

ANDERSON COUNTY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

**Prepared by:
Anderson County Auditor's Office**

Karin Smith, County Auditor

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INTRODUCTORY SECTION

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Karin Smith
County Auditor



ANDERSON COUNTY AUDITOR
703 N. Mallard St. Suite 110
Palestine, TX 75801
Phone: (903) 723-7401
Fax: (903) 723-7808

June 22, 2012

The Honorable Board of District Judges,
The Anderson County Commissioners' Court and
Citizens of Anderson County

In compliance with *Texas Local Government Code, §114.025*, the financial statements of Anderson County, Texas are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to the requirement, we hereby submit the comprehensive annual financial report of Anderson County for the fiscal year ended December 31, 2011.

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

Anderson County's basic financial statements have been audited by Pattillo, Brown and Hill, LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of Anderson County for the fiscal year ended December 31, 2011, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Anderson County's financial statements are

fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the basic financial statements of Anderson County was part of a broader, federally mandated *Single Audit* designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the basic financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented in the Compliance Section of the report.

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

PROFILE OF ANDERSON COUNTY

Anderson County is located in East Texas between the Trinity and the Neches rivers. Palestine, the County's largest town and its County seat, is 108 miles southeast of Dallas and 153 miles north of Houston. U. S. Highways 287, 79, and 84 provide the major transportation routes through the County. Anderson County is the 52nd largest of the 254 counties in Texas; with a 2010 census population of 58,458. Significant cities in Anderson County include Palestine, the County seat, Elkhart, and Frankston. Anderson County falls within the 11th Texas congressional districts and the 3rd Texas senatorial district. The County consists of 1,077 square miles with a 2000 population density 51.2 residents per square mile.

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

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

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

An understanding of the financial condition of Anderson County is enhanced when it is considered from the broader perspective of the specific environment within which Anderson County operates.

Local Economy – Anderson County maintains a relatively stable local economy. The County has a somewhat limited tax base and economic employment base with the top 10 taxpayers in the County accounting for approximately 18% of the County's tax base.

Primary employers in the County include Texas Department of Corrections facility (4,400 employees), a Wal-Mart Stores Inc. distributing center (1,152), and Palestine Regional Medical Center (500). For November 2011, the County's unemployment rate of 8.2% was just above the state's rate of 8.1% but below the national average of 8.7%. Income levels for the county remain adequate with median household effective buying income (EDI) at about 80% of the national average. Per capita EDI is even lower, at approximately 59% of the national average.

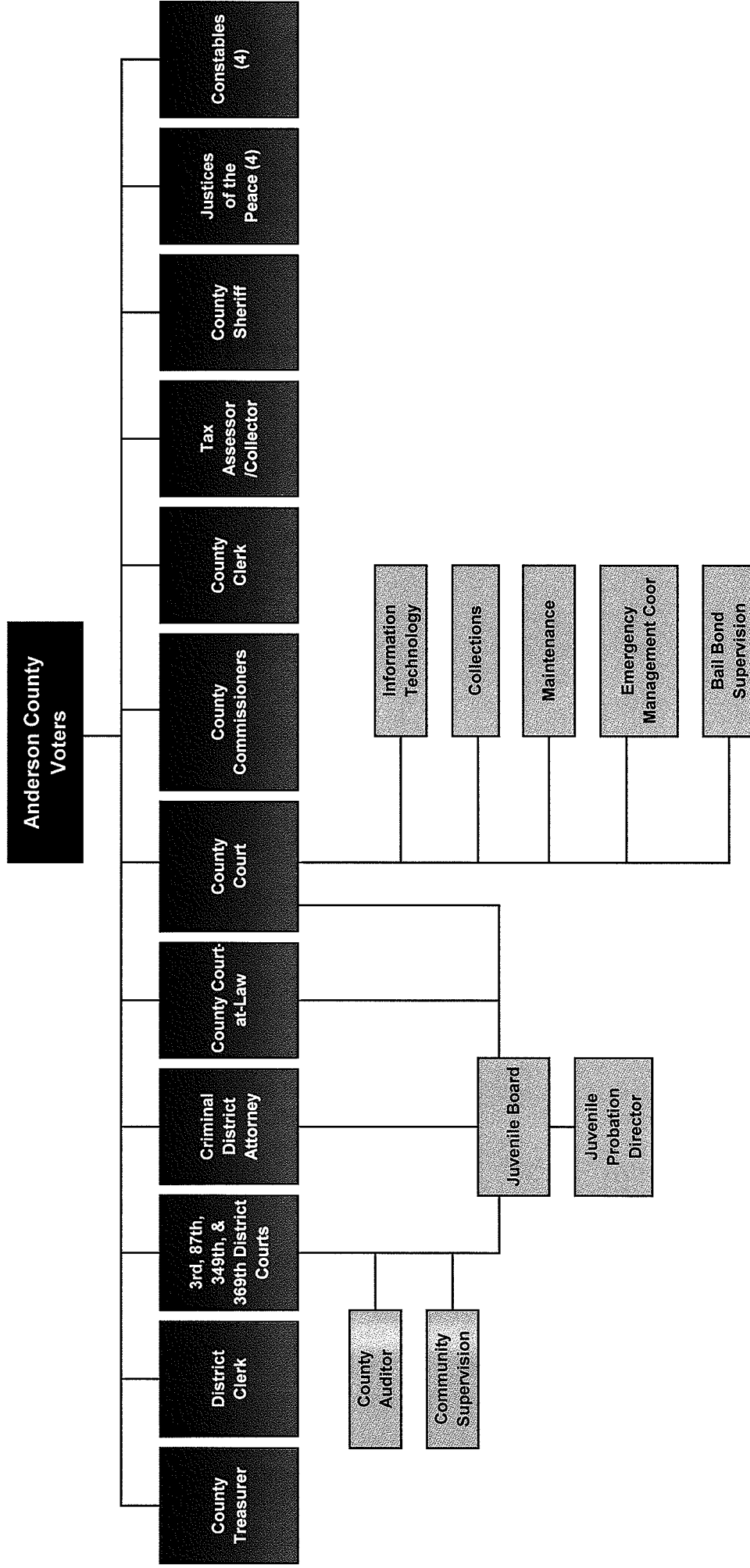
The County's tax base has experienced stable growth in recent years, with taxable assessed value (AV) increasing at an average annual rate of about 2.8% in the past three fiscal years. The Commissioners' Court is continuing to take a conservative approach to the allocation of resources in order to ensure that the County is prepared for economic fluctuations.

Relevant Financial Policies – The County adopts a one-year budget as part of its financial planning process. The budget, along with the financial policies of the County, serves as the basis for the overall fiscal management of the County's resources. The budget implements strategies, both financial and operational, identified through the strategic and long-range planning process to meet existing challenges and to effectively plan for future needs. Goals and objectives are incorporated into policy statements which are continually reevaluated to provide the necessary structure for achieving these goals.

Long-term Financial Planning – Long-term financial planning goals include the following:

- Operate the County government in the most fiscally responsible manner possible.
- Control expenditures by implementing cost savings measures at any opportunity.
- Promote a favorable environment for retaining and expanding existing businesses while attracting a wide variety of new businesses to provide economic growth and development which will provide sufficient resources to fund County operations while mitigating the overall tax burden on County taxpayers.

**ANDERSON COUNTY, TEXAS
ORGANIZATIONAL CHART
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**



ANDERSON COUNTY, TEXAS

PRINCIPAL OFFICIALS

Commissioners Court

Robert D. Johnston
Joe W. Chaffin
Rashad Q. Mims, I
Kenneth Dickson
Joseph A. Hill

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

Judicial

Mark Calhoon
Deborah Oakes Evans
Pam Foster Fletcher
Bascom W. Bentley, III
Brendan J. Doran

Judge, 3rd District Clerk
Judge, 87th District Clerk
Judge, 349th District Clerk
Judge, 369th District Clerk
Judge, County Court of Law

Law Enforcement

Greg Taylor
Doug Lowe
Emily Lane*

County Sheriff
Criminal District Attorney
Chief Juvenile Probation Director

Financial Administration

Karin Smith*
Kimberly Turman
Teri Garvey

County Auditor
County Treasurer
County Tax Assessor/Collector

Recording Officials

Janice G. Staples
Wanda N. Burke

District Clerk
County Clerk

*Denotes appointed officials. All others listed are elected.

- Implement technological solutions to improve the efficiency and effectiveness of operations, reporting and delivering services to citizens.

ACKNOWLEDGEMENTS

The successful completion of this report could not have been achieved without the dedicated efforts of the staff of the County Auditor's office and the professional services provided by our independent auditors, Pattillo, Brown and Hill, LLP. I wish to express my gratitude to the District Judges, the Commissioners' Court, and the other County officials and departments for their support in planning and conducting the financial affairs of the County in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Karin Smith". The signature is fluid and cursive, with the first name "Karin" written in a larger, more prominent script than the last name "Smith".

Karin Smith
Anderson County Auditor

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Anderson 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 accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012, on our consideration of Anderson 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 43 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Anderson County, Texas' basic financial statements as a whole. The introductory section, combining and individual nonmajor financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

June 22, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis

As management of Anderson County, we offer readers of Anderson County's financial statements this narrative overview and analysis of the financial activities of Anderson County for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with the County's financial statements, which begin on page 9 of this report.

FINANCIAL HIGHLIGHTS

The assets of the Anderson County exceeded its liabilities at the close of the most recent fiscal year by \$32,324,733 (*net assets*). Of this amount, \$5,557,910 (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's total net assets decreased by \$386,112 from operations.
- As of the close of the current fiscal year, Anderson County's governmental funds reported combined ending fund balances of \$7,883,772, a decrease of \$1,232,267 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,654,087, or 27% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The *statement of net assets* presents information on all of Anderson 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 Anderson 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 Anderson 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 Anderson County include general government, judicial, public safety, social services, and roads and bridges.

The government-wide financial statements can be found on pages 9 – 10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Anderson 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 Anderson County can be divided into three categories: governmental, proprietary, and fiduciary funds.

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

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

Anderson County maintains 15 individual governmental funds. 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 which is considered to be a major fund. Data from the other 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.

Anderson County adopts an annual appropriated budget for its General, Special Revenue, Debt Service, and Capital Projects Funds. The County does not adopt a legal budget for the District Attorney Hot Check Fee or the Sheriff Commissary Funds. Budgetary comparison schedules have been provided for all budgeted funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 11 – 17 of this report.

Proprietary Funds. The County maintains one type of proprietary fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses its Internal Service Fund to account for its health insurance. This internal service function has been included within governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 14 – 16.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Anderson County's own programs. The basic fiduciary fund financial statements can be found on page 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 – 42 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents combining fund statements and schedules that further support the information in the financial statements. The combining fund statements and schedules for nonmajor funds are presented immediately following the required supplementary information beginning on page 49 of this report.

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 Anderson County, assets exceeded liabilities by \$32,324,733 at the close of the most recent fiscal year.

Anderson County's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding, is 72% of net assets. Anderson County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Anderson 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.

Anderson County's Net Assets

	Governmental Activities	
	2011	2010
Current and other assets	\$ 15,805,016	\$ 16,735,762
Capital assets	<u>33,986,889</u>	<u>33,575,780</u>
Total assets	<u>49,791,905</u>	<u>50,311,542</u>
Long-term liabilities	11,712,674	11,444,774
Other liabilities	<u>5,754,498</u>	<u>5,499,051</u>
Total liabilities	<u>17,467,172</u>	<u>16,943,825</u>
Net assets:		
Invested in capital assets, net of related debt	23,187,361	23,393,589
Restricted	3,579,462	2,316,481
Unrestricted	<u>5,557,910</u>	<u>7,657,647</u>
Total net assets	<u>\$ 32,324,733</u>	<u>\$ 33,367,717</u>

An additional portion of Anderson County's net assets, \$3,579,462 (11%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$5,557,910 (17%), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Anderson County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

Governmental activities. Governmental activities decreased Anderson County's net assets by \$386,112.

Anderson County's Changes in Net Assets

	Governmental Activities	
	2011	2010
REVENUES		
Program revenues:		
Charges for services	\$ 3,736,893	\$ 3,771,512
Operating grants and contributions	590,135	745,501
Capital grants and contributions	494,428	9,200
General revenues:		
Property taxes	12,868,263	12,664,751
Sales taxes	2,287,587	2,231,330
Other taxes	30,622	32,218
Investment earnings	31,276	25,210
Gain on sale of capital assets	42,644	81,593
Miscellaneous	209,113	334,901
Total Revenues	<u>20,290,961</u>	<u>19,896,216</u>
EXPENSES		
General government	5,095,955	5,190,938
Judicial	2,833,469	2,590,476
Public safety	7,284,060	6,650,546
Social services	788,200	712,048
Roads and bridges	4,220,927	4,312,468
Interest on long-term debt	454,462	478,061
Total Expenses	<u>20,677,073</u>	<u>19,934,537</u>
CHANGE IN NET ASSETS	(386,112)	(38,321)
NET ASSETS, BEGINNING	<u>33,367,717</u>	<u>33,406,038</u>
PRIOR PERIOD ADJUSTMENT	(656,872)	-
NET ASSETS, ENDING	<u>\$ 32,324,733</u>	<u>\$ 33,367,717</u>

Property taxes increased \$203,512 due to increased property tax values. Capital grants and contributions increased by \$485,228 and operating grants and contributions decreased by \$155,366 as a result in changes in funding activities from granting agencies.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of Anderson County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Anderson 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.

The General Fund is the chief operating fund of Anderson County. At the end of the current fiscal year, unassigned total fund balance of the General Fund was \$4,654,087. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned total fund balance represents 27% of total General Fund expenditures.

The fund balance of Anderson County's General Fund decreased by \$1,026,564 during the current fiscal year. This decrease is primarily due to deficit budgeting. In other words, expenditures exceeded revenues in the approved 2011 budget.

Proprietary Fund. Unrestricted net assets of the Internal Service Fund is \$183,334. The Internal Service Fund experienced a increase in total net assets during 2011 in the amount of \$94,139 .

General Fund Budgetary Highlights

Significant amendment changes:

The General Fund transfers out budget increased by \$530,045 primarily as a result of an amendment to transfer \$500,000 to the internal service fund.

Significant budget variances:

Property and sales tax revenues were greater than expected due to an increase in property values and do to an increase in economic activity from the prior year. Total expenditures of the General Fund were \$256,932 less than budget due to cost savings measures being implemented.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Anderson County's investment in capital assets for its governmental activities as of December 31, 2011, amount to \$33,986,889 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

**Anderson County's Capital Assets
(net of depreciation)**

	Governmental Activities	
	2011	2010
Land	\$ 1,736,715	\$ 1,736,715
Buildings and improvements	18,549,823	18,834,971
Infrastructure	11,186,800	10,689,897
Machinery and equipment	1,670,289	1,488,646
Construction in progress	<u>843,262</u>	<u>825,551</u>
Total	<u>\$ 33,986,889</u>	<u>\$ 33,575,780</u>

Major additions to the County's capital assets include various road projects, computer software, a records storage building, and vehicles and equipment.

Additional information on Anderson County's capital assets can be found in Note 4 on page 31 of this report.

Long-term debt. At the end of the current fiscal year, Anderson County had total bonded debt of \$10,590,000.

**Anderson County's Outstanding Debt
General Obligation Bonds**

	Governmental Activities	
	2011	2010
Certificates of Obligation, Series 2003	\$ 3,155,000	\$ 3,355,000
General Obligation Bonds, Series 2005	<u>7,435,000</u>	<u>7,895,000</u>
Total	<u>\$ 10,590,000</u>	<u>\$ 11,250,000</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for Anderson County is \$127,901,771, which is significantly in excess of the Anderson County outstanding general obligation debt.

Additional information on Anderson County's long-term debt can be found in Note 4 on pages 33 – 35 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Anderson County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Auditor's office, 703 N. Mallard, Suite 110, Palestine, TX 75801.

BASIC FINANCIAL STATEMENTS

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ANDERSON COUNTY, TEXAS

STATEMENT OF NET ASSETS

DECEMBER 31, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 12,635,066
Receivables (net of allowances for uncollectibles of):	
Accounts	1,015,759
Property taxes	1,288,737
Sales tax	465,908
Due from other governments	154,491
Prepays	116,376
Deferred charges	128,679
Capital assets (net of accumulated depreciation):	
Non-depreciable	2,579,977
Depreciable	<u>31,406,912</u>
Total assets	<u>49,791,905</u>
LIABILITIES	
Accounts payable	512,127
Accrued liabilities	247,822
Due to other governments	175,863
Other payables	78,296
Unearned revenue	4,573,872
Accrued interest payable	166,518
Noncurrent liabilities:	
Due within one year	740,866
Due in more than one year	<u>10,971,808</u>
Total liabilities	<u>17,467,172</u>
NET ASSETS	
Invested in capital assets, net of related debt	23,187,361
Restricted for:	
Road and bridge	576,360
Judicial	670,572
Public safety	97,774
Social services	17,486
Capital acquisition and construction	1,329,251
Debt service	704,685
Health care	183,334
Unrestricted	<u>5,557,910</u>
Total net assets	<u>\$ 32,324,733</u>

The notes to the financial statements are an integral part of this statement.

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ANDERSON COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 5,095,955	\$ 2,524,548	\$ -	\$ -	\$(2,571,407)
Judicial	2,833,469	589,920	200,584	-	(2,042,965)
Public safety	7,284,060	617,051	370,072	52,312	(6,244,625)
Social services	788,200	-	19,479	215,111	(553,610)
Roads and bridges	4,220,927	5,374	-	227,005	(3,988,548)
Interest on long-term debt	<u>454,462</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(454,462)</u>
Total governmental activities	<u>\$ 20,677,073</u>	<u>\$ 3,736,893</u>	<u>\$ 590,135</u>	<u>\$ 494,428</u>	<u>(15,855,617)</u>
General revenues:					
Taxes:					
Property taxes					12,868,263
Sales taxes					2,287,587
Other taxes					30,622
Investment earnings					31,276
Gain/(loss) on sale of capital assets					42,644
Miscellaneous					<u>209,113</u>
Total general revenues					<u>15,469,505</u>
Change in net assets					(386,112)
Net assets, beginning					<u>33,367,717</u>
Prior period adjustment					<u>(656,872)</u>
Net assets, ending					<u>\$ 32,324,733</u>

The notes to the financial statements are an integral part of this statement.

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ANDERSON COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2011

	General	Other Governmental	Total Governmental Funds
ASSETS			
Cash and investments	\$ 8,828,442	\$ 3,711,240	\$ 12,539,682
Receivables, net of allowances for uncollectibles:			
Accounts	829,602	11,120	840,722
Taxes	1,039,064	249,673	1,288,737
Sales tax	465,908	-	465,908
Prepaid expenditures	83,848	10,031	93,879
Due from other governments	54,006	100,485	154,491
Due from other funds	<u>83,978</u>	<u>10</u>	<u>83,988</u>
Total assets	<u>\$ 11,384,848</u>	<u>\$ 4,082,559</u>	<u>\$ 15,467,407</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 479,127	\$ 21,665	\$ 500,792
Accrued liabilities	139,477	11,728	151,205
Due to other governments	175,863	-	175,863
Due to other funds	20	83,978	83,998
Deferred revenue	5,815,792	777,689	6,593,481
Other payables	<u>36,634</u>	<u>41,662</u>	<u>78,296</u>
Total liabilities	<u>6,646,913</u>	<u>936,722</u>	<u>7,583,635</u>
Fund balances:			
Nonspendable:			
Prepaid expenditures	83,848	10,031	93,879
Restricted for:			
Road and bridge	-	446,154	446,154
Judicial	-	670,572	670,572
Public safety	-	80,351	80,351
Social services	-	17,486	17,486
Capital acquisition and construction	-	1,329,251	1,329,251
Debt service	-	612,784	612,784
Unassigned	<u>4,654,087</u>	<u>(20,792)</u>	<u>4,633,295</u>
Total fund balances	<u>4,737,935</u>	<u>3,145,837</u>	<u>7,883,772</u>
Total liabilities and fund balances	<u>\$ 11,384,848</u>	<u>\$ 4,082,559</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.	33,986,889
An Internal Service Fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the statement of net assets.	183,334
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,021,251
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(11,750,513)
Net assets of governmental activities	<u>\$ 32,324,733</u>

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

ANDERSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Property	\$ 10,992,633	\$ 1,870,343	\$ 12,862,976
Sales	2,287,587	-	2,287,587
Mixed beverage	30,622	-	30,622
Intergovernmental	265,196	951,119	1,216,315
Fees of office	2,570,021	323,576	2,893,597
Fines and forfeitures	560,522	270,879	831,401
Investment earnings	28,725	2,551	31,276
Other revenue	95,935	40,933	136,868
Total revenues	<u>16,831,241</u>	<u>3,459,401</u>	<u>20,290,642</u>
EXPENDITURES			
Current:			
General government	4,348,350	268,174	4,616,524
Judicial	2,467,261	254,710	2,721,971
Public safety	5,188,956	1,277,982	6,466,938
Social services	738,043	21,534	759,577
Roads and bridges	3,787,850	522,600	4,310,450
Debt service:			
Principal	25,000	660,000	685,000
Interest and other charges	-	463,270	463,270
Capital outlay	553,766	558,664	1,112,430
Total expenditures	<u>17,109,226</u>	<u>4,026,934</u>	<u>21,136,160</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(277,985)</u>	<u>(567,533)</u>	<u>(845,518)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of capital leases	68,010	-	68,010
Sale of capital assets	45,241	-	45,241
Transfers in	-	429,830	429,830
Transfers out	<u>(861,830)</u>	<u>(68,000)</u>	<u>(929,830)</u>
Total other financing sources and uses	<u>(748,579)</u>	<u>361,830</u>	<u>(386,749)</u>
NET CHANGE IN FUND BALANCES	<u>(1,026,564)</u>	<u>(205,703)</u>	<u>(1,232,267)</u>
FUND BALANCES, BEGINNING	<u>5,764,499</u>	<u>3,351,540</u>	<u>9,116,039</u>
FUND BALANCES, ENDING	<u>\$ 4,737,935</u>	<u>\$ 3,145,837</u>	<u>\$ 7,883,772</u>

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

ANDERSON 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: \$(1,232,267)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

413,706

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.

(2,597)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

(42,325)

Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.

374,424

Accrued interest not reflected on governmental funds

8,808

Internal Service Funds are used by management to charge the costs of certain activities, such as health insurance, to individual funds. The net revenue (expense) of certain Internal Service Funds is reported with governmental activities.

94,139

Change in net assets of governmental activities

\$(386,112)

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

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ANDERSON COUNTY, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUND

DECEMBER 31, 2011

	<u>Governmental Activities - Self-Insurance</u>
ASSETS	
Current assets:	
Cash and investments	\$ 95,384
Accounts receivable, net	175,037
Due from other funds	10
Prepaid expenses	<u>22,497</u>
Total assets	<u>292,928</u>
LIABILITIES	
Current liabilities:	
Accounts payable	11,335
Estimated claims incurred, but not reported	96,617
Deferred revenue	<u>1,642</u>
Total liabilities	<u>109,594</u>
NET ASSETS	
Unrestricted	<u>183,334</u>
Total net assets	<u>\$ 183,334</u>

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

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ANDERSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Governmental Activities - Self-Insurance</u>
OPERATING REVENUES	
Charges for services	\$ 1,900,442
Total operating revenues	<u>1,900,442</u>
OPERATING EXPENSES	
Insurance claims	1,907,978
Insurance premiums and administrative costs	<u>399,431</u>
Total operating expenses	<u>2,307,409</u>
OPERATING LOSS	<u>(406,967)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	1,106
Transfers in	<u>500,000</u>
Total non-operating revenues (expenses)	<u>501,106</u>
CHANGE IN NET ASSETS	94,139
TOTAL NET ASSETS, BEGINNING	<u>89,195</u>
TOTAL NET ASSETS, ENDING	<u>\$ 183,334</u>

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

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ANDERSON COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

**Governmental
Activities -
Self-Insurance**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,749,255
Cash paid to suppliers for goods and services	(2,339,157)
Net cash used by operating activities	<u>(589,902)</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Transfers from other funds	<u>500,000</u>
Net cash provided by noncapital financing activities	<u>500,000</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>1,106</u>
Net cash provided by investing activities	<u>1,106</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (88,796)

CASH AND CASH EQUIVALENTS, BEGINNING 184,180

CASH AND CASH EQUIVALENTS, ENDING \$ 95,384

Reconciliation of operating income to net cash
provided (used) by operating activities:

Operating loss	\$(406,967)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Accounts receivable	(174,577)
Due from other funds	23,390
Decrease (increase) in liabilities:	
Accounts payable	11,167
Claims payable	(44,125)
Deferred revenues	<u>1,210</u>
Net cash used by operations	<u><u>\$(589,902)</u></u>

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

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ANDERSON COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>4,869,252</u>
Total assets	\$ <u><u>4,869,252</u></u>
LIABILITIES	
Due to others	\$ <u>4,869,252</u>
Total liabilities	\$ <u><u>4,869,252</u></u>

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

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**NOTES TO
FINANCIAL STATEMENTS**

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ANDERSON COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Anderson County, Texas was created in 1846 with Palestine as the County seat. The County is governed by an elected Commissioners' Court consisting of four precinct commissioners and the County Judge. The County provides the following services as authorized by the statutes of the State of Texas: general government (e.g., tax collection), judicial (e.g., courts, juries, district attorney, etc.), public safety (e.g., sheriff, jail, etc.), roads and bridges and social services (e.g., assistance to indigents).

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

No component units are reported in this financial report for the fiscal year ended December 31, 2011.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. *Governmental activities* are supported by taxes, intergovernmental revenues and other non-exchange transactions.

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. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, Internal Service Fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The General Fund is the only major governmental fund. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds include other Special Revenue, Capital Projects and Debt Service Funds. The combined amounts of these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within combining and individual fund statements and schedules.

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

The government-wide 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. Revenue is 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if 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, sales 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 fund:

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.

Additionally, the County reports the following fund types:

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

The **Capital Projects Fund** is used to account for the resources used for the construction and acquisition of capital facilities by the County.

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on general long-term debt associated with the acquisition and/or construction of facilities and equipment for the County.

The **Internal Service Fund**, commonly known as the Insurance Trust Fund, is used to account for insurance coverage and administrative services provided to other departments or agencies of the County. The Insurance Fund is funded by quasi-external transfers from other funds and charges to employees for extended benefits at their option. Charges are determined on a cost-reimbursed basis.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Agency Funds account for assets held by the County in a trustee capacity or as an agent for others.

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.

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, including special assessments. 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 in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to participants for services. Operating expenses for the Internal Service Fund include the cost of services and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Deposits

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the County to invest in bank certificates of deposits, obligations of the United States or its agencies, obligations of the State of Texas, obligations of other political subdivisions having at least an "A" credit rating, commercial paper, repurchase agreements and local government investment pools.

The County records investments at fair value in accordance with provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. All investment income is recognized as revenue in the appropriate fund's statement of activity and/or statement of revenues, expenditures and changes in fund balance.

Time deposits of all funds are stated at cost. At December 31, 2011, the stated amount of the time deposits approximates the market price, and consists of certificates of deposit and *NOW* accounts.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deposits (Continued)

For purposes of the statement of cash flows, proprietary fund types consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

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. Interfund activity reflected in "due to" or "due from" other funds is eliminated in the government-wide statements.

The Anderson County Tax Assessor/Collector collects property taxes for the County. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31st of the following year. Accordingly, receivables and revenues for property taxes are reflected in the government-wide statements based on the full accrual method of accounting. Property tax receivables for the prior year's levy are shown net of an allowance for uncollectible amounts.

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

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

D. Assets, Liabilities and Net Assets or Equity

Prepaid Items

Payments made to vendors for items or services for a future period beyond December 31, are recorded as prepaid items. The fund balances in the affected funds have been reserved for amounts equal to the prepayments since these amounts are not available for appropriation.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g. roads, bridges and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. 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.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	5-50
Equipment	5-20
Infrastructure (roads and bridges)	20-50

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences

County employees earn vacation in varying amounts and earn sick leave at the rate of one day per month. Employees do not earn vacation leave until the completion of one year of service for the county. Employees earn vacation based on the following table:

Years of Employment	Vacation Days
1-2 years	80 hours per year
3-9 years	96 hours per year
10-19 years	120 hours per year
20+ years	160 hours per year

Vacation leave may not be accrued in excess of the maximum amount of 160 hours unless meet eligibility requirements. Also, in accordance with the Fair Labor Standards Act as it applies to local governments, non-exempt county employees are granted compensatory time for hours worked beyond their regular working hours. Vacation and compensatory time is paid upon termination of employment. Accrued sick time is not paid out per the policy of the Commissioner's Court.

The County has recognized a liability for accumulated vacation leave where the employees' rights to receive benefits are attributable to services already rendered, and it is probable that the County will compensate the employees through either paid time off or cash payments at termination.

All vacation pay and compensatory time is accrued when incurred in the government-wide financial statements. A liability for these payments is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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:

- **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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance Classification (Continued)

- **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 intent is determined by the Commissioners' Court or County Auditor.
- **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.

The County will maintain a minimum unassigned fund balance in its General fund ranging from 18 to 25% of the subsequent year's budgeted expenditures and outgoing transfers. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment.

If it is determined that the County is below this minimum established fund balance level, the governing body will be informed of this condition and take necessary budgetary steps to bring fund balance level into compliance with this policy through budgetary actions.

(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 are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(11,750,513) difference are as follows:

Certificates of obligation	\$(3,155,000)
General obligation bonds	(7,435,000)
Compensated absences	(81,209)
Accrued interest payable	(166,518)
Other Post Employment Benefits	(869,776)
Premium on bond issuance	(128,679)
Capital lease obligations	(43,010)
Deferred charges - bond issuance costs	<u>128,679</u>

Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$(11,750,513)</u></u>
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(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 outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets’ estimated useful lives as depreciation expense for the period.” The details of this \$413,706 difference are as follows:

Capital outlay	\$ 2,124,949
Depreciation expense	(1,711,243)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>413,706</u>

Another element of that reconciliation states, “Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.” The details of this \$(42,325) difference are as follows:

Property taxes	\$ 5,287
Court fines and fees	(47,612)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>(42,325)</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The Juvenile Probation Fund has a deficit fund balance of \$27,725. The County plans to transfer funds from the General Fund to cover this deficit.

4. DETAILED NOTES ON ALL FUNDS

Cash and Investments

As of December 31, 2011, the County had the following investment:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ <u>2,496,656</u>	34

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

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

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. As of December 31, 2011, the carrying value of the County's deposit balance was collateralized with securities held by the pledging financial institution or by FDIC insurance.

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

Property Taxes and Other Receivables

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Property taxes are levied by October 1 of the year in which assessed, or as soon thereafter as practicable. Taxes are due and payable, without penalty and interest, from October 1 of the year in which levied on or before January 31 of the following year. Taxes become delinquent February 1 of each year and are subject to simple interest and penalties.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Property Taxes and Other Receivables (Continued)

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

Property taxes are collected for general, debt service, and farm to market and lateral road. This distribution is based on the tax rate established for each fund by order of the Commissioner's Court for the tax year for which collections are made.

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

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:			
Property taxes	\$ 1,093,751	\$ 262,814	\$ 1,356,565
Sales tax	465,908	-	465,908
Court fines	5,224,740	-	5,224,740
Accounts	<u>24,057</u>	<u>11,120</u>	<u>35,177</u>
Gross receivables	6,808,456	273,934	7,082,390
Less: allowance for uncollectibles	<u>(4,473,882)</u>	<u>(13,141)</u>	<u>(4,487,023)</u>
Net total receivables	\$ <u>2,334,574</u>	\$ <u>260,793</u>	\$ <u>2,595,367</u>

(continued)

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

Property Taxes and Other Receivables (Continued)

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

	<u>Unavailable</u>	<u>Unearned</u>
General fund:		
Delinquent property taxes receivable	\$ 976,176	\$ -
Advance property tax collections	-	4,023,671
Court fines receivable	805,545	-
Other	-	10,400
Total general fund	<u>1,781,721</u>	<u>4,034,071</u>
Other governmental funds:		
Delinquent property taxes receivable	239,530	-
Advance property tax collections	-	504,422
Other	-	33,737
Total other governmental funds	<u>239,530</u>	<u>538,159</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 2,021,251</u>	<u>\$ 4,572,230</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

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

Primary Government

	Beginning Balance	Increases	Transfers/ Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,736,715	\$ -	\$ -	\$ 1,736,715
Construction in progress	825,551	26,356	(8,645)	843,262
Total capital assets not being depreciated	<u>2,562,266</u>	<u>26,356</u>	<u>(8,645)</u>	<u>2,579,977</u>
Capital assets, being depreciated:				
Roads and bridges	48,572,906	1,012,519	(175,448)	49,409,977
Buildings and improvements	23,352,566	259,852	4,332	23,616,750
Machinery and equipment	7,825,448	826,222	(116,427)	8,535,243
Total capital assets being depreciated	<u>79,750,920</u>	<u>2,098,593</u>	<u>(287,543)</u>	<u>81,561,970</u>
Less accumulated depreciation:				
Roads and bridges	(37,883,009)	(515,616)	175,448	(38,223,177)
Buildings and improvements	(4,517,595)	(552,009)	2,677	(5,066,927)
Machinery and equipment	(6,336,802)	(643,618)	115,466	(6,864,954)
Total accumulated depreciation	<u>(48,737,406)</u>	<u>(1,711,243)</u>	<u>293,591</u>	<u>(50,155,058)</u>
Total capital assets, being depreciated, net	<u>31,013,514</u>	<u>387,350</u>	<u>6,048</u>	<u>31,406,912</u>
Governmental activities capital assets, net	<u>\$ 33,575,780</u>	<u>\$ 413,706</u>	<u>\$ (2,597)</u>	<u>\$ 33,986,889</u>

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

Governmental activities:	
General government	\$ 312,248
Judicial	21,436
Public safety	605,300
Social services	122
Roads and bridges	<u>772,137</u>
Total depreciation expense - governmental activities	<u>\$ 1,711,243</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Receivables, Payables and Transfers

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

Due to/from Other Funds:

	Receivable fund:			Total
	General	Nonmajor Governmental	Internal Service	
Payable fund:				
General	\$ -	\$ 10	\$ 10	\$ 20
Nonmajor governmental funds	<u>83,978</u>	<u>-</u>	<u>-</u>	<u>83,978</u>
Total	<u>\$ 83,978</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 83,998</u>

All balances of due to/due from resulted from short-term loans that are to be reimbursed within the next year.

Interfund Transfers:

	Transfers in:		Total
	Nonmajor Governmental	Internal Service	
Transfers out:			
General	\$ 361,830	\$ 500,000	\$ 861,830
Nonmajor governmental funds	<u>68,000</u>	<u>-</u>	<u>68,000</u>
Total transfers	<u>\$ 429,830</u>	<u>\$ 500,000</u>	<u>\$ 929,830</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires 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 the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Operating Leases

The County is committed under various noncancelable operating leases, for equipment including motor graders and copiers. For the year ended December 31, 2011, lease expenditures totaled \$222,260. Future minimum operating lease commitments are as follows:

<u>Year Ending December 31,</u>	
2012	\$ 53,765
2013	23,046
2014	<u>13,317</u>
Total	\$ <u>90,128</u>

Long-term Debt

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities or equipment. Certificates of obligation have been issued for governmental activities.

On June 1, 2003, the County authorized and issued \$4,500,000 in certificates of obligation under authority of the Certificate of Obligation Act of 1971. These obligations bear interest at the rate of 2.0% to 4.0% and will be retired over a period of 20 years, beginning in 2004. Proceeds from these obligations are restricted for the construction of capital assets.

On August 1, 2005, the County authorized and issued \$9,950,000 in general obligation bonds under the authority of the Certificate of Obligation Act of 1971. These obligations bear interest at the rate of 3.25% to 5% and will be retired over a period of 18 years beginning in 2006. Proceeds from these obligations are restricted for the construction of capital assets.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

	<u>Interest Rates</u>	<u>Amount</u>
\$4,500,000 Certificate of Obligation, Series 2003	2.0% - 4.0%	\$ 3,155,000
\$9,950,000 General Obligation Bonds, Series 2005	3.25% - 5.0%	7,435,000

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

General Obligation Bonds (Continued)

Annual debt service requirements to maturity for certificate of obligation bonds are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2012	\$ 205,000	\$ 106,826
2013	215,000	100,001
2014	225,000	93,076
2015	235,000	85,885
2016	240,000	78,165
2017-2021	1,390,000	255,221
2022-2023	<u>645,000</u>	<u>25,785</u>
Total	<u>\$ 3,155,000</u>	<u>\$ 744,959</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2012	\$ 480,000	\$ 331,638
2013	500,000	310,788
2014	520,000	287,838
2015	545,000	263,194
2016	570,000	237,425
2017-2021	3,280,000	767,052
2022-2023	<u>1,540,000</u>	<u>78,000</u>
Total	<u>\$ 7,435,000</u>	<u>\$ 2,275,935</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt (Continued)

Changes in Long-term Liabilities

Long-term liability activity (shown in thousands of dollars) for the year ended December 31, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Government activities						
Bonds payable:						
Certificates of obligation	\$ 3,355,000	\$ -	\$ 200,000	\$ -	\$ 3,155,000	\$ 205,000
General obligation bonds	7,895,000	-	460,000	-	7,435,000	480,000
Premium on bonds	143,227	-	14,549	-	128,678	14,548
Capital lease	-	68,010	25,000	-	43,010	21,016
Net OPEB obligation	-	212,905	-	656,872	869,777	-
Compensated absences	<u>51,547</u>	<u>154,496</u>	<u>124,834</u>	<u>-</u>	<u>81,209</u>	<u>20,302</u>
Governmental activity						
Long-term liabilities	\$ <u>11,444,774</u>	\$ <u>435,411</u>	\$ <u>824,383</u>	\$ <u>656,872</u>	\$ <u>11,712,674</u>	\$ <u>740,866</u>

The compensated absences and OPEB liabilities attributable to the governmental activities are generally liquidated by the General Fund.

Capital Lease Obligations

In fiscal year ended December 31, 2011, the County entered into a capital lease with John Deere Financial for a wheel loader backhoe with the original principle amount of \$68,010. This is payable in annual payments with an interest of 4.13%.

The capital assets acquired through capital leases are as follows:

Asset:	
Machinery and equipment	\$ 68,010
Less: accumulated depreciation	<u>-</u>
Total	\$ <u>68,010</u>

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

<u>Years Ending December 31,</u>	
2012	\$ 22,076
2013	22,076
2014	<u>1</u>
Total minimum lease payments	44,153
Less: amount representing interest	(<u>1,143</u>)
Present value of minimum lease payments	\$ <u>43,010</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Risk Management

The County is a member of the Texas Association of Counties Risk Pool ('Pool'). The Pool was created for the purpose of providing coverage against risks which are inherent in operating a political subdivision. The County pays annual premiums to the Pool for unemployment and workers' compensation coverage. The County's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will provide coverage through commercial companies reinsurance contracts. The Pool agrees to handle all unemployment and workers' compensation claims and provide any defense as is necessary. The Pool makes available to the County loss control services to assist the County in following a plan of loss control that may result in reduced losses. The County agrees that it will cooperate in instituting any and all reasonable loss control recommendations made by the Pool. The County also carries commercial insurance on all other risks of loss, including liability, property, and accident insurance.

The County has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool and commercial coverage for any of the past three years.

Self Insurance

The Self Insurance Fund was established to account for the County's group health and prescription expenses. A third-party administrator, Blue Cross Blue Shield of Texas, administers the County plan. During the year ended December 31, 2011, the County paid six hundred and fifty dollars (\$650) per month for health and prescription benefits per budgeted full time position to the plan. Employees, at their option authorized payroll deductions to pay premiums for dependents. In accordance with state law, the County was protected against catastrophic individual loss by stop-loss coverage carried through Blue Cross Blue Shield of Texas. The County paid \$263,136 for the fiscal year for stop-loss coverage.

Employees' premiums are paid by the General and Special Revenue funds into the Self Insurance Fund. These premiums are recorded as expenditures in the paying funds and are available to pay claims, insurance premiums, and administrative costs of the program. During fiscal year 2011, a total of \$2,319,206 was paid in benefits, premiums and administrative costs. The excess coverage insurance covers the plan against individual claims in excess of \$75,000 per covered person per year. Estimated claims payable, based upon claims filed and estimated un-filed claims at year-end, were \$96,617 of December 31, 2011. Changes in the balances of claims liabilities during the past year were as follows:

	2011	2010
Unpaid claims, beginning of fiscal year	\$ 140,742	\$ 175,639
Incurred claims (including incurred but not reported)	1,907,978	1,548,620
Claim payments	(1,952,103)	(1,583,517)
Unpaid claims, end of fiscal year	\$ <u>96,617</u>	\$ <u>140,742</u>

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Pension Plans – Primary Government

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

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service, but must leave their accumulated contributions 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 deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer 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 contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The employer has elected the annually determined contribution rate (variable-rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 8.85% for the months of the accounting year in 2010 and 8.77% for the months of the accounting year in 2011.

The deposit rate payable by the employee members for calendar year 2011 is the rate of 7% as adopted by the governing body of the employer. For calendar year 2010, the employee deposit rate was 7%. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost

For the employer's accounting year ending December 31, 2011, the annual pension cost for the TCDRS plan for its employees was \$744,068 and the actual contributions were \$744,068.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Pension Plans – Primary Government (Continued)

Annual Pension Cost (Continued)

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 2009. The December 31, 2010, actuarial valuation is the most recent valuation.

Actuarial Valuation Information

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 in years	20	20	20
Asset valuation method	SAF: 10-yr. smoothed value ESF: fund value	SAF: 10-yr. smoothed value ESF: fund value	SAF: 10-yr. smoothed value ESF: fund value
Actuarial Assumptions:			
Investment return ¹	8.00%	8.00%	8.00%
Projected salary increases ¹	5.3%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

¹Includes inflation at the stated rate

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

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/09	\$ 743,748	100%	\$ -
12/31/10	782,946	100%	-
12/31/11	774,068	100%	-

Transition Disclosure. It was determined in accordance with GASB Statement No. 27 that the pension liability was zero at the transition to that statement effective at the beginning of this accounting year, because all actuarially required contributions for the accounting years beginning in 1987 up to the beginning of this accounting year have been paid. There was no previously reported pension liability before the transition. Therefore, the difference between the pension liability at transition and the previously reported pension liability is zero.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Pension Plans – Primary Government (Continued)

Annual Pension Cost (Continued)

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

Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	\$ 17,496,056	\$ 21,563,683	\$ 4,067,627	81.14%	\$ 8,849,624	45.96%

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

(2) Revised economic and demographic assumptions due to an experience review were reflected in this valuation.

Postemployment Benefits Other than Pension Benefits (OPEB)

Plan description and Funding Policy. Currently, health insurance benefits, provided under the County's self-insured plan, are provided to eligible retirees of the County in accordance with policies and procedures approved by Commissioners' Court. The Retiree Medical Plan does not issue a publicly made available financial report. The total cost of the retiree health care will be paid by the County. In addition, the County will also pay for dependent coverage less the amount paid by retirees as a premium for dependent coverage (\$90.20 per month for children only, \$193.90 per month for spouse only, and \$289 per month for children and spouse), which is the same as current employees. All active employees who retire directly from Anderson County and meet the following eligibility requirements may participate; 20 years of service; 8 years of service and age 65; or years of service plus age equals 75. Additionally, eligible retirees and those that worked at least 40 hours per week while employed by the County.

As of December 31, 2011, the County has 13 retirees that were eligible for the OPEB plan and the cost to the County was \$190,511. Expenses for post-retirement health care benefits are recognized on a pay-as-you-go basis.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Postemployment Benefits Other than Pension Benefits (OPEB) (Continued)

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

Annual required contribution	\$ 412,537
Interest on OPEB obligation	29,558
Adjustment to ARC	(38,680)
Annual OPEB cost	403,415
Net employer contributions	(190,511)
Increase in net OPEB obligation	212,904
Net OPEB obligation, beginning of year	<u>656,872</u>
Net OPEB obligation, end of year	<u>\$ 869,776</u>

The County's annual OPEB cost, amount contributed to the plan, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending December 31, 2011, is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation End of Year</u>
12/31/08	\$ 409,454	\$ 190,511	46.5%	\$ 440,969
12/31/09	406,414	190,511	46.9%	656,872
12/31/10	403,416	190,511	47.2%	869,776

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/11	\$ -	\$ 3,456,309	\$ 3,456,309	- %	\$ 6,873,044	50.29%

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Postemployment Benefits Other than Pension Benefits (OPEB) (Continued)

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

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

Actuarial valuation date	12/31/11
Actuarial cost method	Projected unit credit
Amortization method	Level as a percentage of payroll
Remaining amortization period	30 years; open amortization
Actuarial assumptions:	
Investment rate of return	4.5%, net of expenses
Projected salary increases	Payroll growth 3% per annum.
Health care inflation rate	9:5 initial and declining 4.5% ultimate after 9 years.

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 ended December 31, 2008. The County obtained an actuarial evaluation as of December 31, 2011. This is the first year that the County has implemented GASB 45. Therefore, only one year is available for the schedule of funding progress. Additional years will be added as they become available.

(continued)

4. DETAILED NOTES ON ALL FUNDS (Continued)

Commitments and Contingencies

- a. Grants – The County has received Federal and State financial assistance in the form of grants and entitlements that are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement by the grantor agencies for expenditures disallowed under terms and conditions specified in the grant agreements. In the opinion of County management, such disallowances, if any, will not be significant to the County's financial position.
- b. Litigation – The evaluation of County management is that any liability to the County relating to such claims and lawsuits will not have a material impact on the County's financial position. Historically, the County has not incurred significant losses from claims or lawsuits which arise during the ordinary course of business.
- c. Construction – Continuing construction projects include renovations, repairs and equipment for the existing Courthouse.

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 providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the County reclassifying fund balances of its governmental funds.

Subsequent Events

In April 2012, Commissioners' Court approved the County to enter into a parameter bond sale for refunding Certification of Obligation, Series 2003 and General Obligation Bonds, Series 2005.

Prior to January 1, 2012, the County paid 100% of the premiums for retirees that opted to remain in the County's group health insurance plan. On January 1, 2012, all new employees will have the option to remain covered by the County's group health insurance plan upon retirement, provided that the employee pays 100% of the premiums.

Prior Period Adjustment

For the year ended December 31, 2011, the County has implemented GASB Statement No. 45. A prior period adjustment is recorded to accrue the previously unrecorded net OPEB obligation. The effect of this adjustment will decrease beginning net assets by \$656,872.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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ANDERSON COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN FOR THE EMPLOYEES OF ANDERSON COUNTY, TEXAS

FOR THE YEAR ENDED DECEMBER 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/10	\$ 14,631,040	\$ 18,470,096	\$ 3,839,056	79.21%	\$ 8,255,743	46.50%
12/31/09	16,709,987	20,335,490	3,625,503	82.17%	8,534,732	42.48%
12/31/08	17,496,056	21,563,683	4,067,627	81.14%	8,849,624	45.96%

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

ANDERSON COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN FOR THE EMPLOYEES OF ANDERSON COUNTY, TEXAS

FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/11	\$ -	\$ 3,456,309	\$ 3,456,309	- %	\$ 6,873,044	50.29%

ANDERSON COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (WITH VARIANCES)

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	with Final Budget - Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 10,883,198	\$ 10,883,198	\$ 10,992,633	\$ 109,435
Sales	2,000,000	2,000,000	2,287,587	287,587
Mixed beverage	30,000	30,000	30,622	622
Intergovernmental	269,956	269,956	265,196	(4,760)
Fees of office	2,663,000	2,663,000	2,570,021	(92,979)
Fines and forfeitures	476,500	476,500	560,522	84,022
Investment earnings	15,000	15,000	28,725	13,725
Other revenue	25,000	25,000	95,935	70,935
Total revenues	16,362,654	16,362,654	16,831,241	468,587
EXPENDITURES				
Current:				
General government:				
County auditor	340,343	339,343	327,623	11,720
County judge	136,229	139,229	138,481	748
County treasurer	135,822	134,322	125,738	8,584
Tax assessor-collector	573,108	570,408	544,622	25,786
Commissioners	277,598	277,598	269,242	8,356
County clerk	412,295	410,816	400,493	10,323
District clerk	393,215	393,215	387,592	5,623
Courthouse	540,805	529,805	528,283	1,522
Elections	125,972	125,972	97,693	28,279
Information technology	122,965	137,965	132,118	5,847
Miscellaneous legal	160,000	117,364	116,496	868
Miscellaneous	1,468,119	1,291,116	1,279,969	11,147
Total general government	4,686,471	4,467,153	4,348,350	118,803
Judicial:				
County court	23,301	48,437	47,103	1,334
County court-at-law	361,476	484,037	483,175	862
District court	746,337	736,535	728,271	8,264
District attorney	758,887	753,387	743,464	9,923
Justice of the peace, precinct 1	116,210	116,210	115,159	1,051
Justice of the peace, precinct 2	116,710	116,710	114,573	2,137
Justice of the peace, precinct 3	119,153	119,153	118,663	490
Justice of the peace, precinct 4	117,210	117,210	116,853	357
Total judicial	2,359,284	2,491,679	2,467,261	24,418

(continued)

ANDERSON COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>with Final</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
EXPENDITURES (Continued)				
Public safety:				
Emergency management	\$ 102,778	\$ 102,778	\$ 100,298	\$ 2,480
Constable, precinct 1	67,104	67,104	64,602	2,502
Constable, precinct 2	66,506	68,551	68,226	325
Constable, precinct 3	65,440	65,439	64,314	1,125
Constable, precinct 4	64,706	64,706	62,565	2,141
Sheriff	2,134,224	2,158,111	2,150,820	7,291
Bailiff/security	167,421	171,421	171,114	307
State highway patrol	43,524	43,524	43,367	157
County jail	<u>2,434,000</u>	<u>2,469,602</u>	<u>2,463,650</u>	<u>5,952</u>
Total public safety	<u>5,145,703</u>	<u>5,211,236</u>	<u>5,188,956</u>	<u>22,280</u>
Social services:				
Dogwood park	81,149	75,149	57,981	17,168
Extension services	90,106	88,885	87,775	1,110
Indigent health	231,593	212,983	140,768	72,215
County services	370,650	414,650	416,653	(2,003)
Veterans Service Officer	<u>34,593</u>	<u>34,867</u>	<u>34,866</u>	<u>1</u>
Total social services	<u>808,091</u>	<u>826,534</u>	<u>738,043</u>	<u>88,491</u>
Road and bridge:				
Administration	158,000	159,020	159,019	1
Precinct 1	969,795	1,042,345	1,026,701	15,644
Precinct 2	711,241	658,207	664,139	(5,932)
Precinct 3	980,709	973,509	970,419	3,090
Precinct 4	841,666	854,666	815,429	39,237
Shop	<u>191,987</u>	<u>188,487</u>	<u>152,143</u>	<u>36,344</u>
Total road and bridge	<u>3,853,398</u>	<u>3,876,234</u>	<u>3,787,850</u>	<u>88,384</u>
Debt service				
Principal	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>(25,000)</u>
Total debt service	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>(25,000)</u>
Capital outlay	<u>427,049</u>	<u>493,322</u>	<u>553,766</u>	<u>(60,444)</u>
Total expenditures	<u>17,279,996</u>	<u>17,366,158</u>	<u>17,109,226</u>	<u>256,932</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	<u>(917,342)</u>	<u>(1,003,504)</u>	<u>(277,985)</u>	<u>725,519</u>

(continued)

ANDERSON COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (WITH VARIANCES)
GENERAL FUND
(Continued)
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>with Final Budget - Positive (Negative)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of capital lease	\$ -	\$ -	\$ 68,010	\$ 68,010
Sale of capital assets	-	45,241	45,241	-
Transfers out	(331,785)	(861,830)	(861,830)	-
Total other financing sources (uses)	(331,785)	(816,589)	(748,579)	68,010
NET CHANGE IN FUND BALANCES	(1,249,127)	(1,820,093)	(1,026,564)	793,529
FUND BALANCES, BEGINNING	<u>5,764,499</u>	<u>5,764,499</u>	<u>5,764,499</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 4,515,372</u>	<u>\$ 3,944,406</u>	<u>\$ 4,737,935</u>	<u>\$ 793,529</u>

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

ANDERSON COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2011

Budgetary Information

The County follows these procedures in establishing the budgetary data reflected in the financial report:

1. The County Judge has departmental meetings with management to determine the departmental budget requests.
2. The County Judge submits to the County Commissioners a proposed operating budget for the fiscal year commencing the following January. The operational budget includes proposed expenditures and the means of financing them.
3. Public hearings are conducted to obtain taxpayer comments.
4. After the public hearings, the Commissioners' Court reviews the budget and makes any adjustments they feel necessary.
5. The budget is then legally enacted by the Commissioners' Court on or before October 1.

Only the governing body, composed of the Commissioners' Court, may amend the budget after its adoption so long as the amendment continues to meet the requirements of Section 111 of the *Local Government Code*. During the year, several supplementary amendments to the original budget were required. Individual amendments were not material in relation to the original appropriations, and all amendments were legally made. The County's budget authorizes expenditures for all governmental fund types. The County's legally adopted budget is at the department level in those funds with multiple departments and at the fund level in single department funds. All budgets are fixed in nature. For internal management purposes, the budgets are detailed by line item and entered into the accounting records. Comparisons of actual expenditures or expenses to budget are made on an ongoing basis. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budget appropriations lapse at year-end. Annual appropriated budgets are adopted for the General, Special Revenue, Debt Service and Capital Project Funds. The County does not adopt a legal budget for the District Attorney Hot Check Fee or the Sheriff Commissary Funds.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Farm to Market and Lateral Road – This fund accounts for all property taxes collected pursuant to *Transportation Code §256.054* for construction and maintenance of farm-to-market and lateral roads, for flood control purposes, or for both, as determined by the commissioners court.

Grant Fund – This fund accounts all grant funding from local, state, and federal grants.

Juvenile Probation – This fund accounts for the operations of the Juvenile Probation Department.

Law Library – This fund accounts for fees collected pursuant to *Local Government Code §323.023* for the operations of the law library.

Court Technology and Security – This fund accounts for the fees collected from defendants in criminal cases pursuant to the *Code of Criminal Procedure §102.0169, §102.017, and §102.0173*. Proceeds are used to cover the costs of continuing education and training for the judges and clerks on technological enhancements and for the purchase and maintenance of technological enhancements including computer systems, networks, hardware, and software, imaging systems, electronic kiosks, and docket management systems.

Child Welfare Board – This fund accounts for receipts and disbursements related to the Child Welfare Board.

District Attorney Fund – This fund accounts for all receipts and disbursements related to the discretionary funding of the District Attorney.

Records Preservation and Management – This fund is used to account for receipts and disbursements related to the record management and preservation program. Resources from this fund are used to manage, organize, promote, implement, preserve, and maintain county records. Access to these funds requires specific Commissioners Court approval.

Court Reporter – This fund accounts for court reporter fees collected pursuant to *Government Code §51.601* which defray the cost of providing court-reporting services for the County of Anderson.

Historical Commission – This fund accounts for funding necessary to conduct the operations of the Anderson County Historical Commission.

Sheriff Forfeiture – This fund accounts for the funds that have been awarded to the Sheriff's Office pursuant to a court order to forfeit funds from seizures conducted during criminal activity. These funds are to be used for law enforcement purposes by the Sheriff's Office.

Guardianship – This fund accounts for fees collected pursuant to *Local Government Code §118.067* whereby the clerk of the court collects a fee on certain probate court actions involving guardianships and is to provide supplemental funding for court-appointed guardians ad litem and court-appointed attorneys ad litem and to fund local guardianship programs for indigent incapacitated individuals.

CAPITAL PROJECTS FUND

The ***Capital Projects Fund*** is used to account for expenditures for various capital improvement projects as approved by the commissioners' court.

DEBT SERVICE FUND

The ***Debt Service Fund*** is used to account for the accumulation of resources and the subsequent disbursement of such resources to pay principal, interest and related costs on general long-term debt.

ANDERSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Farm to Market and Lateral Road	Grant	Juvenile Probation	Law Library	Court Technology and Security	Child Welfare Board
ASSETS						
Cash	\$ 637,718	\$ 6,163	\$ 3,456	\$ 6,917	\$ 139,940	\$ 24,188
Receivables, net:						
Accounts receivable	-	-	11,120	-	-	-
Taxes	134,500	-	-	-	-	-
Prepaid expenditures	7,398	-	-	-	-	-
Due from other governments	-	86,558	8,283	-	-	5,644
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 779,616</u>	<u>\$ 92,721</u>	<u>\$ 22,859</u>	<u>\$ 6,917</u>	<u>\$ 139,940</u>	<u>\$ 29,832</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 581	\$ 194	\$ 9,245	\$ 2,718	\$ 573	\$ 960
Accrued liabilities	-	1,616	7,602	-	661	-
Due to other funds	-	83,978	-	-	-	-
Deferred revenue	325,483	-	33,737	-	-	-
Other payables	-	-	-	-	-	-
Total liabilities	<u>326,064</u>	<u>85,788</u>	<u>50,584</u>	<u>2,718</u>	<u>1,234</u>	<u>960</u>
Fund balances:						
Nonspendable:						
Prepaid expenditures	7,398	-	-	-	-	-
Restricted for:						
Road and bridge	446,154	-	-	-	-	-
Judicial	-	-	-	4,199	138,706	-
Public safety	-	-	-	-	-	28,872
Social services	-	-	-	-	-	-
Capital acquisition and construction	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Unassigned	-	6,933	(27,725)	-	-	-
Total fund balances	<u>453,552</u>	<u>6,933</u>	<u>(27,725)</u>	<u>4,199</u>	<u>138,706</u>	<u>28,872</u>
Total liabilities and fund balances	<u>\$ 779,616</u>	<u>\$ 92,721</u>	<u>\$ 22,859</u>	<u>\$ 6,917</u>	<u>\$ 139,940</u>	<u>\$ 29,832</u>

(continued)

District Attorney	Records Preservation and Management	Court Reporter	Historical Commission	Sheriff Forfeiture	Guardianship	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
\$ 41,067	\$ 384,791	\$ 109,386	\$ 4,647	\$ 94,502	\$ 12,839	\$ 1,328,955	\$ 916,671	\$ 3,711,240
-	-	-	-	-	-	-	-	11,120
-	-	-	-	-	-	16,618	98,555	249,673
55	-	-	-	2,578	-	-	-	10,031
-	-	-	-	-	-	-	-	100,485
-	-	-	-	-	-	-	10	10
<u>\$ 41,122</u>	<u>\$ 384,791</u>	<u>\$ 109,386</u>	<u>\$ 4,647</u>	<u>\$ 97,080</u>	<u>\$ 12,839</u>	<u>\$ 1,345,573</u>	<u>\$ 1,015,236</u>	<u>\$ 4,082,559</u>
\$ 2,976	\$ 2,504	\$ 248	\$ -	\$ 1,361	\$ -	\$ 305	\$ -	\$ 21,665
427	1,422	-	-	-	-	-	-	11,728
-	-	-	-	-	-	-	-	83,978
-	-	-	-	-	-	16,017	402,452	777,689
-	-	-	-	41,662	-	-	-	41,662
<u>3,403</u>	<u>3,926</u>	<u>248</u>	<u>-</u>	<u>43,023</u>	<u>-</u>	<u>16,322</u>	<u>402,452</u>	<u>936,722</u>
55	-	-	-	2,578	-	-	-	10,031
-	-	-	-	-	-	-	-	446,154
37,664	380,865	109,138	-	-	-	-	-	670,572
-	-	-	-	51,479	-	-	-	80,351
-	-	-	4,647	-	12,839	-	-	17,486
-	-	-	-	-	-	1,329,251	-	1,329,251
-	-	-	-	-	-	-	612,784	612,784
-	-	-	-	-	-	-	-	(20,792)
<u>37,719</u>	<u>380,865</u>	<u>109,138</u>	<u>4,647</u>	<u>54,057</u>	<u>12,839</u>	<u>1,329,251</u>	<u>612,784</u>	<u>3,145,837</u>
<u>\$ 41,122</u>	<u>\$ 384,791</u>	<u>\$ 109,386</u>	<u>\$ 4,647</u>	<u>\$ 97,080</u>	<u>\$ 12,839</u>	<u>\$ 1,345,573</u>	<u>\$ 1,015,236</u>	<u>\$ 4,082,559</u>

ANDERSON COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2011

	Farm to Market and Lateral Road	Grant	Juvenile Probation	Law Library	Court Technology and Security	Child Welfare Board
REVENUES						
Property taxes	\$ 623,694	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	641,613	299,703	-	-	9,803
Fees of office	-	-	249,370	-	-	-
Fines and forfeitures	-	-	5,277	26,846	52,449	-
Investment earnings	-	-	-	-	-	-
Miscellaneous	-	750	-	-	-	2,363
Total revenues	<u>623,694</u>	<u>642,363</u>	<u>554,350</u>	<u>26,846</u>	<u>52,449</u>	<u>12,166</u>
EXPENDITURES						
Current:						
General government	-	139,305	-	-	-	-
Judicial	-	56,806	-	29,840	20,312	-
Public safety	-	309,396	811,647	-	55,714	-
Social services	-	-	-	-	-	19,999
Road and bridges	522,600	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Capital outlay	-	238,860	-	-	1,400	-
Total expenditures	<u>522,600</u>	<u>744,367</u>	<u>811,647</u>	<u>29,840</u>	<u>77,426</u>	<u>19,999</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>101,094</u>	<u>(102,004)</u>	<u>(257,297)</u>	<u>(2,994)</u>	<u>(24,977)</u>	<u>(7,833)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	85,830	230,000	-	26,000	20,000
Operating transfers out	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>85,830</u>	<u>230,000</u>	<u>-</u>	<u>26,000</u>	<u>20,000</u>
NET CHANGE IN FUND BALANCES	101,094	(16,174)	(27,297)	(2,994)	1,023	12,167
FUND BALANCES, BEGINNING	<u>352,458</u>	<u>23,107</u>	<u>(428)</u>	<u>7,193</u>	<u>137,683</u>	<u>16,705</u>
FUND BALANCES, ENDING	<u>\$ 453,552</u>	<u>\$ 6,933</u>	<u>\$ (27,725)</u>	<u>\$ 4,199</u>	<u>\$ 138,706</u>	<u>\$ 28,872</u>

(continued)

<u>District Attorney</u>	<u>Records Preservation and Management</u>	<u>Court Reporter</u>	<u>Historical Commission</u>	<u>Sheriff Forfeiture</u>	<u>Guardianship</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,710	\$ 1,239,939	\$ 1,870,343
-	-	-	-	-	-	-	-	951,119
74,206	-	-	-	-	-	-	-	323,576
9,153	139,597	15,195	-	19,342	3,020	-	-	270,879
-	-	-	-	-	-	992	1,559	2,551
33,488	-	-	4,056	276	-	-	-	40,933
<u>116,847</u>	<u>139,597</u>	<u>15,195</u>	<u>4,056</u>	<u>19,618</u>	<u>3,020</u>	<u>7,702</u>	<u>1,241,498</u>	<u>3,459,401</u>
-	128,869	-	-	-	-	-	-	268,174
109,998	-	37,754	-	-	-	-	-	254,710
-	-	-	-	75,985	-	25,240	-	1,277,982
-	-	-	1,535	-	-	-	-	21,534
-	-	-	-	-	-	-	-	522,600
-	-	-	-	-	-	-	660,000	660,000
-	-	-	-	-	-	-	463,270	463,270
1,707	56,845	-	-	-	-	259,852	-	558,664
<u>111,705</u>	<u>185,714</u>	<u>37,754</u>	<u>1,535</u>	<u>75,985</u>	<u>-</u>	<u>285,092</u>	<u>1,123,270</u>	<u>4,026,934</u>
<u>5,142</u>	<u>(46,117)</u>	<u>(22,559)</u>	<u>2,521</u>	<u>(56,367)</u>	<u>3,020</u>	<u>(277,390)</u>	<u>118,228</u>	<u>(567,533)</u>
-	-	-	-	-	-	68,000	-	429,830
-	(68,000)	-	-	-	-	-	-	(68,000)
-	(68,000)	-	-	-	-	68,000	-	361,830
5,142	(114,117)	(22,559)	2,521	(56,367)	3,020	(209,390)	118,228	(205,703)
<u>32,577</u>	<u>494,982</u>	<u>131,697</u>	<u>2,126</u>	<u>110,424</u>	<u>9,819</u>	<u>1,538,641</u>	<u>494,556</u>	<u>3,351,540</u>
<u>\$ 37,719</u>	<u>\$ 380,865</u>	<u>\$ 109,138</u>	<u>\$ 4,647</u>	<u>\$ 54,057</u>	<u>\$ 12,839</u>	<u>\$ 1,329,251</u>	<u>\$ 612,784</u>	<u>\$ 3,145,837</u>

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**BUDGETARY
COMPARISON SCHEDULES**

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ANDERSON COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (WITH VARIANCES)

FARM TO MARKET AND LATERAL ROAD

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 623,849	\$ 623,849	\$ 623,694	\$ (155)
Total revenues	<u>623,849</u>	<u>623,849</u>	<u>623,694</u>	<u>(155)</u>
EXPENDITURES				
Current:				
Road and bridge	390,501	533,178	522,600	10,578
Capital outlay	<u>142,677</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>533,178</u>	<u>533,178</u>	<u>522,600</u>	<u>10,578</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>90,671</u>	<u>90,671</u>	<u>101,094</u>	<u>10,423</u>
NET CHANGE IN FUND BALANCE	90,671	135,912	101,094	(34,818)
FUND BALANCE, BEGINNING	<u>352,458</u>	<u>352,458</u>	<u>352,458</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 443,129</u>	<u>\$ 488,370</u>	<u>\$ 453,552</u>	<u>\$ (34,818)</u>

ANDERSON COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (WITH VARIANCES)

LAW LIBRARY

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 23,000	\$ 23,000	\$ 26,846	\$ 3,846
Total revenues	<u>23,000</u>	<u>23,000</u>	<u>26,846</u>	<u>3,846</u>
EXPENDITURES				
Current:				
Judicial	<u>30,000</u>	<u>30,000</u>	<u>29,840</u>	<u>160</u>
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>29,840</u>	<u>160</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,000)</u>	<u>(7,000)</u>	<u>(2,994)</u>	<u>4,006</u>
NET CHANGE IN FUND BALANCE	<u>(7,000)</u>	<u>38,241</u>	<u>(2,994)</u>	<u>(41,235)</u>
FUND BALANCE, BEGINNING	<u>7,193</u>	<u>7,193</u>	<u>7,193</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 193</u>	<u>\$ 45,434</u>	<u>\$ 4,199</u>	<u>\$ (41,235)</u>

ANDERSON COUNTY, TEXAS

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

COURT REPORTER

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 12,000	\$ 12,000	\$ 15,195	\$ 3,195
Total revenues	<u>12,000</u>	<u>12,000</u>	<u>15,195</u>	<u>3,195</u>
EXPENDITURES				
Current:				
Judicial	<u>12,000</u>	<u>38,000</u>	<u>37,754</u>	<u>246</u>
Total expenditures	<u>12,000</u>	<u>38,000</u>	<u>37,754</u>	<u>246</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(26,000)</u>	<u>(22,559)</u>	<u>3,441</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>19,241</u>	<u>(22,559)</u>	<u>(41,800)</u>
FUND BALANCE, BEGINNING	<u>131,697</u>	<u>131,697</u>	<u>131,697</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 131,697</u>	<u>\$ 150,938</u>	<u>\$ 109,138</u>	<u>\$ (41,800)</u>

ANDERSON COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (WITH VARIANCES)

DEBT SERVICE

FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,192,064	\$ 1,192,064	\$ 1,239,939	\$ 47,875
Investment earnings	-	-	1,559	1,559
Total revenues	<u>1,192,064</u>	<u>1,192,064</u>	<u>1,241,498</u>	<u>49,434</u>
EXPENDITURES				
Debt service:				
Principal	660,000	660,000	660,000	-
Interest and other charges	<u>463,270</u>	<u>463,270</u>	<u>463,270</u>	<u>-</u>
Total expenditures	<u>1,123,270</u>	<u>1,123,270</u>	<u>1,123,270</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>68,794</u>	<u>68,794</u>	<u>118,228</u>	<u>49,434</u>
NET CHANGE IN FUND BALANCE	68,794	114,035	118,228	4,193
FUND BALANCE, BEGINNING	<u>494,556</u>	<u>494,556</u>	<u>494,556</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 563,350</u>	<u>\$ 608,591</u>	<u>\$ 612,784</u>	<u>\$ 4,193</u>

AGENCY FUNDS

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

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

County Clerk – This fund is used to account for monies held on behalf of individuals in accordance with court order pending distribution.

District Clerk – This fund is used to account for monies held on behalf of individuals in accordance with court order pending distribution.

Sheriff – This fund is used to account for monies collected and disbursed by the Sheriff's office.

Justice of the Peace – This fund is used to account for monies collected and disbursed by the Justices of the Peace.

Criminal District Attorney – This fund is used to account for monies collected by the Criminal District Attorney.

Unclaimed Money – This fund is used to account for unclaimed money held on behalf of individuals.

Court of Appeals – This fund is used to account for all fees collected pursuant to *Government Code §22.2131* pending disbursement to the Twelfth Court of Appeals.

ANDERSON COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - ALL AGENCY FUNDS
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>TAX ASSESSOR-COLLECTOR</u>				
Assets:				
Cash and investments	\$ <u>4,349,523</u>	\$ <u>63,682,441</u>	\$ <u>65,375,624</u>	\$ <u>2,656,340</u>
Liabilities:				
Due to others	\$ <u>4,349,523</u>	\$ <u>63,682,441</u>	\$ <u>65,375,624</u>	\$ <u>2,656,340</u>
<u>COUNTY CLERK</u>				
Assets:				
Cash and investments	\$ <u>358,008</u>	\$ <u>1,096,017</u>	\$ <u>1,191,298</u>	\$ <u>262,727</u>
Liabilities:				
Due to others	\$ <u>358,008</u>	\$ <u>1,096,017</u>	\$ <u>1,191,298</u>	\$ <u>262,727</u>
<u>DISTRICT CLERK</u>				
Assets:				
Cash and investments	\$ <u>1,571,316</u>	\$ <u>1,543,607</u>	\$ <u>1,523,931</u>	\$ <u>1,590,992</u>
Liabilities:				
Due to others	\$ <u>1,571,316</u>	\$ <u>1,543,607</u>	\$ <u>1,523,931</u>	\$ <u>1,590,992</u>
<u>SHERIFF</u>				
Assets:				
Cash and investments	\$ <u>48,872</u>	\$ <u>1,168,375</u>	\$ <u>1,167,648</u>	\$ <u>49,599</u>
Liabilities:				
Due to others	\$ <u>48,872</u>	\$ <u>1,168,375</u>	\$ <u>1,167,648</u>	\$ <u>49,599</u>
<u>JUSTICE OF THE PEACE</u>				
Assets:				
Cash and investments	\$ <u>52,743</u>	\$ <u>911,591</u>	\$ <u>806,703</u>	\$ <u>157,631</u>
Liabilities:				
Due to others	\$ <u>52,743</u>	\$ <u>911,591</u>	\$ <u>806,703</u>	\$ <u>157,631</u>

(continued)

ANDERSON COUNTY, TEXAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>CRIMINAL DISTRICT ATTORNEY</u>				
Assets:				
Cash and investments	\$ <u>67,443</u>	\$ <u>384,343</u>	\$ <u>311,143</u>	\$ <u>140,643</u>
Liabilities:				
Due to others	\$ <u>67,443</u>	\$ <u>384,343</u>	\$ <u>311,143</u>	\$ <u>140,643</u>
<u>UNCLAIMED MONEY</u>				
Assets:				
Cash and investments	\$ <u>3,285</u>	\$ <u>4,501</u>	\$ <u>-</u>	\$ <u>7,786</u>
Liabilities:				
Due to others	\$ <u>3,285</u>	\$ <u>4,501</u>	\$ <u>-</u>	\$ <u>7,786</u>
<u>COURT OF APPEALS</u>				
Assets:				
Cash and investments	\$ <u>210</u>	\$ <u>4,755</u>	\$ <u>2,358</u>	\$ <u>3,534</u>
Liabilities:				
Due to others	\$ <u>210</u>	\$ <u>4,755</u>	\$ <u>2,358</u>	\$ <u>3,534</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ <u>6,451,400</u>	\$ <u>68,795,630</u>	\$ <u>70,378,705</u>	\$ <u>4,869,252</u>
Liabilities:				
Due to others	\$ <u>6,451,400</u>	\$ <u>68,795,630</u>	\$ <u>70,378,705</u>	\$ <u>4,869,252</u>

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STATISTICAL SECTION

(Unaudited)

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	59 – 67
Revenue Capacity These schedules contain trend information to help the reader assess the factors affecting the County's ability to generate its property taxes.	68 – 72
Debt Capacity These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future	73 – 77
Demographic and Economic Information These schedules offer economic and demographic information indicators to help the reader understand the environment within the County's financial activities take place and to help make comparisons over time and with other governments.	78 – 79
Operating Information These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	80 – 85
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	

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ANDERSON COUNTY, TEXAS

NET ASSETS BY COMPONENT

LAST NINE FISCAL YEARS

(Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities:									
Invested in capital assets, net of related debt	\$ 23,187,361	\$ 23,393,589	\$ 22,588,582	\$ 22,030,674	\$ 19,795,206	\$ 11,094,026	\$ 9,627,679	\$ 7,048,697	\$ 4,680,065
Restricted	3,579,462	2,316,481	2,013,184	1,776,146	3,006,533	3,696,138	2,908,056	6,176,409	9,150,903
Unrestricted	5,557,910	7,657,647	8,804,272	8,629,269	10,161,586	9,072,172	10,138,877	9,130,868	5,853,079
Total governmental activities net assets	\$ 32,324,733	\$ 33,367,717	\$ 33,406,038	\$ 32,436,089	\$ 32,963,325	\$ 23,862,336	\$ 22,674,612	\$ 22,355,974	\$ 19,684,047
Primary government:									
Invested in capital assets, net of related debt	\$ 23,187,361	\$ 23,393,589	\$ 22,588,582	\$ 22,030,674	\$ 19,795,206	\$ 11,094,026	\$ 9,627,679	\$ 7,048,697	\$ 4,680,065
Restricted	3,579,462	2,316,481	2,013,184	1,776,146	3,006,533	3,696,138	2,908,056	6,176,409	9,150,903
Unrestricted	5,557,910	7,657,647	8,804,272	8,629,269	10,161,586	9,072,172	10,138,877	9,130,868	5,853,079
Total primary government net assets	\$ 32,324,733	\$ 33,367,717	\$ 33,406,038	\$ 32,436,089	\$ 32,963,325	\$ 23,862,336	\$ 22,674,612	\$ 22,355,974	\$ 19,684,047

Source: Anderson County financial records.

Note: Anderson County applied GASB 34 statement in FY 2003.

TABLE 2

ANDERSON COUNTY, TEXAS

CHANGES IN NET ASSETS

LAST NINE FISCAL YEARS

(Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
EXPENSES									
Governmental activities:									
General government	\$ 5,095,955	\$ 5,190,938	\$ 4,774,879	\$ 4,905,331	\$ 4,758,945	\$ 4,740,467	\$ 4,236,985	\$ 3,417,421	\$ 3,196,930
Judicial	2,833,469	2,590,476	2,471,772	2,324,373	2,513,936	2,342,633	2,373,047	2,331,214	2,353,049
Public safety	7,284,060	6,650,546	6,231,562	4,918,777	5,133,802	5,455,621	4,897,325	4,160,287	3,898,208
Social services	788,200	712,048	734,828	960,576	1,178,732	729,363	1,450,183	1,431,056	1,688,738
Roads and highways	4,220,927	4,312,468	4,607,098	4,109,293	3,960,787	3,909,147	3,614,746	3,413,310	4,030,403
Interest on long-term debt	454,462	478,061	363,386	770,281	551,508	563,238	147,320	206,678	34,533
Total expenses	20,677,073	19,934,537	19,183,525	17,988,631	18,097,710	17,740,469	16,719,606	14,959,966	15,201,861
PROGRAM REVENUES									
Governmental activities:									
Fees, fines and charges for services:									
General government	\$ 2,524,548	\$ 2,382,208	\$ 2,617,260	\$ 2,464,568	\$ 1,975,214	\$ 2,389,217	\$ 1,365,075	\$ 900,836	\$ 1,082,936
Judicial	589,920	664,973	658,832	666,322	773,001	813,977	699,227	796,313	523,316
Public safety	617,051	718,130	743,990	747,419	637,881	766,653	386,247	417,366	509,604
Social services	-	-	-	-	-	-	247,385	301,797	267,453
Roads and highways	5,374	6,201	1,442	7,146	90,940	83,370	979,912	963,447	1,361,253
Operating grants and contributions	590,135	745,501	777,180	935,339	869,550	979,336	967,360	1,251,810	1,421,022
Capital grants and contributions	494,428	9,200	164,058	1,060,213	7,210	398,857	-	89,950	-
Total governmental activities	4,821,456	4,526,213	4,962,762	5,881,007	4,353,796	5,431,410	4,645,206	4,721,519	5,165,584
NET (EXPENSE) REVENUES									
Governmental activities	\$(15,855,617)	\$(15,408,324)	\$(14,220,763)	\$(12,107,624)	\$(13,743,914)	\$(12,309,059)	\$(12,074,400)	\$(10,238,447)	\$(10,036,277)
Total primary government net expense	(15,855,617)	(15,408,324)	(14,220,763)	(12,107,624)	(13,743,914)	(12,309,059)	(12,074,400)	(10,238,447)	(10,036,277)

(continued)

ANDERSON COUNTY, TEXAS

CHANGES IN NET ASSETS

(Continued)

LAST NINE FISCAL YEARS

(Accrual Basis of Accounting)

(Unaudited)

	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS									
Governmental activities:									
Taxes									
Property taxes	\$ 12,868,263	\$ 12,664,751	\$ 12,577,857	\$ 11,827,075	\$ 11,118,755	\$ 10,168,389	\$ 9,586,863	\$ 10,709,071	\$ 8,322,376
Sales tax	2,287,587	2,231,330	2,195,313	2,554,428	2,354,404	2,417,090	2,096,256	1,764,355	1,662,820
Other taxes	30,622	32,218	30,122	31,862	36,572	30,705	29,613	29,821	29,677
Investment earnings	31,276	25,210	43,096	186,873	698,601	961,677	489,041	256,135	389,476
Miscellaneous	209,113	334,901	307,810	317,228	289,863	233,978	191,265	150,992	58,501
Gain from sale of capital assets	42,644	81,593	36,514	422,892	20,814	21,795	-	-	38,620
Total governmental activities	15,469,505	15,370,003	15,190,712	15,340,358	14,519,009	13,833,634	12,393,038	12,910,374	10,501,470
Total primary government	15,469,505	15,370,003	15,190,712	15,340,358	14,519,009	13,833,634	12,393,038	12,910,374	10,501,470
CHANGE IN NET ASSETS									
Governmental activities	(386,112)	(38,321)	969,949	3,232,734	775,095	1,524,575	318,638	2,671,927	465,193
Total primary government	\$(386,112)	\$(38,321)	\$ 969,949	\$ 3,232,734	\$ 775,095	\$ 1,524,575	\$ 318,638	\$ 2,671,927	\$ 465,193
Changes in net assets	(386,112)	(38,321)	969,949	3,232,734	775,095	1,524,575	318,638	2,671,927	465,193
Net assets - beginning	33,367,717	33,406,038	32,436,089	32,963,325	23,862,336	22,674,612	22,355,974	19,684,047	19,197,753
Prior period adjustments	-	-	-	(3,759,970)	8,325,894	(336,851)	-	-	21,101
Net Assets - Ending	\$ 32,981,605	\$ 33,367,717	\$ 33,406,038	\$ 32,436,089	\$ 32,963,325	\$ 23,862,336	\$ 22,674,612	\$ 22,355,974	\$ 19,684,047

Source: Anderson County financial records

Note: Anderson County applied GASB Statement 34 in FY 2003.

ANDERSON COUNTY, TEXAS

FUND BALANCES GOVERNMENTAL FUNDS

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

	Fiscal Year			
	2011	2010	2009	2008
General fund				
Reserved for prepaid items	\$ -	\$ 147,106	\$ 142,802	\$ 143,733
Unreserved, undesignated	-	5,663,738	7,058,622	6,879,053
Nonspendable	83,848	-	-	-
Unassigned	<u>4,654,087</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total general fund	<u>\$ 4,737,935</u>	<u>\$ 5,810,844</u>	<u>\$ 7,201,424</u>	<u>\$ 7,022,786</u>
All other governmental funds				
Reserved for:				
Debt service	\$ -	\$ 494,556	\$ 402,624	\$ 268,581
Capital projects fund	-	1,220,809	1,119,217	1,371,921
Grant expenditures				
Prepaid items				
Unreserved, reported in:				
Special revenue funds	-	1,589,830	1,393,936	1,265,286
Nonspendable	10,031	-	-	-
Restricted	3,156,598	-	-	-
Unassigned	<u>(20,792)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 3,145,837</u>	<u>\$ 3,305,195</u>	<u>\$ 2,915,777</u>	<u>\$ 2,905,788</u>

Source: Anderson County financial records

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

TABLE 3

Fiscal Year					
2007	2006	2005	2004	2003	2002
\$ 134,596	\$ 98,834	\$ 39,851	\$ 45,157	\$ -	\$ 39,851
5,313,845	4,799,286	4,417,339	4,241,337	4,338,423	4,417,339
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 5,448,441</u>	<u>\$ 4,898,120</u>	<u>\$ 4,457,190</u>	<u>\$ 4,286,494</u>	<u>\$ 4,338,423</u>	<u>\$ 4,457,190</u>
\$ 182,120	\$ 112,568	\$ 112,942	\$ 48,477	\$ 60,855	\$ 112,942
1,595,719	6,110,050	11,161,719	2,790,632	5,073,402	11,162,029
2,072,254	2,603,742	2,794,804	3,337,300	3,336,738	2,794,804
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,850,093</u>	<u>\$ 8,826,360</u>	<u>\$ 14,069,465</u>	<u>\$ 6,176,409</u>	<u>\$ 8,470,995</u>	<u>\$ 14,069,775</u>

ANDERSON COUNTY, TEXAS

CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

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

	Fiscal Year			
	2011	2010	2009	2008
REVENUES				
Property taxes	\$ 12,862,976	\$ 12,514,931	\$ 12,598,499	\$ 11,891,800
Other taxes	2,318,209	2,263,548	2,225,435	2,586,290
Intergovernmental	1,216,315	812,820	1,001,936	1,968,338
Fees of office	2,893,597	3,234,010	3,426,717	3,628,960
Fines and forfeitures	831,401	-	-	-
Investment earnings	31,276	25,210	43,096	186,873
Other revenue	<u>136,868</u>	<u>700,367</u>	<u>899,651</u>	<u>579,334</u>
Total revenues	<u>20,290,642</u>	<u>19,550,886</u>	<u>20,195,334</u>	<u>20,841,595</u>
EXPENDITURES				
Current:				
General government	4,616,524	4,845,925	4,609,448	4,724,655
Judicial	2,721,971	2,570,698	2,460,234	2,291,479
Public safety	6,466,938	6,056,631	5,873,060	5,181,122
Social services	759,577	708,985	734,006	953,260
Roads and bridges	4,310,450	4,384,472	4,217,765	4,061,973
Debt service:				
Principal	685,000	635,000	610,000	590,000
Interest and fiscal charges	463,270	486,576	508,451	631,613
Capital outlay	<u>1,112,430</u>	<u>970,344</u>	<u>1,030,857</u>	<u>3,029,468</u>
Total expenditures	<u>21,136,160</u>	<u>20,658,631</u>	<u>20,043,821</u>	<u>21,463,570</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(845,518)</u>	<u>(1,107,745)</u>	<u>151,513</u>	<u>(621,975)</u>

TABLE 4

Fiscal Year					
2007	2006	2005	2004	2003	2002
\$ 10,902,235	\$ 10,039,594	\$ 8,793,250	\$ 7,914,976	\$ 7,349,463	\$ 4,310,989
2,390,976	2,447,788	2,125,513	1,794,067	1,692,497	1,484,741
804,057	1,296,140	899,219	1,096,510	1,255,523	73,655
3,567,523	3,769,554	3,178,403	3,231,243	3,087,465	1,086,716
-	-	-	-	-	-
698,601	961,677	489,041	452,237	376,374	305,855
481,095	467,567	399,290	373,054	352,642	311,480
<u>18,844,487</u>	<u>18,982,320</u>	<u>15,884,716</u>	<u>14,862,087</u>	<u>14,113,964</u>	<u>7,573,436</u>
4,454,656	4,292,071	4,007,289	3,245,453	3,197,117	2,563,038
2,244,286	2,194,952	2,292,829	2,263,061	2,378,461	1,831,925
4,824,447	4,903,006	4,734,726	4,019,882	3,787,985	2,778,450
929,294	682,561	1,431,834	1,060,382	1,077,275	443,150
3,669,235	3,465,133	3,314,864	3,144,523	3,706,653	169,249
570,000	530,000	155,000	158,707	83,840	-
549,445	584,065	147,320	181,023	4,362	-
<u>5,743,896</u>	<u>7,214,804</u>	<u>2,042,454</u>	<u>3,135,571</u>	<u>1,732,884</u>	<u>-</u>
<u>22,985,259</u>	<u>23,866,592</u>	<u>18,126,316</u>	<u>17,208,602</u>	<u>15,968,577</u>	<u>7,785,812</u>
(4,140,772)	(4,884,272)	(2,241,600)	(2,346,515)	(1,854,613)	(212,376)

(continued)

ANDERSON COUNTY, TEXAS

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

	Fiscal Year			
	2011	2010	2009	2008
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 429,830	\$ 403,959	\$ 248,787	\$ 200,000
Transfers out	(929,830)	(403,959)	(248,787)	(200,000)
Issuance of capital leases	68,010	-	-	-
Sale of capital assets	45,241	106,583	37,114	1,252,015
Payment to escrow agent	-	-	-	-
Issuance of bonds	-	-	-	-
Total other financing sources (uses)	(386,749)	106,583	37,114	1,252,015
NET CHANGE IN FUND BALANCES	<u><u>\$ (1,232,267)</u></u>	<u><u>\$ (1,001,162)</u></u>	<u><u>\$ 188,627</u></u>	<u><u>\$ 630,040</u></u>
PRIOR PERIOD ADJUSTMENT	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
DEBT SERVICES (PRINCIPAL AND INTEREST) AS PERCENTAGE OF NONCAPITAL EXPENDITURES	<u><u>6.04%</u></u>	<u><u>5.71%</u></u>	<u><u>2.87%</u></u>	<u><u>4.37%</u></u>

Source: Anderson County financial records

TABLE 4

Fiscal Year					
<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 61,352	\$ 233,868	\$ 323,113	\$ 167,094	\$ 1,366,742	\$ 39,832
(371,352)	(233,868)	(323,113)	(167,094)	(1,366,742)	(2,805,195)
-	-	-	-	-	-
24,826	81,787	93,807	-	38,620	-
-	-	261,855	-	-	-
-	-	9,950,000	-	4,500,000	-
(285,174)	81,787	10,305,662	-	4,538,620	(2,765,363)
<u>\$(4,425,946)</u>	<u>\$(4,802,485)</u>	<u>\$ 8,064,062</u>	<u>\$(2,346,515)</u>	<u>\$ 2,684,007</u>	<u>\$(2,977,739)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>3.79%</u>	<u>3.96%</u>	<u>4.30%</u>	<u>5.64%</u>	<u>6.82%</u>	<u>6.16%</u>

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TABLE 5

ANDERSON COUNTY, TEXAS

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	Real Property			Personal Property	Less: Tax-exempt Property	Total Taxable Assessed Value ^a	Total Direct Tax Rate
	Residential Property	Commercial Property	Other Property				
2011	\$ 2,247,814,549	\$ 297,751,850	\$ 178,431,287	\$ 831,673,239	1,032,264,582	\$ 2,523,406,343	0.51100
2010	2,249,362,263	303,301,177	163,604,639	820,518,502	1,045,330,326	2,491,456,255	0.51100
2009	2,232,603,525	283,002,240	228,978,240	841,834,367	1,074,449,922	2,511,968,450	0.51100
2008	1,723,071,501	265,377,630	228,694,889	848,315,401	747,638,129	2,317,821,292	0.51100
2007	1,395,786,128	260,328,245	207,374,790	679,767,934	388,205,416	2,155,051,681	0.51100
2006	1,160,792,285	248,234,940	178,337,850	603,050,996	378,558,900	1,811,857,171	0.51100
2005	1,478,625,749	237,724,220	149,932,552	573,346,687	624,233,143	1,815,396,065	0.51876
2004	1,366,617,621	228,993,727	119,277,272	566,927,350	590,962,855	1,690,853,115	0.46686
2003	1,343,968,543	227,194,563	114,847,209	581,863,986	602,052,478	1,665,821,823	0.46686
2002	1,200,487,133	218,700,455	125,385,512	558,569,887	529,632,162	1,573,510,825	0.44390

Source: Anderson County Appraisal District

Notes:

a - Property is assessed at actual value; therefore, the assessed values are equal to actual value.

b - Tax rates are per \$100 of assessed value.

ANDERSON COUNTY, TEXAS

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

LAST TEN FISCAL YEARS

(Unaudited)

	Fiscal Year			
	2011	2010	2009	2008
County direct rates				
General	0.46296	0.43712	0.42447	0.43542
Debt Service	0.03574	0.04933	0.04966	0.05103
Permanent Improvement Fund	-	-	0.01232	-
Road and bridge	-	-	-	-
Flood control	0.02230	0.02455	0.02455	0.02455
Total direct rate	0.5210	0.5110	0.51100	0.51100
Cities				
City Of Elkhart	0.30424	0.30430	0.29540	0.29540
City Of Frankston	0.36440	0.37470	0.37480	0.35780
City Of Palestine	0.63900	0.63900	0.63900	0.63900
Schools				
Athens ISD	1.18647	1.18647	1.18647	1.15338
Cayuga ISD	1.04000	1.04000	1.04000	1.04000
Elkhart ISD	1.36000	1.36000	1.36000	1.17000
Frankston ISD	1.04000	1.04000	1.13870	1.12400
La Poynor ISD	1.08200	1.08200	1.08200	1.08200
Neches ISD	1.36410	1.32000	1.32000	1.31000
Palestine ISD	1.56600	1.54900	1.54900	1.29070
Slocum ISD	0.97800	0.95800	0.93800	0.93800
Westwood ISD	1.17000	1.17000	1.04000	1.04000
Colleges				
TVCC - Frankston	0.08150	0.07750	0.07440	0.06800
TVCC - Lapoynor	0.08150	0.07750	0.07440	0.06800
TVCC - Palestine	0.05000	0.05000	0.04730	0.04400

Source: Anderson County Appraisal District

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

TABLE 6

Fiscal Year					
2007	2006	2005	2004	2003	2002
0.42768	0.32953	0.33683	0.32490	0.30230	0.29730
0.05210	0.05633	0.05880	0.01690	0.01796	-
0.00667	0.00787	0.00787	0.00980	0.01250	0.01250
-	0.09272	0.09272	0.09272	0.13410	0.13410
0.02455	0.02455	0.02254	0.02254	-	-
0.5110	0.5110	0.51876	0.46686	0.46686	0.4439
0.30420	0.29630	0.28530	0.28530	0.27560	0.274
0.35780	0.36720	0.41000	0.39960	0.36000	0.30650
0.63900	0.62000	0.62000	0.60000	0.64115	0.64115
1.04000	1.37000	1.50000	1.50000	1.50000	1.50000
1.17000	1.37000	1.50000	1.50000	1.50000	1.50000
1.09600	1.38800	1.52850	1.53300	1.53300	1.53300
1.31800	1.37000	1.50000	1.50000	1.50000	1.45900
1.28038	1.48550	1.61760	1.62040	16.05000	1.57818
0.93800	1.18000	1.28720	1.28720	1.28720	1.28720
1.00500	1.22500	1.33700	1.33700	1.39900	1.39900
0.06800	0.06400	0.06400	0.06150	0.06150	0.06150
0.06800	0.06400	0.06400	0.06150	0.06150	0.06150
0.04400	0.05000	0.05000	0.05000	0.04850	0.04410

TABLE 7

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

Taxpayer	Property Tax Year					
	2011			2002		
	Taxable Assessed Value ^a	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal-Mart Stores # Div Store	\$ 123,811,718	1	4.91%	\$ 170,641,227	1	10.84%
Energy Transfer Fuel LP	90,423,833	2	3.58%	98,527,910	2	6.26%
Hunt Oil Company	55,064,853	3	2.18%	90,475,840	3	5.75%
Enbridge Pipelines (East TX)	50,678,509	4	2.01%	52,541,300	5	3.34%
Oncor Electric Delivery Co. LLC	28,364,775	5	1.12%	33,405,690	7	2.12%
Union Pacific Railroad Co.	2,419,298	6	0.10%	17,506,930	11	1.11%
United Telephone Co. of Texas	24,192,285	7	0.96%	29,203,940	10	1.86%
Atmos Energy/Mid-Tex Pipeline	21,952,871	8	0.87%	-	-	- %
Pinnacle Gas Treating Inc.	21,950,694	9	0.87%	25,060,440	8	1.59%
North Arkansas Wholesale Co. Inc.	18,966,562	10	0.75%	-	-	- %
JLA Resources Company	16,255,335	11	0.64%	7,740,300	19	0.49%
Atmos Energy Mid-Tex Division	15,401,744	12	0.61%	-	-	- %
Ensearch Corp - Lone Star Gas Division	-	-	- %	56,397,250	4	3.58%
Palestine Principal Healthcare, LTD	13,139,827	18	0.52%	35,324,925	6	2.24%
	-	-	- %	-	-	- %
Total	\$ <u>482,622,304</u>		<u>14.22%</u>	\$ <u>446,184,525</u>		<u>28.36%</u>
Total taxable assessed value	\$ <u>2,524,008,207</u>		<u>100.00%</u>	<u>\$1,573,510,825</u>		<u>100.00%</u>

Source: Anderson County Appraisal District

TABLE 8

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

Fiscal Year	Tax Levy as of Fiscal Year End ^a	Collected within the Fiscal Year of the Levy		Subsequent Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 12,669,057	\$ 12,324,398	97.28%	\$ 47,421	\$ 12,371,819	97.65%
2010	12,423,897	12,024,885	96.79%	178,487	12,203,372	98.22%
2009	12,611,695	12,051,772	95.56%	193,692	12,245,464	97.10%
2008	11,745,899	11,262,048	95.88%	206,343	11,468,391	97.64%
2007	10,883,369	10,350,847	95.11%	279,557	10,630,404	97.68%
2006	10,061,464	9,557,104	94.99%	254,133	9,811,237	97.51%
2005	8,624,145	8,155,509	94.57%	243,737	8,399,246	97.39%
2004	7,839,491	7,401,709	94.42%	236,135	7,637,844	97.43%
2003	7,337,497	6,892,171	93.93%	256,241	7,148,412	97.42%
2002	6,970,834	6,524,124	93.59%	232,874	6,756,998	96.93%

Source: Anderson County Tax Assessor/Collector

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

TABLE 9

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

Fiscal Year	Governmental Activities			Total Long-term Debt	Percentage of Personal Income ^{b,c}	Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Capital Leases			
2011	\$ 7,435,000	\$ 3,155,000	\$ 43,010	\$ 10,590,000	0.67%	\$ 181.62
2010	7,895,000	3,355,000	-	11,250,000	0.75%	192.45
2009	8,340,000	3,545,000	-	11,885,000	0.79%	208.51
2008	8,765,000	3,730,000	-	12,495,000	0.84%	220.34
2007	9,180,000	3,905,000	-	13,085,000	0.94%	230.56
2006	9,580,000	4,075,000	-	13,655,000	1.08%	242.19
2005	9,950,000	4,235,000	-	14,185,000	1.19%	253.16
2004	-	4,390,000	-	4,390,000	0.39%	79.00
2003	-	4,500,000	50,277	4,550,277	0.42%	81.88
2002	-	-	134,117	134,117	0.01%	2.47

Source: Anderson County financial records

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

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

TABLE 10

ANDERSON COUNTY, TEXAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING^a

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	General Bonded Debt Outstanding			Less: Amounts Available for Debt Service	Net General Bonded Debt	Percentage of Actual Taxable Property Value ^b	Per Capita ^c
	General Obligation Bonds	Certificates of Obligation	Total				
2011	\$ 7,435,000	\$ 3,155,000	\$ 10,590,000	\$ 916,671	\$ 10,590,000	0.42%	\$ 181.62
2010	7,895,000	3,355,000	11,250,000	544,907	10,705,093	0.43%	183.12
2009	8,340,000	3,545,000	11,885,000	666,221	11,218,779	0.45%	196.82
2008	8,765,000	3,730,000	12,495,000	718,850	11,776,150	0.51%	207.66
2007	9,366,871	3,905,000	13,271,871	855,614	12,416,257	0.58%	218.77
2006	9,580,000	4,075,000	13,655,000	100,579	13,554,421	0.75%	240.41
2005	9,950,000	4,235,000	14,185,000	720,941	13,464,059	0.74%	240.30
2004	-	4,390,000	4,390,000	163,452	4,226,548	0.25%	76.05
2003	-	4,500,000	4,500,000	228,553	4,271,447	0.26%	76.86
2002	-	-	-	-	-	-	-

Source: Anderson County financial records

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

b - See Table 5 for property value data.

c - See Table 13 for population data.

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TABLE 11

ANDERSON COUNTY, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2011

(Unaudited)

Taxing Jurisdiction	Debt Outstanding	Estimate Percentage Overlapping Anderson County	Estimated Share of Overlapping Debt
County-wide			
Anderson County	\$ 10,590,000	100.00%	\$ 10,590,000
Total direct debt			\$ 10,590,000
Cities			
City Of Elkhart	925,000	100.00%	925,000
City Of Frankston	-	100.00%	-
City Of Palestine	23,112,445	100.00%	23,112,445
Total Cities			24,037,445
School District (% of assessed value)			
Part of Athens ISD	15,577,543	0.14%	21,809
Cayuga ISD	-	100.00%	-
Elkhart ISD	16,000,000	99.00%	15,865,600
Frankston ISD	-	100.00%	-
Part of La Poynor ISD	184,931	2.47%	4,568
Neches ISD	5,100,000	100.00%	5,100,000
Palestine ISD	62,670,000	100.00%	62,670,000
Slocum ISD	-	100.00%	-
Westwood ISD	-	100.00%	-
Total School Districts			83,661,977
Colleges			
TVCC - Frankston	-	8.42%	-
TVCC - Lapoynor	-	2.73%	-
TVCC - Palestine	-	44.50%	-
Total indirect debt			107,699,422
Total direct and overlapping debt			\$ 118,289,422

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

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

ANDERSON COUNTY, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

(Unaudited)

	Fiscal Year			
	2011	2010	2009	2008
Assessed value of real property	\$ 2,558,035,425	\$ 2,524,008,207	\$ 2,491,727,536	\$ 2,511,676,692
Debt limit rate	5%	5%	5%	5%
Debt limit	127,901,771	126,200,410	124,586,377	125,583,835
Debt applicable to limit:				
Total bonded debt	10,590,000	11,250,000	11,885,000	12,495,000
Less: amount set aside for repayment		544,907	666,221	718,850
Total net debt applicable to limit	10,590,000	10,705,093	11,218,779	11,776,150
Legal debt margin	\$ 117,311,771	\$ 115,495,317	\$ 113,367,598	\$ 113,807,685
Total net debt applicable to the limit as a percentage of debt limit	8.28%	8.48%	9.00%	9.38%

Source: Anderson County financial records

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

TABLE 12

Fiscal Year					
2007	2006	2005	2004	2003	2002
\$ 2,322,401,884	\$ 2,155,051,681	\$ 1,811,857,171	\$ 1,850,025,223	\$ 1,688,107,362	\$ 1,662,688,373
5%	5%	5%	5%	5%	5%
116,120,094	107,752,584	90,592,859	92,501,261	84,405,368	83,134,419
13,271,871	13,271,871	13,655,000	14,185,000	4,390,000	4,500,000
855,614	100,579	720,941	163,452	228,553	-
12,416,257	13,171,292	12,934,059	14,021,548	4,161,447	4,500,000
\$ 103,703,837	\$ 94,581,292	\$ 77,658,800	\$ 78,479,713	\$ 80,243,921	\$ 78,634,419
10.69%	12.22%	14.28%	15.16%	4.93%	5.41%

TABLE 13

ANDERSON COUNTY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
(Unaudited)

Calendar Year	Estimated Population ^a	County				State of Texas	United States
		Personal Income (thousands of dollars) ^a	Per Capita Personal Income ^a	School Enrollment ^b	Unemployment Rate ^c	Per Capita Personal Income ^a	Per Capita Personal Income ^a
2011	58,308	\$ 1,576,696	\$ 27,041	8,464	9.1%	\$ 39,493	\$ 41,663
2010	58,458	1,502,709	26,229	8,473	9.5%	37,706	39,945
2009	57,001	1,497,051	26,264	8,509	8.6%	38,546	39,626
2008	56,709	1,491,400	26,299	8,464	5.7%	37,774	40,208
2007	56,754	1,385,819	24,418	8,595	5.1%	37,187	38,611
2006	56,381	1,261,739	22,379	8,552	5.9%	35,058	36,629
2005	56,031	1,196,385	21,352	8,409	6.3%	33,160	34,685
2004	55,573	1,128,706	20,310	8,308	7.0%	30,887	33,072
2003	55,573	1,071,081	19,273	8,454	8.0%	29,340	31,466
2002	54,365	1,055,396	19,413	8,440	7.5%	28,793	30,795

Sources:

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

TABLE 14

ANDERSON COUNTY, TEXAS

PRINCIPAL EMPLOYERS

DECEMBER 31, 2011

(Unaudited)

Employer	Nature of Business	2011	
		Employees	Percentage of Total County Employment ^a
Texas Department of Criminal Justice	State Prison	4,400	22.2%
Wal-Mart Distribution Center #6036	Wholesaler/Retailer	1,152	5.8%
Palestine Regional Medical Center	Hospital	500	2.5%
Wal-Mart Supercenter #0345	Wholesaler/Retailer	370	1.9%
Palestine ISD	Government/Education	275	1.4%
Anderson County	Government/County	220	1.1%
Union Pacific Railroad	Railroad	200	1.0%
City of Palestine	Government/City	196	1.0%
Cartmell Home for the Aged	Nursing Home	164	0.8%
Westwood ISD	Public School District	121	0.6%
Total		<u>7,598</u>	<u>38.4%</u>

Sources: Chamber of Commerce
Texas Workforce Commission

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TABLE 15

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

Function/Program	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government									
Elected/appointed officials	5	5	5	5	5	5	5	5	5
Clerical	21	21	21	22	22	22	22	22	22
Building maintenance	4	4	4	4	4	4	3	3	3
Information technology	2	1	1	1	1	1	-	-	-
Emergency management	2	2	2	2	2	2	2	2	2
Judicial									
Judges/justices of the peace	10	10	10	10	10	10	10	10	10
Criminal District Attorney	1	1	1	1	1	1	1	1	1
Assistant prosecutors	5	4	4	4	4	4	4	4	4
Investigators	2	2	2	2	2	2	2	2	2
Clerical	32	32	32	30	30	29	29	29	29
Public safety									
County sheriff	1	1	1	1	1	1	1	1	1
Constables	4	4	4	4	4	4	4	4	4
Patrol/CID	31	31	31	28	28	27	27	27	27
Jailers	39	39	39	34	34	29	26	26	26
Administration	4	4	4	3	3	3	3	3	3
Juvenile probation	7	7	7	7	7	7	7	7	7
Health and welfare	4	5	5	5	5	5	5	5	5
Roads and highways									
County commissioners	4	4	4	4	4	4	4	4	4
Road employees	40	40	40	43	43	43	43	43	43
Total	<u>218</u>	<u>217</u>	<u>217</u>	<u>210</u>	<u>210</u>	<u>203</u>	<u>198</u>	<u>198</u>	<u>198</u>

Source: Anderson County Financials

Note: Information from 2002 is not available.

ANDERSON COUNTY, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST NINE FISCAL YEARS

(Unaudited)

Function/Program	Fiscal Year				
	2011	2010	2009	2008	2007
General government					
Auditor's office					
AP and payroll checks processed	7,655	8,534	9,242	9,619	10,102
Purchase orders Issued	3,382	3,642	3,443	3,350	3,647
Treasurer's office					
Cash receipts issued	1,866	1,846	1,959	2,060	1,951
County clerk					
Marriage licenses issued	433	412	369	424	444
Declarations of informal marriage	16	3	7	10	7
Birth certificates issued	2,900	2,767	2,774	2,935	3,286
Death certificates issued	1,509	2,380	237	2,790	2,932
Tax office					
Title transactions	10,953	9,878	9,485	10,593	10,702
Registration transactions	50,953	49,920	49,684	50,002	48,285
Tax certificates issued	1,313	1,354	1,497	1,787	2,416
Liquor receipts issued	41	44	87	72	71
Elections administration					
Number of registered voters	22,026	22,026	20,916	19,888	18,160
Number that voted	N/A	10,968	N/A	16,655	N/A
Voted percentage	N/A	40.97%	N/A	60.29%	N/A
Judicial					
District court					
Criminal cases disposed	391	657	600	625	769
Civil cases disposed	489	852	737	831	833
Total cases	1,179	1,509	1,337	1,456	1,602
County court					
Criminal cases disposed	-	-	1,421	1,626	1,227
Civil cases disposed	N/A	604	870	844	990
Juvenile cases disposed	N/A	22	39	21	26
Total cases	N/A	626	2,330	2,491	2,243
Justices of the peace					
Cases filed	5,578	5,171	7,477	7,918	8,359
Cases disposed	5,717	5,565	6,730	7,411	7,756
Inquests	112	130	110	101	108

Source: Various County Departments

TABLE 16

Fiscal Year			
2006	2005	2004	2003
10,476	N/A	N/A	N/A
3,470	N/A	N/A	N/A
1,057	N/A	N/A	N/A
402	433	406	335
3	7	4	14
3,233	1,733	1,195	N/A
449	256	2,380	N/A
11,037	11,096	10,491	N/A
47,608	46,226	44,478	43,506
-	-	-	-
-	-	-	-
26,008	28,544	28,007	27,628
10,641	N/A	16,301	N/A
38.39%	N/A	55.05%	N/A
912	838	755	670
813	806	1,043	1,007
1,725	1,644	1,798	1,677
1,396	1,456	1,178	1,495
1,161	1,103	1,042	1,306
37	38	37	502
2,594	2,597	2,257	3,947
9,882	9,965	9,554	7,005
8,328	8,624	8,405	6,974
121	119	96	104

(continued)

ANDERSON COUNTY, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

(Continued)

LAST NINE FISCAL YEARS

(Unaudited)

Function/Program	Fiscal Year				
	2011	2010	2009	2008	2007
Public safety					
County jail					
Annual food cost	278,401	258,695	280,126	263,217	229,383
Law enforcement					
Offense reports	1,307	1,093	1,346	1,370	1,862
New cases	965	844	927	779	N/A
Cases cleared	416	317	357	280	278
Warrants received	2,112	1,786	2,353	2,511	2,487
Warrants executed	1,814	2,152	2,117	2,237	2,148
Reserve hours	2,101	2,710	2,899	3,144	2,257
Communications					
Calls for service	15,706	14,521	13,688	9,967	9,929
911 calls	24,556	21,705	21,663	17,501	19,452
Total calls to communication	292,194	235,109	297,221	250,204	293,112
Fleet operations					
Miles driven	791,445	744,166	727,473	741,280	718,526
Average fleet MPG	18	18	18	18	17
Traffic stops	1,892	620	1,001	636	N/A
Citations issued	227	285	442	211	N/A
Civil process					
Papers served	2,599	2,881	2,627	2,918	2,778
Writs completed	379	274	309	260	249
Health and welfare					
Number of pauper burial/cremation	3	3	2	2	3

Source: Various County Departments

Notes: Miles of roadway are estimated.
Information from 2002 is not available.

TABLE 16

Fiscal Year			
2006	2005	2004	2003
179,417	137,990	147,917	132,821
1,535	1,896	1,744	1,568
N/A	N/A	N/A	N/A
2,187	324	361	309
2,846	2,160	2,263	2,328
2,526	2,184	1,067	1,315
8,474	2,820	3,251	4,249
10,331	10,128	8,338	15,220
17,016	11,367	15,718	17,617
N/A	N/A	N/A	N/A
704,142	661,812	551,217	608,983
17	17	16	16
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
3,007	4,020	2,731	3,178
1,243	864	419	362
2	2	3	2

ANDERSON COUNTY, TEXAS
CAPITAL ASSETS AND INFRASTRUCTURE STATISTICS
BY FUNCTION/PROGRAM
LAST NINE FISCAL YEARS
(Unaudited)

Function/Program	Fiscal Year								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government									
Land	\$ 1,736,715	\$ 1,736,715	\$ 1,736,715	\$ 1,736,715	\$ 1,736,715	\$ 1,765,445	\$ 1,820,135	\$ 1,560,701	\$ 1,560,201
Construction in progress	843,262	825,551	770,130	1,427,561	528,299	6,191,028	381,776	3,205,538	1,534,803
Buildings and Improvements	23,616,750	23,352,566	22,973,228	22,232,271	22,168,311	11,398,807	11,395,932	9,782,610	8,757,472
Machinery and equipment	1,816,519	1,649,375	1,851,924	3,395,447	1,378,922	1,741,791	694,258	485,533	413,720
Total general government	28,013,246	27,564,207	27,331,997	28,791,994	25,812,247	21,097,071	14,292,101	15,034,382	12,266,196
Judicial	103,359	97,102	86,167	99,456	153,212	200,810	551,477	384,106	61,170
Public safety	3,126,525	2,840,441	2,827,077	1,207,499	1,838,565	2,331,144	1,112,257	799,589	890,742
Social services	15,830	14,609	12,957	10,245	51,075	69,495	1,376,841	2,235,926	2,203,633
Roads and bridges	52,882,986	51,796,826	50,787,909	49,721,937	48,594,175	2,178,361	2,071,366	1,590,564	1,499,716
Total capital assets	\$ 84,141,946	\$ 82,313,185	\$ 81,046,107	\$ 79,831,131	\$ 76,449,274	\$ 25,876,881	\$ 19,404,042	\$ 20,044,567	\$ 16,921,457

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

Note: Information from 2002 is not available.

COMPLIANCE SECTION

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

To the Honorable County Judge
and Commissioners Court of
Anderson County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anderson County, Texas, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 22, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anderson County, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-1.

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

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

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

June 22, 2012

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

To the Honorable County Judge
and County Commissioners
Anderson County, Texas

Compliance

We have audited the Anderson County, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Anderson County, Texas' major federal programs for the year ended December 31, 2011. The Anderson County, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

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

Internal Control Over Compliance

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

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

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

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

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

June 22, 2012

ANDERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2011

State Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
<u>U. S. Department of Housing and Urban Development</u>			
Passed through Texas General Land Office:			
Community Development Block Grant- Disaster Recovery Program	14.218	DRS01008	\$ 133,669
Total Passed through Texas General Land Office			<u>133,669</u>
Passed through Texas Department of Agriculture:			
Community Development Block Grant	14.218	710009	227,005
Total Passed through Texas Department of Agriculture			<u>227,005</u>
Total U. S. Department of Housing and Urban Development			<u>360,674</u>
<u>U. S. Department of Justice</u>			
Passed through Office of the Governor Criminal Justice Division:			
Violence Against Women Act Court Training and Improvement Grant	16.588	2009203	15,262
Violence Against Women Act Court Training and Improvement Grant	16.588	2009202	38,085
Total Passed through Office of the Governor Criminal Justice Division			<u>53,347</u>
Passed through City of Palestine:			
Edward Byrne Memorial Justice Assistance	16.738	2009-DJ-BX-1350	1,595
Total Passed through City of Palestine			<u>1,595</u>
Total U. S. Department of Justice			<u>54,942</u>
<u>U. S. Elections Assistance Commission</u>			
Passed through Texas Secretary of State:			
HAVA	39.011	78476	55,047
HAVA	39.011	77286	3,710
Total Passed through Texas Secretary of State			<u>58,757</u>
Total U. S. Elections Assistance Commission			<u>58,757</u>
<u>U. S. Department of Health & Human Services</u>			
Passed through Texas Department of Family and Protective Services:			
Title IV-E Child Welfare	93.658	23938978	1,569
Title IV-E Child Welfare	93.658	23379871	8,234
Total Passed through Texas Department of Family and Protective Services			<u>9,803</u>
Total U. S. Department of Health & Human Services			<u>9,803</u>

(continued)

ANDERSON COUNTY, TEXAS

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

State Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
<u>Department of Homeland Security</u>			
Passed through Texas Department of Public Safety Division of Emergency Management:			
Emergency Management Performance Grant	97.042	11TX-EMPG-1128	\$ 21,935
Homeland Security Grant Program- Citizen Corps Grant	97.053	2009-SS-T9-0064	6,717
Homeland Security Grant Program- LETPA	97.073	2010-SS-T0-0008	35,119
Homeland Security Grant Program	97.073	2008-GE-T8-0034	<u>7,719</u>
Total Passed through Texas Department of Public Safety Division of Emergency Management			<u>71,490</u>
Total Department of Homeland Security			<u>71,490</u>
Total Expenditures of Federal Awards			<u>\$ 555,666</u>

ANDERSON COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2011

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards programs of the reporting entity. The County's reporting entity is defined in Note 1 of the basic financial statements. Federal awards received directly from federal agencies, as well as Federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements.

ANDERSON COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes; Finding 2011-1

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 or the State of Texas Uniform Grant Management Standards?	None
--	------

Identification of major programs:

CFDA Number(s) #14.218	Name of Federal Program or Cluster: Community Development Block Grant
Dollar threshold used to distinguish between type A and type B programs	\$300,000
Auditee qualified as low-risk auditee for federal single audit?	No

(continued)

ANDERSON COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
YEAR ENDED DECEMBER 31, 2011

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

Finding 2011-1:

<u>Condition:</u>	We noted that the County had not properly paid the liabilities for the Employer's Quarterly Federal Tax Return (Form 941) filed with the IRS for the quarter ended September 30, 2011. Additionally, we noted multiple instances where the state fees quarterly and annual reports and payments were not being submitted to the Texas Comptroller of Public Accounts on a timely basis.
<u>Criteria:</u>	Federal and state statutes require that payroll tax liabilities and state fees be paid and all related forms be submitted to the respective governments within a specific period of time.
<u>Cause of Condition:</u>	The County did not have adequate procedures in place to ensure payroll tax payments and state fees were being made and forms were being filed properly and on a timely basis.
<u>Effect of Condition:</u>	The County was required to pay penalties and interest assessed by the federal government for noncompliance with laws and regulations. Additionally, the County was informed that if any additional payments were not sent to the state by the deadline, the County would be unable to retain the allowable service fees that would have been allotted to the County for submitting the reports by the due date.
<u>Recommendation:</u>	We recommend the County work closely with the IRS and state comptroller to ensure all matters have been appropriately addressed. Additionally, the County needs to monitor that adequate procedures have been put in place to ensure future payments and forms are filed on a timely basis.

(continued)

ANDERSON COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
YEAR ENDED DECEMBER 31, 2011

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

Finding 2011-1: (Continued)

Management's Response: The County Treasurer was new to office in 2011 and the County Treasurer was not aware of the process and deadlines involved in submitting payments and reports to the entities. Procedures have been put in place that will ensure that these reports and payments are submitted to the state and federal governments within the prescribed deadlines.

Contact Person Responsible
for Corrective Action: Kim Turman, County Treasurer

Anticipated Completion Date: Immediately

Findings and Questioned Costs for Federal Awards

None

ANDERSON COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2011

There were no prior year findings.

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