	-	119,508
-	-	-	-	-	-	-	-	10,070
25,563	-	-	18,025	-	-	-	-	43,588
-	-	35,502	-	-	-	-	-	55,886
-	-	-	-	-	-	1,025,000	-	1,025,000
-	-	-	-	770	-	236,789	-	237,559
<u>25,563</u>	<u>66,133</u>	<u>35,502</u>	<u>18,025</u>	<u>770</u>	<u>-</u>	<u>1,261,789</u>	<u>-</u>	<u>1,611,409</u>
(16,533)	(3,633)	(1,887)	(13,025)	(770)	5,188	(44,902)	-	(63,966)
-	-	-	1,220	-	-	-	-	1,220
(1,220)	-	-	-	-	-	-	(21,697)	(23,646)
(1,220)	-	-	1,220	-	-	-	(21,697)	(22,426)
(17,753)	(3,633)	(1,887)	(11,805)	(770)	5,188	(44,902)	(21,697)	(86,392)
<u>92,538</u>	<u>74,706</u>	<u>53,118</u>	<u>11,805</u>	<u>1,881</u>	<u>7,512</u>	<u>51,055</u>	<u>49,688</u>	<u>616,426</u>
\$ <u>74,785</u>	\$ <u>71,073</u>	\$ <u>51,231</u>	\$ -	\$ <u>1,111</u>	\$ <u>12,700</u>	\$ <u>6,153</u>	\$ <u>27,991</u>	\$ <u>530,034</u>

AGENCY FUNDS

Property Tax Fund – This fund is maintained by the Tax Collector for property taxes collected.

Auto 6.25% Fund – This fund is maintained by the Tax Collector to account for sales tax on new vehicles due to the State.

Auto Fund – The ***Auto Fund*** is maintained by the Tax Collector to account for collections from auto registrations. Disbursements are made to the State from this fund.

Auto Vehicle Inventory Tax Fund – This fund holds estimated payments in trust by auto dealers for taxes on inventory. Taxes are based on sales and are applied against the balance owed according to the assessment later in the year.

Seven Points Substation Fund – A tax account for automobile registrations maintained by the Tax Collector at a substation location.

Chandler Substation Fund – A tax account for automobile registrations maintained by the Tax Collector at a substation location.

Juvenile Probation Fund – The County maintains the cash for the Henderson County Juvenile Probation Department.

County Clerk Fee Fund – The County Clerk maintains the Fee Fund to account for fines and fees charged by the office.

County Clerk Trust Fund – Maintained by the County Clerk, this fund accounts for trust money held in non-interest bearing accounts, for civil cases before the County Court or County Court-at-Law. Disbursements are made upon disposition of the cases by court order.

County Clerk Interest Bearing Trust Fund – The County Clerk maintains this fund to account for money held for civil cases before the County Court and County Court-at-Law. Disbursements are made upon disposition of the cases by court order.

District Clerk Trust Fund – Maintained by the District Clerk, this fund accounts for cash and investments held pending disposition of civil cases before the District Courts.

District Clerk Fee Fund – The District Clerk maintains the Fee Fund to account for fines and fees charged by the office. The account may hold a small amount of funds for restitution or bond payments.

District Clerk Trust Investment Fund – This trust fund maintained by the District Clerk accounts for certificates of deposit held pending disposition of civil cases before the District Courts.

County Attorney Hot Check Fund – The *Hot Check Fund* maintained by the County Attorney accounts for fees for bad check collections. The funds may be used for purposes benefiting the County Attorney's office.

Inmate Trust Fund – Maintained by the Sheriff, the fund holds inmate funds in trust during incarceration.

Sheriff Commissary Fund – The *Sheriff Commissary Fund* is used for commissary purchases. Purchases of supplies by inmates provide funding for the commissary.

District Attorney Escrow Fund – The District Attorney accounts for restitution payable to victims and temporarily holds fees collected on felony hot checks.

HENDERSON COUNTY, TEXAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>PROPERTY TAX FUND</u>				
Assets				
Cash and investments	\$ 612,770	\$ 73,902,015	\$ 73,321,179	\$ 1,193,606
Total assets	<u>\$ 612,770</u>	<u>\$ 73,902,015</u>	<u>\$ 73,321,179</u>	<u>\$ 1,193,606</u>
Liabilities				
Due to other agencies and individuals	\$ 612,770	\$ 73,902,015	\$ 73,321,179	\$ 1,193,606
Total liabilities	<u>\$ 612,770</u>	<u>\$ 73,902,015</u>	<u>\$ 73,321,179</u>	<u>\$ 1,193,606</u>
<u>AUTO 6.25% FUND</u>				
Assets				
Cash and investments	\$ 318,094	\$ 4,432,285	\$ 4,430,137	\$ 320,242
Total assets	<u>\$ 318,094</u>	<u>\$ 4,432,285</u>	<u>\$ 4,430,137</u>	<u>\$ 320,242</u>
Liabilities				
Due to other agencies and individuals	\$ 318,094	\$ 4,432,285	\$ 4,430,137	\$ 320,242
Total liabilities	<u>\$ 318,094</u>	<u>\$ 4,432,285</u>	<u>\$ 4,430,137</u>	<u>\$ 320,242</u>
<u>AUTO FUND</u>				
Assets				
Cash and investments	\$ 355,819	\$ 9,067,265	\$ 9,027,612	\$ 395,472
Total assets	<u>\$ 355,819</u>	<u>\$ 9,067,265</u>	<u>\$ 9,027,612</u>	<u>\$ 395,472</u>
Liabilities				
Due to other agencies and individuals	\$ 355,819	\$ 9,067,265	\$ 9,027,612	\$ 395,472
Total liabilities	<u>\$ 355,819</u>	<u>\$ 9,067,265</u>	<u>\$ 9,027,612</u>	<u>\$ 395,472</u>

(continued)

HENDERSON COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>AUTO VEHICLE INVENTORY TAX FUND</u>				
Assets				
Cash and investments	\$ 169,989	\$ 156,173	\$ 151,293	\$ 174,869
Total assets	<u>\$ 169,989</u>	<u>\$ 156,173</u>	<u>\$ 151,293</u>	<u>\$ 174,869</u>
Liabilities				
Due to other agencies and individuals	\$ 169,989	\$ 156,173	\$ 151,293	\$ 174,869
Total liabilities	<u>\$ 169,989</u>	<u>\$ 156,173</u>	<u>\$ 151,293</u>	<u>\$ 174,869</u>
<u>SEVEN POINTS SUBSTATION FUND</u>				
Assets				
Cash and investments	\$ 6,723	\$ 2,140,792	\$ 2,143,603	\$ 3,912
Total assets	<u>\$ 6,723</u>	<u>\$ 2,140,792</u>	<u>\$ 2,143,603</u>	<u>\$ 3,912</u>
Liabilities				
Due to other agencies and individuals	\$ 6,723	\$ 2,140,792	\$ 2,143,603	\$ 3,912
Total liabilities	<u>\$ 6,723</u>	<u>\$ 2,140,792</u>	<u>\$ 2,143,603</u>	<u>\$ 3,912</u>
<u>CHANDLER SUBSTATION FUND</u>				
Assets				
Cash and investments	\$ 3,408	\$ 976,675	\$ 976,898	\$ 3,185
Total assets	<u>\$ 3,408</u>	<u>\$ 976,675</u>	<u>\$ 976,898</u>	<u>\$ 3,185</u>
Liabilities				
Due to other agencies and individuals	\$ 3,408	\$ 976,675	\$ 976,898	\$ 3,185
Total liabilities	<u>\$ 3,408</u>	<u>\$ 976,675</u>	<u>\$ 976,898</u>	<u>\$ 3,185</u>

(continued)

HENDERSON COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>JUVENILE PROBATION FUND</u>				
Assets				
Cash and investments	\$ 294,913	\$ 65,400	\$ 141,466	\$ 218,847
Total assets	\$ 294,913	\$ 65,400	\$ 141,466	\$ 218,847
Liabilities				
Due to other agencies and individuals	\$ 294,913	\$ 65,400	\$ 141,466	\$ 218,847
Total liabilities	\$ 294,913	\$ 65,400	\$ 141,466	\$ 218,847
<u>COUNTY CLERK FEE FUND</u>				
Assets				
Cash and investments	\$ 18,028	\$ 831,844	\$ 844,412	\$ 5,460
Total assets	\$ 18,028	\$ 831,844	\$ 844,412	\$ 5,460
Liabilities				
Due to other agencies and individuals	\$ 18,028	\$ 831,844	\$ 844,412	\$ 5,460
Total liabilities	\$ 18,028	\$ 831,844	\$ 844,412	\$ 5,460
<u>COUNTY CLERK TRUST FUND</u>				
Assets				
Cash and investments	\$ 232,285	\$ 207,198	\$ 150,789	\$ 288,694
Total assets	\$ 232,285	\$ 207,198	\$ 150,789	\$ 288,694
Liabilities				
Due to other agencies and individuals	\$ 232,285	\$ 207,198	\$ 150,789	\$ 288,694
Total liabilities	\$ 232,285	\$ 207,198	\$ 150,789	\$ 288,694

(continued)

HENDERSON COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>COUNTY CLERK INTEREST BEARING</u>				
<u>TRUST FUND</u>				
Assets				
Cash and investments	\$ 208,243	\$ 18,401	\$ 6,750	\$ 219,894
Total assets	<u>\$ 208,243</u>	<u>\$ 18,401</u>	<u>\$ 6,750</u>	<u>\$ 219,894</u>
Liabilities				
Due to other agencies and individuals	\$ 208,243	\$ 18,401	\$ 6,750	\$ 219,894
Total liabilities	<u>\$ 208,243</u>	<u>\$ 18,401</u>	<u>\$ 6,750</u>	<u>\$ 219,894</u>
<u>DISTRICT CLERK TRUST FUND</u>				
Assets				
Cash and investments	\$ 38	\$ -	\$ 38	\$ -
Total assets	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ -</u>
Liabilities				
Due to other agencies and individuals	\$ 38	\$ -	\$ 38	\$ -
Total liabilities	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ -</u>
<u>DISTRICT CLERK FEE FUND</u>				
Assets				
Cash and investments	\$ 501,821	\$ 1,663,943	\$ 1,390,227	\$ 775,537
Total assets	<u>\$ 501,821</u>	<u>\$ 1,663,943</u>	<u>\$ 1,390,227</u>	<u>\$ 775,537</u>
Liabilities				
Due to other agencies and individuals	\$ 501,821	\$ 1,663,943	\$ 1,390,227	\$ 775,537
Total liabilities	<u>\$ 501,821</u>	<u>\$ 1,663,943</u>	<u>\$ 1,390,227</u>	<u>\$ 775,537</u>

(continued)

HENDERSON COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>DISTRICT CLERK TRUST</u>				
<u>INVESTMENT FUND</u>				
Assets				
Cash and investments	\$ 747,885	\$ 3,669	\$ 353,066	\$ 398,488
Total assets	<u>\$ 747,885</u>	<u>\$ 3,669</u>	<u>\$ 353,066</u>	<u>\$ 398,488</u>
Liabilities				
Due to other agencies and individuals	\$ 747,885	\$ 3,669	\$ 353,066	\$ 398,488
Total liabilities	<u>\$ 747,885</u>	<u>\$ 3,669</u>	<u>\$ 353,066</u>	<u>\$ 398,488</u>
<u>COUNTY ATTORNEY HOT CHECK FUND</u>				
Assets				
Cash and investments	\$ 50,035	\$ 181,629	\$ 183,476	\$ 48,188
Total assets	<u>\$ 50,035</u>	<u>\$ 181,629</u>	<u>\$ 183,476</u>	<u>\$ 48,188</u>
Liabilities				
Due to other agencies and individuals	\$ 50,035	\$ 181,629	\$ 183,476	\$ 48,188
Total liabilities	<u>\$ 50,035</u>	<u>\$ 181,629</u>	<u>\$ 183,476</u>	<u>\$ 48,188</u>
<u>INMATE TRUST FUND</u>				
Assets				
Cash and investments	\$ 14,998	\$ 866,053	\$ 853,000	\$ 28,051
Total assets	<u>\$ 14,998</u>	<u>\$ 866,053</u>	<u>\$ 853,000</u>	<u>\$ 28,051</u>
Liabilities				
Due to other agencies and individuals	\$ 14,998	\$ 866,053	\$ 853,000	\$ 28,051
Total liabilities	<u>\$ 14,998</u>	<u>\$ 866,053</u>	<u>\$ 853,000</u>	<u>\$ 28,051</u>

(continued)

HENDERSON COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>SHERIFF COMMISSARY FUND</u>				
Assets				
Cash and investments	\$ 78,398	\$ 130,247	\$ 121,769	\$ 86,876
Total assets	<u>\$ 78,398</u>	<u>\$ 130,247</u>	<u>\$ 121,769</u>	<u>\$ 86,876</u>
Liabilities				
Due to other agencies and individuals	\$ 78,398	\$ 130,247	\$ 121,769	\$ 86,876
Total liabilities	<u>\$ 78,398</u>	<u>\$ 130,247</u>	<u>\$ 121,769</u>	<u>\$ 86,876</u>
<u>DISTRICT ATTORNEY ESCROW FUND</u>				
Assets				
Cash and investments	\$ 11,034	\$ 75,742	\$ 82,824	\$ 3,952
Total assets	<u>\$ 11,034</u>	<u>\$ 75,742</u>	<u>\$ 82,824</u>	<u>\$ 3,952</u>
Liabilities				
Due to other agencies and individuals	\$ 11,034	\$ 75,742	\$ 82,824	\$ 3,952
Total liabilities	<u>\$ 11,034</u>	<u>\$ 75,742</u>	<u>\$ 82,824</u>	<u>\$ 3,952</u>
<u>ALL AGENCY FUNDS</u>				
Assets				
Cash and investments	\$ 3,624,481	\$ 94,719,331	\$ 94,178,539	\$ 4,165,273
Total assets	<u>\$ 3,624,481</u>	<u>\$ 94,719,331</u>	<u>\$ 94,178,539</u>	<u>\$ 4,165,273</u>
Liabilities				
Due to other agencies and individuals	\$ 3,624,481	\$ 94,719,331	\$ 94,178,539	\$ 4,165,273
Total liabilities	<u>\$ 3,624,481</u>	<u>\$ 94,719,331</u>	<u>\$ 94,178,539</u>	<u>\$ 4,165,273</u>

THIS PAGE LEFT BLANK INTENTIONALLY