

Red River County, Texas

**Financial Statements
And Independent Auditor's Report**

For the year ended September 30, 2011

Red River County, Texas
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 Year ended September 30, 2011

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**Standard Report on Financial Statements Issued in Accordance with
Government Auditing Standards or in a Single Audit**

INDEPENDENT AUDITOR'S REPORT

The Honorable Judge and
County Commissioners
Red River County, Texas
Clarksville, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Red River County (the County) as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Red River County as of September 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's financial statements as a whole. The combining and individual non-major fund financial statements and the federal program project schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements, the federal program project 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 or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Arnold, Walker, Arnold & Co., P.C.
Arnold, Walker, Arnold & Co., P.C.

December 15, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Red River County, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities and performance for the year ended September 30, 2011. The information presented here should be read in conjunction with the independent auditor's report and the County's financial statements.

FINANCIAL HIGHLIGHTS

The County's total combined net assets were \$14.5 million at September 30, 2011. \$12.6 million of the net assets is invested in capital assets, net of related debt. During the year, the County's expenses were \$172 thousand more than the \$5.75 million generated in taxes, charges for services and other revenues from governmental activities.

The total cost of all the County's activities was about \$5.9 million, a decrease of \$810 thousand. Significant reductions were made from the prior year as a means of stabilizing fund balances as the County has no prisoner housing revenue anymore. Some positions were eliminated or made part-time positions. The work week was shortened to 33.5 hours and the County stopped paying for health insurance costs. All departments curtailed purchasing as much as possible.

The general fund balance is \$612 thousand at September 30, 2011, which is an increase of \$267 thousand. General fund revenue remained fairly stable compared to the prior year. Property tax revenue was up about \$50 thousand. Fees of office decreased a similar amount. Expenditures decreased as a result of the measures referred to above. \$118 thousand was transferred from the prisoner housing fund from previous year's revenues. Because of the expenditure cutbacks, the County's financial condition stabilized this year.

During the year, \$53 thousand of fixed assets were added. No new debt was obtained. \$236 thousand of principal was paid on debt.

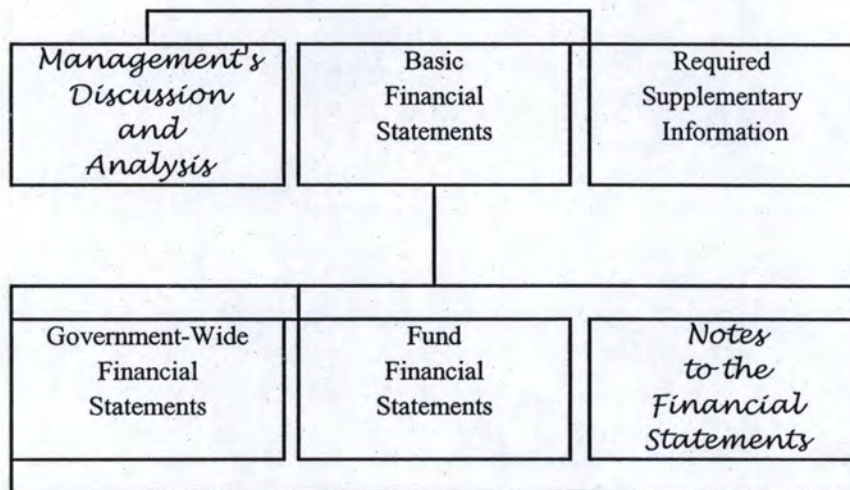
Approximately 94% of the taxes levied for 2010-11 were collected by September 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide information about the County's activities as a whole and present a longer-term view of the County's property and debt obligations. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the County's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as a commissary operation.
 - *Fiduciary fund* statements provide information about the financial relationships in which the County acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong. This fund contains trust funds.

Figure A-1. Required Components of the County's Annual Financial Report



Summary ↔ Detail

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the County's Government-wide Fund Financial Statements				
<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire County's government (except fiduciary funds) and the County's component units	The activities of the County that are not proprietary or fiduciary	Activities the County operates similar to private businesses: self insurance	Instances in which the County is the trustee or agent for someone else's resources
<i>Required financial statements</i>	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, Expenditures & changes in fund balances	Statement of revenues, expenses and changes in fund net assets Statement of cash flows	Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's *net assets* and how they have changed. Net assets—the difference between the County's assets and liabilities—is one way to measure the County's financial health or *position*.

- Over time, increases or decreases in the County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, consideration should be given to additional nonfinancial factors such as changes in the County's tax base.

The government-wide financial statements of the County include the *Governmental activities*. Most of the County's basic services are included here, such as public safety, highways, streets and bridges, judicial and general administration. Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant *funds*—not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Commissioner's Court establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The County has three kinds of funds:

- *Governmental funds*—Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the County charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long-term and short-term financial information. *Internal service funds* are used to report activities that provide supplies and services for the County's other programs and activities. The County has no internal service funds.
- *Fiduciary funds*—The County is the trustee, of *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net assets. The County's combined net assets were approximately \$14.5 million at September 30, 2011.

Table A-1
The County's Net Assets
(in thousands of dollars)

	Governmental Activities		Business Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	3,982	3,671	19	126	4,001	3,797
Capital and non-current assets	11,973	12,623	1,075	1,108	13,048	13,731
TOTAL ASSETS	<u>15,955</u>	<u>16,294</u>	<u>1,094</u>	<u>1,234</u>	<u>17,049</u>	<u>17,528</u>
Long-term liabilities	460	696	-	-	460	696
Other liabilities	2,074	2,146	-	-	2,074	2,146
TOTAL LIABILITIES	<u>2,534</u>	<u>2,842</u>	<u>-</u>	<u>-</u>	<u>2,534</u>	<u>2,842</u>
Invested in capital assets net of related debt	11,513	11,926	1,075	1,108	12,588	13,034
Restricted	1,131	1,009	-	-	1,131	1,009
Unrestricted	777	517	19	126	796	643
TOTAL NET ASSETS	<u>13,421</u>	<u>13,452</u>	<u>1,094</u>	<u>1,234</u>	<u>14,515</u>	<u>14,686</u>

Net assets invested in capital assets net of related debt reflects the book value of the County's capital assets in excess of the debt which financed those assets. The \$796 thousand of unrestricted net assets represents resources available to fund the programs of the County for the next fiscal year.

The \$1.1 million is restricted as follows:

Restricted for debt service	-
Restricted for special revenue funds	<u>1,131</u>
	<u>1,131</u>

Net assets of the County decreased \$172 thousand. The County recorded depreciation of \$746 thousand. \$53 thousand of fixed assets were added. \$236 thousand was paid on principal on debt. The County's revenues exceeded expenditures by \$388 thousand in the governmental funds.

Changes in net assets.

The County's total revenues were \$5.75 million. 53% of this came from property taxes, 12% came from sales taxes and other taxes, 9% came from charges for services, and 25% came from operating grants and contributions.

The total cost of all programs was \$5.9 million. Approximately 27% of this was for public safety and 25% was for highways, streets and bridges.

Net assets decreased by \$171 thousand because of the excess of expenses over revenues. Depreciation expense was \$746 thousand for the year.

Table A-2
The County's Changes in Net Assets
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
<u>Program Revenues</u>						
Charges for Services	478	610	11	14	489	624
Operating Grants and Contributions	1,424	1,319	-	-	1,424	1,319
<u>General Revenues</u>						
Property Taxes	3,029	2,974	-	-	3,029	2,974
Other taxes	671	657	-	-	671	657
Investment earnings	11	16	-	-	11	16
Other	127	210	-	-	127	210
Total Revenues	<u>5,740</u>	<u>5,786</u>	<u>11</u>	<u>14</u>	<u>5,751</u>	<u>5,800</u>
Expenses						
General Government	340	377	-	-	340	377
Judicial	350	376	-	-	350	376
Legal	130	132	-	-	130	132
Financial	374	404	-	-	374	404
Public Facility	148	179	-	-	148	179
Public Safety	1,549	1,731	33	40	1,582	1,771
Health and Welfare	549	300	-	-	549	300
Roads & Streets	1,468	1,824	-	-	1,468	1,824
Cultural and Recreational	92	102	-	-	92	102
Conservation	140	132	-	-	140	132
Intergovernmental	343	572	-	-	343	572
General-miscellaneous	388	539	-	-	388	539
Debt service	18	24	-	-	18	24
Total Expenses	<u>5,889</u>	<u>6,692</u>	<u>33</u>	<u>40</u>	<u>5,922</u>	<u>6,732</u>
Other Sources (Uses)						
Transfers in (out)	118	-	(118)	-	-	-
Gain on sale of assets	-	44	-	-	-	44
Increase (Decrease) in Net Assets	(31)	(862)	(140)	(26)	(171)	(888)
Beginning Net Assets	<u>13,452</u>	<u>14,314</u>	<u>1,234</u>	<u>1,260</u>	<u>14,686</u>	<u>15,574</u>
Ending Net Assets	<u><u>13,421</u></u>	<u><u>13,452</u></u>	<u><u>1,094</u></u>	<u><u>1,234</u></u>	<u><u>14,515</u></u>	<u><u>14,686</u></u>

Table A-3 presents the cost of each of the County's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$5.92 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$3.03 million.
- Some of the cost was paid by those who directly benefited from the programs (\$489 thousand), or by grants and contributions (\$1.42 million).

Table A-3
Net Cost of Selected County Functions
(in thousands of dollars)

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
General Government	340	377	184	166
Public Safety	1,549	1,731	1,158	1,360
Highways, Streets and Bridges	1,468	1,824	1,217	1,679

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reported fund balance in its governmental funds of approximately \$1.74 million at September 30, 2011. This balance is composed of the following in thousands

General	612
Special Revenue	1,131
	<u>1,743</u>

Fund balance in the governmental funds increased \$389 thousand. The general fund balance increased \$267 thousand. Revenue was up \$29 thousand. Expenditures were down \$478 thousand. The Main Road & Bridge fund balance increased \$139 thousand. Revenue was up \$100 thousand in this fund because of additional grant funds. Expenditures were down \$253 thousand. The County cut back on expenses as a way to stop decreases to fund balance because of loss of prisoner housing revenue as referred to in the financial highlights on page 3.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Even with these amendments, actual expenditures were less than budgeted by \$369 thousand. Actual revenues were \$328 thousand more than budgeted. \$430 thousand was budgeted as a decrease to fund balance. Actually, the fund balance increased \$267 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table A-4
County's Capital Assets
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
Land	128	128	22	22
Roads	16,692	16,692	-	-
Buildings and improvements	5,478	5,478	1,642	1,642
Machinery and equipment	3,195	3,173	-	-
Totals at historical cost	<u>25,493</u>	<u>25,471</u>	<u>1,664</u>	<u>1,664</u>
Total accumulated depreciation	<u>(13,520)</u>	<u>(12,848)</u>	<u>(589)</u>	<u>(556)</u>
Net capital assets	<u>11,973</u>	<u>12,623</u>	<u>1,075</u>	<u>1,108</u>

\$53 thousand of new equipment was added in the current year.

Long-Term Debt

Table A-5
County's Long-Term Debt
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2011	2010	2011	2010
Notes payable	460	696	-	-
Vacation & comp. time payable	92	85	-	-
	<u>552</u>	<u>781</u>	<u>-</u>	<u>-</u>

No new debt was obtained in the current year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In setting the FY 2012 budget, the governing body of Red River County considered many things. The tax base in the county has fallen over the last three years with the loss of Wal-Mart, Phillips, and Annona Manufacturing. Sales tax has fallen off each year with the loss of Wal-Mart.

After careful deliberation, the Commissioners Court approved a one-cent tax increase per \$100 evaluation, which did increase our revenue over the effective tax by approximately \$91,880. This increase in taxes still gave us less money to spend than any of the last four years. This increase was necessitated by the higher cost of road material and fuel for county vehicles. We continued to observe a 4-day, 33.5 hour work week, allowing county offices to close on Fridays, thus also saving on utility costs and employee salaries.

No significant increases to expenditures are budgeted for FY 2012. General fund expenditures have been held relatively constant since 2009. No new programs or initiatives are added for 2012. Also, no significant purchases of fixed assets are currently budgeted.

We believe that the budget is reasonable, attainable, fiscally sound, and allows for services to be provided to the citizens of the County in a sound manner.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE STATEMENTS

RED RIVER COUNTY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,804,818	\$ 18,744	\$ 1,823,562
Receivables (net of allowance for uncollectibles)	2,170,009	-	2,170,009
Deferred Expenditures	7,426	-	7,426
Capital Assets:			
Land	128,149	22,431	150,580
Infrastructure, net	6,677,000	-	6,677,000
Buildings, net	4,176,089	1,052,484	5,228,573
Machinery and Equipment, net	991,331	-	991,331
Total Assets	<u>15,954,822</u>	<u>1,093,659</u>	<u>17,048,481</u>
LIABILITIES			
Accounts Payable	109,453	-	109,453
Deferred Revenues	1,964,382	-	1,964,382
Noncurrent Liabilities			
Due Within One Year	460,489	-	460,489
Total Liabilities	<u>2,534,324</u>	<u>-</u>	<u>2,534,324</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	11,512,080	-	11,512,080
Restricted for Special Revenue Funds	1,131,383	-	1,131,383
Unrestricted Net Assets	777,035	1,093,659	1,870,694
Total Net Assets	<u>\$ 13,420,498</u>	<u>\$ 1,093,659</u>	<u>\$ 14,514,157</u>

The notes to the Financial Statements are an integral part of this statement.

RED RIVER COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 340,202	\$ 91,315	\$ 65,098
Judicial	350,029	206,840	40,257
Legal	129,933	1,731	33,589
Financial	374,230	120,756	-
Public Facilities	148,216	-	-
Public Safety	1,548,284	35,314	354,822
Cultural & Recreational	91,808	-	-
Conservation	139,962	17,977	-
Intergovernmental	343,024	-	343,024
Miscellaneous	388,183	4,330	-
Health & Welfare	548,792	-	336,555
Roads & Streets	1,468,048	-	250,452
Interest on Notes	18,284	-	-
Total Governmental Activities:	5,888,995	478,263	1,423,797
BUSINESS-TYPE ACTIVITIES:			
Public Safety	32,811	10,518	-
Total Business-Type Activities:	32,811	10,518	-
TOTAL PRIMARY GOVERNMENT:	\$ 5,921,806	\$ 488,781	\$ 1,423,797

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Other Taxes

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Assets

Net Assets--Beginning

Net Assets--Ending

The notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (183,789)	\$ -	\$ (183,789)
(102,932)	-	(102,932)
(94,613)	-	(94,613)
(253,474)	-	(253,474)
(148,216)	-	(148,216)
(1,158,148)	-	(1,158,148)
(91,808)	-	(91,808)
(121,985)	-	(121,985)
-	-	-
(383,853)	-	(383,853)
(212,237)	-	(212,237)
(1,217,596)	-	(1,217,596)
(18,284)	-	(18,284)
<u>(3,986,935)</u>	<u>-</u>	<u>(3,986,935)</u>
-	(22,293)	(22,293)
-	(22,293)	(22,293)
<u>(3,986,935)</u>	<u>(22,293)</u>	<u>(4,009,228)</u>
3,029,205	-	3,029,205
670,405	-	670,405
126,179	-	126,179
11,237	209	11,446
118,000	(118,000)	-
<u>3,955,026</u>	<u>(117,791)</u>	<u>3,837,235</u>
(31,909)	(140,084)	(171,993)
<u>13,452,407</u>	<u>1,233,743</u>	<u>14,686,150</u>
<u>\$ 13,420,498</u>	<u>\$ 1,093,659</u>	<u>\$ 14,514,157</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

RED RIVER COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

EXHIBIT C-1

	General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 631,999	\$ 478,992	\$ 693,827	\$ 1,804,818
Receivables-Net	2,040,083	129,926	-	2,170,009
Deferred Expenditures	-	-	7,426	7,426
Total Assets	\$ 2,672,082	\$ 608,918	\$ 701,253	\$ 3,982,253
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 16,225	\$ 36	\$ 1,350	\$ 17,611
Deferred Revenues	2,043,485	129,926	47,476	2,220,887
Total Liabilities	2,059,710	129,962	48,826	2,238,498
Fund Balances:				
Restricted Fund Balance:				
Reported in Special Revenue Funds	-	478,956	652,427	1,131,383
Unassigned Fund Balance	612,372	-	-	612,372
Total Fund Balances	612,372	478,956	652,427	1,743,755
Total Liabilities and Fund Balances	\$ 2,672,082	\$ 608,918	\$ 701,253	\$ 3,982,253

The notes to the Financial Statements are an integral part of this statement.

RED RIVER COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2011

Total Fund Balances - Governmental Funds	\$	1,743,755
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$25,471,465 and the accumulated depreciation was \$12,848,542. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		11,926,468
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		298,860
The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(713,248)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		164,663
Net Assets of Governmental Activities	<u>\$</u>	<u>13,420,498</u>

The notes to the Financial Statements are an integral part of this statement.

RED RIVER COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Major Special Revenue Fund	Other Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 2,359,336	\$ 629,317	\$ 234,017	\$ 3,222,670
Licenses and Permits	-	492,795	-	492,795
Intergovernmental Revenue and Grants	313,554	250,452	795,067	1,359,073
Charges for Services	267,651	-	27,777	295,428
Fines	146,665	-	46,449	193,114
Other Revenue	137,741	23,323	4,775	165,839
Total Revenues	<u>3,224,947</u>	<u>1,395,887</u>	<u>1,108,085</u>	<u>5,728,919</u>
EXPENDITURES:				
Current:				
General Government	217,546	-	47,561	265,107
Judicial	261,586	-	-	261,586
Legal	88,058	-	41,875	129,933
Financial	352,833	-	-	352,833
Public Facilities	145,052	-	3,164	148,216
Public Safety	1,357,524	-	155,098	1,512,622
Cultural & Recreational	91,808	-	-	91,808
Conservation	139,962	-	-	139,962
Intergovernmental	9,087	-	333,937	343,024
Miscellaneous	388,183	-	-	388,183
Health & Welfare	-	-	548,792	548,792
Roads & Streets	-	964,274	4,500	968,774
Debt Service:				
Debt Principal	7,779	221,708	6,479	235,966
Debt Interest	115	18,073	96	18,284
Capital Outlay:				
Capital Outlay	-	53,000	-	53,000
Total Expenditures	<u>3,059,533</u>	<u>1,257,055</u>	<u>1,141,502</u>	<u>5,458,090</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>165,414</u>	<u>138,832</u>	<u>(33,417)</u>	<u>270,829</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	118,000	-	16,596	134,596
Transfers Out (Use)	(16,596)	-	-	(16,596)
Total Other Financing Sources (Uses)	<u>101,404</u>	<u>-</u>	<u>16,596</u>	<u>118,000</u>
Net Change in Fund Balances	266,818	138,832	(16,821)	388,829
Fund Balance - October 1 (Beginning)	<u>345,554</u>	<u>340,124</u>	<u>669,248</u>	<u>1,354,926</u>
Fund Balance - September 30 (Ending)	<u>\$ 612,372</u>	<u>\$ 478,956</u>	<u>\$ 652,427</u>	<u>\$ 1,743,755</u>

The notes to the Financial Statements are an integral part of this statement.

RED RIVER COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	388,829
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		298,860
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(713,248)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(6,350)
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(31,909)</u>

The notes to the Financial Statements are an integral part of this statement.

RED RIVER COUNTY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 2,309,588	\$ 2,309,588	\$ 2,359,336	\$ 49,748
Intergovernmental Revenue and Grants	123,543	154,503	313,554	159,051
Charges for Services	248,450	248,450	267,651	19,201
Fines	137,200	137,200	146,665	9,465
Other Revenue	46,987	46,987	137,741	90,754
Total Revenues	2,865,768	2,896,728	3,224,947	328,219
EXPENDITURES:				
Current:				
General Government	233,239	233,239	217,546	15,693
Judicial	335,126	335,126	261,586	73,540
Legal	92,222	92,222	88,058	4,164
Financial	374,585	377,123	352,833	24,290
Public Facilities	150,413	150,413	145,052	5,361
Public Safety	1,490,022	1,506,022	1,357,524	148,498
Cultural & Recreational	99,515	99,515	91,808	7,707
Conservation	155,606	155,606	139,962	15,644
Intergovernmental	11,770	11,770	9,087	2,683
Miscellaneous	353,500	439,208	388,183	51,025
Debt Service:				
Debt Principal	7,779	7,779	7,779	-
Debt Interest	115	115	115	-
Capital Outlay:				
Capital Outlay	16,000	20,020	-	20,020
Total Expenditures	3,319,892	3,428,158	3,059,533	368,625
Excess (Deficiency) of Revenues Over (Under) Expenditures	(454,124)	(531,430)	165,414	696,844
OTHER FINANCING SOURCES (USES):				
Transfers In	118,000	118,000	118,000	-
Transfers Out (Use)	(16,596)	(16,596)	(16,596)	-
Total Other Financing Sources (Uses)	101,404	101,404	101,404	-
Net Change	(352,720)	(430,026)	266,818	696,844
Fund Balance - October 1 (Beginning)	345,554	345,554	345,554	-
Fund Balance - September 30 (Ending)	\$ (7,166)	\$ (84,472)	\$ 612,372	\$ 696,844

The accompanying notes are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

RED RIVER COUNTY, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

EXHIBIT D-1

	Business Type Activities
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 18,744
Total Current Assets	<u>18,744</u>
Noncurrent Assets:	
Capital Assets:	
Land	22,431
Buildings	1,641,823
Accumulated Depreciation - Buildings	<u>(589,339)</u>
Total Noncurrent Assets	<u>1,074,915</u>
Total Assets	<u>1,093,659</u>
NET ASSETS	
Unrestricted Net Assets	<u>1,093,659</u>
Total Net Assets	<u><u>\$ 1,093,659</u></u>

The notes to the Financial Statements are an integral part of this statement.

RED RIVER COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Business Type Activities
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash received from customers	\$ 10,727
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer Out	(118,000)
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	-
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	-
Net Increase(Decrease) in Cash and Cash Equivalents	(107,273)
Cash and Cash Equivalents at Beginning of the Year:	126,017
Cash and Cash Equivalents at the End of the Year:	<u>\$ 18,744</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:</u>	
Operating Income (Loss):	\$ (22,084)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	32,811
Net Cash Provided by Operating Activities	<u>\$ 10,727</u>

The notes to the Financial Statements are an integral part of this statement.

RED RIVER COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT D-2

	Business Type Activities
<hr/>	
OPERATING REVENUES:	
Other Revenue	\$ 10,727
Total Operating Revenues	10,727
OPERATING EXPENSES:	
Depreciation	32,811
Total Operating Expenses	32,811
Income (Loss) Before Transfers	(22,084)
Transfers Out	(118,000)
Change in Net Assets	(140,084)
Total Net Assets - October 1 (Beginning)	1,233,743
 Total Net Assets - September 30 (Ending)	 \$ 1,093,659

The notes to the Financial Statements are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENT

Red River County, Texas
STATEMENT OF NET ASSETS--FIDUCIARY FUND
as of September 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	299,767
Accounts receivable	-
Total Assets	<u>299,767</u>
LIABILITIES	
Due to other governments	<u>299,767</u>

The accompanying notes are an integral part of this statement.

Red River County, Texas
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Red River County, Texas is a county government operating under the applicable laws and regulations of the State of Texas. It is governed by a five member Commissioner's Court elected by registered voters of the County. The County prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants.

A. REPORTING ENTITY

The Commissioner's Court is elected by the public and it has the authority to make decisions and significantly influence operations. It has the primary accountability for fiscal matters. Therefore, the County is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of Red River County with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, charges for services, grants and other intergovernmental revenues. Business type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the County operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the County. Examples include fees of offices. The "grants and contributions" column includes amounts paid by organizations outside the County to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the County's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The County considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The County considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the County to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The County reports the following major governmental funds:

1. **The General Fund** – The general fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Special Revenue Funds** --One special revenue fund is considered a major fund. This fund is the main road and bridge. See the definition of these funds below.

Additionally, the County reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** – The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in a special revenue fund.
2. **Debt Service Funds** -- The County accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Proprietary Funds:

1. **Enterprise Funds** -- The County's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The County's non-major Enterprise Fund is the jail housing fund.

Fiduciary Funds:

1. **Agency Funds** - The County accounts for resources held for others in a custodial capacity in agency funds. The County's Agency Funds contains trust funds.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the County considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the governmental-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.
3. Capital assets, which include land, buildings, machinery and equipment and roads and bridges are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation

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.

Buildings, machinery and equipment of the County and the component units are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	50
Vehicles	5
Office Equipment	5-7
Machinery	7-10
Roads	50

4. Some cash and investments are restricted for future debt payments.
5. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
6. When the County incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
7. Investments are recorded at fair market value.
8. Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Assets</u>
Land	128,149	-	128,149	
Buildings & improvements	5,477,949	(1,199,360)	4,278,589	
Machinery & equipment	3,172,867	(1,967,532)	1,205,335	
Roads	16,692,500	(9,681,650)	7,010,850	
Change in Net Assets	<u>25,471,465</u>	<u>(12,848,542)</u>	<u>12,622,923</u>	<u>12,622,923</u>
<u>Long-term Liabilities</u> <u>at the Beginning of the year</u>			<u>Payable at the</u> <u>Beginning of the</u> <u>Year</u>	
Notes payable			696,455	
Change in Net Assets			<u>696,455</u>	<u>696,455</u>
Net Adjustment to Net Assets				<u><u>11,926,468</u></u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current year Capital Outlay</u>			
Building & improvement	-	-	-
Machinery & equipment	53,000	53,000	53,000
Total Capital Outlay	<u>53,000</u>	<u>53,000</u>	<u>53,000</u>
Book value of assets disposed of	9,894	9,894	9,894
 <u>Debt Principal Payments</u>			
Note principal	235,966	235,966	235,966
Total Principal Payments	<u>235,966</u>	<u>235,966</u>	<u>235,966</u>
Total Adjustment to Net Assets		<u><u>298,860</u></u>	<u><u>298,860</u></u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	139,922	(139,992)	-
Uncollected taxes (assumed collectible) from Current Year Levy	108,276	108,276	108,276
Uncollected Taxes (assumed collectible) from Prior Year Levy	148,229	-	148,229
Effect of prior year tax entry	31,989	31,989	-
<u>Valuation and comp. Time payable</u>			
End of year liability	91,842	-	(91,842)
Change in liability from prior year	6,623	(6,623)	-
Total		<u><u>(6,350)</u></u>	<u><u>164,663</u></u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The County prepares its appropriated budget on a basis consistent with generally accepted accounting principles using the organization perspective, that is, the budget follows the formal, usually statutory, patterns of authority and responsibility granted to actually carry out the functions of the government. For example, the county judge's office has a separate budget from the county sheriff's office; although, various offices may be subsidized from revenues generated by maintenance and operation ad valorem taxes.

The county auditor and the county judge prepare an estimated budget based on recommendations and requests submitted by each department head. This estimated budget is presented to the commissioners, who then begin the process of reallocating specific items that, in their opinion, need to be modified. The final budget, when approved by the commissioners court, is filed for public inspection with the county clerk. Public hearings are then held, if required, and the budget is adjusted, if necessary, and approved in its final form by commissioners court. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Revisions to the budget were made throughout the year.

The County does not record encumbrances as part of its accounting records.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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 state 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District 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, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The county is in substantial compliance with the requirements of the Act and with local policies.

Additional contractual provisions governing deposits and investments for the County are as follows:

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy does address the following risks:

1. **Custodial Credit Risk--Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements is that the funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping in an amount sufficient to protect the County's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Deposits of the County are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the County.

At September 30, 2011, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,025,013 and the bank balance was \$2,176,956. The county's cash deposits at September 30, 2011 and during the year ended September 30, 2011 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

A. DEPOSITS AND INVESTMENTS (continued)

In addition, the following is disclosed regarding coverage of combined balances on the date of September 30, 2011:

- a. Depository: State Bank of Dekalb
- b. The market value of securities pledged as of September 30, 2011 was \$3,000,000.
- c. Total amount of FDIC coverage at September 30, 2011 was \$500,000.
2. Custodial Credit Risk--Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. Positions in external investment pools are not subject to custodial credit risk. The County has no investments exposed to custodial credit risk at the end of the period.
3. Interest-rate Risk-- Interest-rate risk occurs when potential purchases of debt securities do not agree to pay fair value for these securities if interest rates rise. The County does not purchase investments where the face value is not guaranteed.
4. Concentration Risk--Concentration risk is defined as positions of 4 percent or more in the securities of a single issuer. Investments in external investment pools are not subject to concentration risk. The County is not exposed to any amounts of concentration risk.
5. Other Credit Risk Exposure--The County has no investments in external investment pools.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The County levied property taxes for the 2010 tax roll totaling approximately \$3.1 million. Such tax is based on an assessed valuation of approximately \$418 million with an applicable tax rate of \$0.73466 per \$100 valuation.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND TRANSFERS

Transfers between funds were as follows:

Transfers to Nonmajor Governmental Funds from:	
General Fund	16,596
Total Transferred to Nonmajor Governmental Funds	<u>16,596</u>
Transfers to General Fund from:	
Enterprise Fund	118,000
Total Transferred to Nonmajor Governmental Funds	<u>118,000</u>

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2011, were as follows:

	<u>Property Taxes</u>	<u>Fees of Office</u>	<u>Due from Other Governments</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	610,964	2,589,831	-	1,598	3,202,393
Major Special Revenue Funds	162,408	-	-	-	162,408
Nonmajor Governmental Funds	-	-	-	-	-
Total - Governmental Activities	<u>773,372</u>	<u>2,589,831</u>	<u>-</u>	<u>1,598</u>	<u>3,364,801</u>
Amounts not scheduled for collection during the subsequent year	<u>154,675</u>	<u>1,040,116</u>	<u>-</u>	<u>-</u>	<u>1,194,791</u>
Business Type Activities:					
Major Enterprise Fund	-	-	-	-	-
Total - Business Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Payables at September 30, 2011, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	16,225	-	-	-	16,225
Major Special Revenue Funds	36	-	-	-	36
Nonmajor Gov. Funds	1,350	-	-	-	1,350
Total - Gov. Activities	<u>17,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,611</u>
Amounts not scheduled for payment during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business Type Activities:					
Major Enterprise Fund	-	-	-	-	-
Total - Business Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts not scheduled for payment during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended September 30, 2011, was as follows:

	Primary Government			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
County:				
Land	128,149	-	-	128,149
Buildings and Improvements	5,477,949	-	-	5,477,949
Machinery and Equipment	3,172,867	53,000	(31,734)	3,194,133
Roads	16,692,500	-	-	16,692,500
Totals at Historic Cost	<u>25,471,465</u>	<u>53,000</u>	<u>(31,734)</u>	<u>25,492,731</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,199,360)	(102,500)	-	(1,301,860)
Machinery and Equipment	(1,967,532)	(276,898)	41,628	(2,202,802)
Roads	(9,681,650)	(333,850)	-	(10,015,500)
Total Accumulated Depreciation	<u>(12,848,542)</u>	<u>(713,248)</u>	<u>41,628</u>	<u>(13,520,162)</u>
Governmental Activities Capital Assets, Net	<u>12,622,923</u>	<u>(660,248)</u>	<u>9,894</u>	<u>11,972,569</u>
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Business-Type Activities:				
Land	22,431	-	-	22,431
Buildings and Improvements	1,641,823	-	-	1,641,823
Totals at Historic Cost	<u>1,664,254</u>	<u>-</u>	<u>-</u>	<u>1,664,254</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(556,528)	(32,811)	-	(589,339)
Total Accumulated Depreciation	<u>(556,528)</u>	<u>(32,811)</u>	<u>-</u>	<u>(589,339)</u>
Business-Type Activities Capital Assets, Net	<u>1,107,726</u>	<u>(32,811)</u>	<u>-</u>	<u>1,074,915</u>
Primary Government Capital Assets, net	<u>13,730,649</u>	<u>(693,059)</u>	<u>9,894</u>	<u>13,047,484</u>

Depreciation expense was charged as follows:

Governmental Activities:		Business-Type Activities:	
General Government	68,472	Public Safety	6,348
Public Safety	35,662	Judicial	26,463
Highways, Streets and Bridges	499,274		
Financial	21,397		
Judicial	88,443		
	<u>713,248</u>		<u>32,811</u>

G. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the County for the year ended September 30, 2011:

	Original Amount	Interest Rate	Payable at 10/1/10	Additions (Reductions)	Payable at 9/30/2011	Due within One Year
Note Payable--R&B #1 facilities	59,378	1.60%	3,022	(3,022)	-	-
Note Payable--(2) 2008 Crown Vics	45,031	3.50%	14,258	(14,258)	-	-
Note Payable--caterpillar motorgrader R&B #2	200,025	3.00%	180,530	(9,596)	170,934	170,934
Note Payable--caterpillar motorgrader R&B #2	100,000	3.00%	72,955	(15,600)	57,355	57,355
Note Payable--caterpillar motorgrader R&B #4	88,251	3.50%	51,482	(51,482)	-	-
Note Payable--caterpillar backhoe R&B #1	36,274	3.00%	26,203	(26,203)	-	-
Note Payable--120H motorgrader R&B #1	102,000	3.00%	76,505	(76,505)	-	-
Note Payable--2010 Mack truck R&B #1	95,000	3.00%	90,500	(13,100)	77,400	77,400
Note Payable--2010 Mack truck R&B #2	95,000	3.00%	90,500	(13,100)	77,400	77,400
Note Payable--2010 Mack truck R&B #4	95,000	3.00%	90,500	(13,100)	77,400	77,400
			<u>696,455</u>	<u>(235,966)</u>	<u>460,489</u>	<u>460,489</u>

The Counties long-term debt as of September 30, 2011, follows:

(A) Note payable, State Bank of DeKalb, due in monthly principal payments of \$1,300 including interest at 3.00% and one payment for the remaining balance on July 19, 2012	170,934
(B) Note payable, State Bank of DeKalb, due in monthly principal payments of \$1,300 plus interest at 3.00% and one payment for the remaining balance on June 19, 2012	57,355
(C) Note payable, State Bank of DeKalb, due in monthly principal payments of \$1,433 plus interest at 3.00% and one payment for the remaining balance on March 19, 2012	77,400
(D) Note payable, State Bank of DeKalb, due in monthly principal payments of \$1,433 plus interest at 3.00% and one payment for the remaining balance on March 19, 2012	77,400
(E) Note payable, State Bank of DeKalb, due in monthly principal payments of \$1,433 plus interest at 3.00% and one payment for the remaining balance on March 19, 2012	77,400
	<u>460,489</u>

G. CHANGES IN LONG-TERM DEBT cont'd

The annual requirements to amortize notes payable as of September 30, 2011, follows:

Years Ending 9/30	Principal	Interest	Total
2012	460,489	8,556	469,045
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016	-	-	-
	<u>460,489</u>	<u>8,556</u>	<u>469,045</u>

H. RETIREMENT PLAN

A. Plan Description. The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide 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 5 or more years of service, with 30 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 5 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 the employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the 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.

B. Funding Policy. The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 8.36% for the months of the accounting year in 2010, and 8.29% for the months of the accounting year in 2011.

The contribution rate payable by the employee members for calendar year 2010 is the rate of 7% as adopted by the governing body of the employer.

H. RETIREMENT PLAN cont'd

C. Annual Pension Cost. For the employer's accounting year ended September 30, 2011 the annual pension cost for the TCDRS plan for its employees was \$158,033, and the actual contributions were \$158,033.

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, December 31, 2009, the basis for determining contribution rates for calendar years 2010 and 2011. 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	20 yrs	20 yrs	20 yrs
Asset valuation method	10 yr smoothed value Fund value	10 yr smoothed value Fund value	10 yr smoothed value Fund value
Actuarial Assumptions:			
Investment return (1)	8%	8%	8%
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%

(1) Includes inflation at the stated rate

**Trend Information
for the Retirement Plan for the Employees of Red River County**

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/09	148,570	100%	-0-
9/30/10	164,378	100%	-0-
9/30/11	158,033	100%	-0-

**Schedule of Funding Progress for the Retirement Plan
for the Employees of the Red River County**

Actuarial Valuation Date	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)
12/31/08	4,340,433	4,697,248	356,815	92.40%	2,018,958	17.67%
12/31/09	4,488,867	4,815,511	326,644	93.22%	2,190,943	14.91%
12/31/10	4,682,673	5,025,129	342,456	93.19%	1,981,174	17.29%

I. FEDERAL GRANTS

In the normal course of operations, the County receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

J. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2011, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

K. VACATION AND COMP. TIME PAYABLE

Changes in vacation and comp. time payable is as follows:

<u>9/30/10</u>	<u>9/30/11</u>
85,219	91,842

L. COMMITMENTS AND CONTINGENCIES

The County has no significant commitments or contingencies at September 30, 2011.

M. LITIGATION

The County has no pending litigation at September 30, 2011.

N. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2011.

COMBINING SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

RED RIVER COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011

	Permanent Improvement	Law Library	Drug Fund
ASSETS			
Cash and Cash Equivalents	\$ 25	\$ 23,465	\$ 88,959
Deferred Expenditures	-	-	-
Total Assets	<u>\$ 25</u>	<u>\$ 23,465</u>	<u>\$ 88,959</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ -
Deferred Revenues	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted Fund Balance:			
Reported in Special Revenue Funds	25	23,465	88,959
Total Fund Balances	<u>25</u>	<u>23,465</u>	<u>88,959</u>
Total Liabilities and Fund Balances	<u>\$ 25</u>	<u>\$ 23,465</u>	<u>\$ 88,959</u>

Courthouse Security	Indigent Health Care	Book Preservation	Record Management Fund	Right of Way	Juvenile Probation	Juvenile Probation Comm. Corr.	Diversionary Placement
\$ 18,108	\$ 59,837	\$ 52,079	\$ 20,411	\$ 58,722	\$ 31,144	\$ (7,426)	\$ -
-	-	-	-	-	-	7,426	-
<u>\$ 18,108</u>	<u>\$ 59,837</u>	<u>\$ 52,079</u>	<u>\$ 20,411</u>	<u>\$ 58,722</u>	<u>\$ 31,144</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,350	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	1,350	-	-
18,108	59,837	52,079	20,411	58,722	29,794	-	-
18,108	59,837	52,079	20,411	58,722	29,794	-	-
<u>\$ 18,108</u>	<u>\$ 59,837</u>	<u>\$ 52,079</u>	<u>\$ 20,411</u>	<u>\$ 58,722</u>	<u>\$ 31,144</u>	<u>\$ -</u>	<u>\$ -</u>

RED RIVER COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011

	Title IV-E	Bail Bonds	Hot Check Fee	Co. Attny. Drug Forf.
ASSETS				
Cash and Cash Equivalents	\$ 55,920	\$ 12,616	\$ 24,294	\$ 74,603
Deferred Expenditures	-	-	-	-
Total Assets	<u>\$ 55,920</u>	<u>\$ 12,616</u>	<u>\$ 24,294</u>	<u>\$ 74,603</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Deferred Revenues	47,476	-	-	-
Total Liabilities	<u>47,476</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted Fund Balance:				
Reported in Special Revenue Funds	8,444	12,616	24,294	74,603
Total Fund Balances	<u>8,444</u>	<u>12,616</u>	<u>24,294</u>	<u>74,603</u>
Total Liabilities and Fund Balances	<u>\$ 55,920</u>	<u>\$ 12,616</u>	<u>\$ 24,294</u>	<u>\$ 74,603</u>

Co. Attny. Welfare Fund	Sheriff Office Comm. Serv.	Economic Development	Revolving Loan	STEP Program #726176	STEP Program #728136	HOME Grant #1001035	VSRP Fees
\$ 1,138	\$ 479	\$ 1,978	\$ 98,318	\$ -	\$ -	\$ -	\$ 5,705
-	-	-	-	-	-	-	-
<u>\$ 1,138</u>	<u>\$ 479</u>	<u>\$ 1,978</u>	<u>\$ 98,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,705</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,138	479	1,978	98,318	-	-	-	5,705
1,138	479	1,978	98,318	-	-	-	5,705
<u>\$ 1,138</u>	<u>\$ 479</u>	<u>\$ 1,978</u>	<u>\$ 98,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,705</u>

RED RIVER COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011

	CCAF Fees	Total Nonmajor Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 73,452	\$ 693,827
Deferred Expenditures	-	7,426
Total Assets	<u>\$ 73,452</u>	<u>\$ 701,253</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	\$ -	\$ 1,350
Deferred Revenues	-	47,476
Total Liabilities	<u>-</u>	<u>48,826</u>
Fund Balances:		
Restricted Fund Balance:		
Reported in Special Revenue Funds	73,452	652,427
Total Fund Balances	<u>73,452</u>	<u>652,427</u>
Total Liabilities and Fund Balances	<u>\$ 73,452</u>	<u>\$ 701,253</u>

RED RIVER COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Permanent Improvement	Law Library	Drug Fund
REVENUES:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	-
Charges for Services	-	6,545	-
Fines	-	-	22,464
Other Revenue	-	56	1,666
Total Revenues	-	6,601	24,130
EXPENDITURES:			
Current:			
General Government	-	-	-
Legal	-	5,548	-
Public Facilities	-	-	-
Public Safety	-	-	16,744
Intergovernmental	-	-	-
Health & Welfare	-	-	-
Roads & Streets	-	-	-
Debt Service:			
Debt Principal	-	-	6,479
Debt Interest	-	-	96
Total Expenditures	-	5,548	23,319
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	1,053	811
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	1,053	811
Fund Balance - October 1 (Beginning)	25	22,412	88,148
Fund Balance - September 30 (Ending)	\$ 25	\$ 23,465	\$ 88,959

Courthouse Security	Indigent Health Care	Book Preservation	Record Management Fund	Right of Way	Juvenile Probation	Juvenile Probation Comm. Corr.	Diversionary Placement
\$ -	\$ 234,017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	336,555	-	-	-	61,901	32,668	28,947
-	-	13,642	4,334	-	-	-	-
9,762	-	-	-	-	-	-	-
31	4	116	117	682	208	-	-
<u>9,793</u>	<u>570,576</u>	<u>13,758</u>	<u>4,451</u>	<u>682</u>	<u>62,109</u>	<u>32,668</u>	<u>28,947</u>
-	-	5,592	6,594	-	-	-	-
-	-	-	-	-	-	-	-
3,164	-	-	-	-	-	-	-
-	-	-	-	-	75,680	32,668	28,947
-	548,792	-	-	-	-	-	-
-	-	-	-	4,500	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,164</u>	<u>548,792</u>	<u>5,592</u>	<u>6,594</u>	<u>4,500</u>	<u>75,680</u>	<u>32,668</u>	<u>28,947</u>
<u>6,629</u>	<u>21,784</u>	<u>8,166</u>	<u>(2,143)</u>	<u>(3,818)</u>	<u>(13,571)</u>	-	-
-	-	-	-	-	16,596	-	-
-	-	-	-	-	16,596	-	-
6,629	21,784	8,166	(2,143)	(3,818)	3,025	-	-
<u>11,479</u>	<u>38,053</u>	<u>43,913</u>	<u>22,554</u>	<u>62,540</u>	<u>26,769</u>	-	-
<u>\$ 18,108</u>	<u>\$ 59,837</u>	<u>\$ 52,079</u>	<u>\$ 20,411</u>	<u>\$ 58,722</u>	<u>\$ 29,794</u>	<u>\$ -</u>	<u>\$ -</u>

RED RIVER COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Title IV-E	Bail Bonds	Hot Check Fee	Co. Attny. Drug Forf.
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	1,059	-	-	-
Charges for Services	-	-	3,256	-
Fines	-	-	-	-
Other Revenue	-	31	60	253
Total Revenues	1,059	31	3,316	253
EXPENDITURES:				
Current:				
General Government	-	-	-	-
Legal	-	-	3,309	33,018
Public Facilities	-	-	-	-
Public Safety	1,059	-	-	-
Intergovernmental	-	-	-	-
Health & Welfare	-	-	-	-
Roads & Streets	-	-	-	-
Debt Service:				
Debt Principal	-	-	-	-
Debt Interest	-	-	-	-
Total Expenditures	1,059	-	3,309	33,018
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	31	7	(32,765)
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	31	7	(32,765)
Fund Balance - October 1 (Beginning)	8,444	12,585	24,287	107,368
Fund Balance - September 30 (Ending)	\$ 8,444	\$ 12,616	\$ 24,294	\$ 74,603

Co. Attny. Welfare Fund	Sheriff Office Comm. Serv.	Economic Development	Revolving Loan	STEP Program #726176	STEP Program #728136	HOME Grant #1001035	VSRP Fees
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	2,500	43,396	288,041	-
-	-	-	-	-	-	-	-
1,121	1	-	213	-	-	-	989
<u>1,121</u>	<u>1</u>	<u>-</u>	<u>213</u>	<u>2,500</u>	<u>43,396</u>	<u>288,041</u>	<u>18</u>
-	-	-	-	-	-	-	5,877
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	2,500	43,396	288,041	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	2,500	43,396	288,041	5,877
<u>1,121</u>	<u>1</u>	<u>-</u>	<u>213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,870)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,121	1	-	213	-	-	-	(4,870)
<u>17</u>	<u>478</u>	<u>1,978</u>	<u>98,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,575</u>
<u>\$ 1,138</u>	<u>\$ 479</u>	<u>\$ 1,978</u>	<u>\$ 98,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,705</u>

RED RIVER COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	CCAF Fees	Nonmajor Governmental Funds
REVENUES:		
Taxes	\$ -	\$ 234,017
Intergovernmental Revenue and Grants	-	795,067
Charges for Services	-	27,777
Fines	13,234	46,449
Other Revenue	198	4,775
Total Revenues	13,432	1,108,085
EXPENDITURES:		
Current:		
General Government	29,498	47,561
Legal	-	41,875
Public Facilities	-	3,164
Public Safety	-	155,098
Intergovernmental	-	333,937
Health & Welfare	-	548,792
Roads & Streets	-	4,500
Debt Service:		
Debt Principal	-	6,479
Debt Interest	-	96
Total Expenditures	29,498	1,141,502
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,066)	(33,417)
OTHER FINANCING SOURCES (USES):		
Transfers In	-	16,596
Total Other Financing Sources (Uses)	-	16,596
Net Change in Fund Balance	(16,066)	(16,821)
Fund Balance - October 1 (Beginning)	89,518	669,248
Fund Balance - September 30 (Ending)	\$ 73,452	\$ 652,427

FIDUCIARY FUNDS

Red River County, Texas
COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUND
As of September 30, 2011

	State Trust	Arrest Fees	Law Enforcement	Total
ASSETS				
Cash and cash equivalents	203,992	85,163	10,612	299,767
Total Assets	<u>203,992</u>	<u>85,163</u>	<u>10,612</u>	<u>299,767</u>
LIABILITIES				
Due to other governments	<u>203,992</u>	<u>85,163</u>	<u>10,612</u>	<u>299,767</u>

FEDERAL AWARDS SECTION



ARNOLD, WALKER, ARNOLD, & Co., P.C.
Certified Public Accountants and Consultants

Bob J. Arnold, C.P.A.
Lanny G. Walker, C.P.A.
Kris Arnold, C.P.A.
Andrew T. Arnold, C.P.A.
Melissa J. Godfrey, C.P.A.
Amy E. Smith, C.P.A.

MEMBER

American Institute Of
Certified Public Accountants

Texas State Society Of
Certified Public Accountants

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*

Independent Auditor's Report

The Honorable Judge and
County Commissioners
Red River County, Texas
Clarksville, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Red River County as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

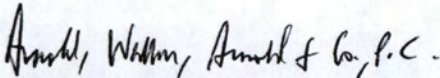
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County'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 would not necessarily identify all deficiencies in internal control 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 the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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


Arnold, Walker, Arnold & Co., P.C.

December 15, 2011



ARNOLD, WALKER, ARNOLD, & Co., P.C.
Certified Public Accountants and Consultants

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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

Independent Auditor's Report

Honorable Judge and
County Commissioners
Red River County, Texas
Clarksville, Texas

Members of the Board:

Compliance

We have audited RED RIVER COUNTY's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of RED RIVER COUNTY's major federal programs for the year ended September 30, 2011. RED RIVER COUNTY's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of RED RIVER COUNTY's management. Our responsibility is to express an opinion on RED RIVER 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. 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 RED RIVER 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 RED RIVER COUNTY's compliance with those requirements.

In our opinion, RED RIVER 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 September 30, 2011.

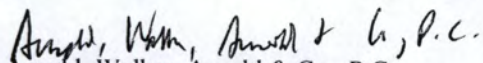
Internal Control Over Compliance

Management of RED RIVER COUNTY is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered RED RIVER 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 RED RIVER 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 entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Arnold, Walker, Arnold & Co., P.C.

December 15, 2011

Red River County, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED September 30, 2011

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of Red River County was unqualified.
- b. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. None
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee. NONE
- d. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. None
- e. The type of report the auditor issued on compliance for major programs. None
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under Section 510(a). NONE
- g. An identification of major programs: Home Program, CFDA # 14.239
- h. The dollar threshold used to distinguish between Type A and Type B programs. \$300,000
- i. A statement as to whether the auditee qualified as a low-risk auditee. Yes

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

NONE

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

NONE

Red River County, Texas
SCHEDULE OF STATUS PRIOR FINDINGS
For the year ended September 30, 2011

N/A

Red River County, Texas
CORRECTIVE ACTION PLAN
For the year ended September 30, 2011

N/A

Red River County, Texas
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended September 30, 2011

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<u>Passed Through Texas Department of Housing and Community Affairs</u>			
Home Program	14.239	1001035	<u>288,041</u>
Total Passed Through TDHCA			<u>288,041</u>
<u>Passed Through Texas Department of Rural Affairs</u>			
CDBG-Water Facilities	14.228	726176	2,500
Disaster Relief	14.228	728587	26,678
CDBG-Water Facilities	14.228	728136	43,396
CDBG-Street Improvements	14.228	710157	<u>212,306</u>
Total Passed Through TDRA			<u>284,880</u>
U.S. Elections Assistance Commission HAVA	90.401	N/A	<u>30,960</u>
TOTAL DEPARTMENT OF HUD			<u>603,881</u>
U.S. DEPARTMENT OF ENERGY			
<u>Passed Through Texas Comptroller of Public Accounts</u>			
SECO Stimulus ARRA--			
Energy Efficiency and Conservation Block Grant	81.128	DE-EE0000893	<u>39,277</u>
Total Passed Through Texas Comptroller of Public Accounts			<u>39,277</u>
TOTAL DEPARTMENT OF ENERGY			<u>39,277</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>643,158</u></u>

Red River County, Texas
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2011

1. Special revenue funds are normally used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. The sewer grant was accounted for in the proprietary fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. Some federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due.

The Proprietary Fund Type is accounted for on a flow of economic resources measurement focus and utilizes the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.

Red River County, Texas
 FEDERAL PROGRAM PROJECT SCHEDULE
 PROJECTS THAT ENDED OR WERE IN OPERATION DURING
 the year ended September 30, 2011

Federal Grantor: U.S. Department of HUD
 Pass through Grantor: TDRA
 CFDA# 14.228, Project #726176, Contract Period 1/7/07-10/6/09

	<u>Budget</u>	<u>Federal</u>		<u>Total</u>
		<u>Prior Year</u>	<u>Current Year</u>	
REVENUE				
Federal	<u>166,980</u>	<u>96,907</u>	<u>2,500</u>	<u>99,407</u>
EXPENSES				
Water facilities	108,530	40,957	-	40,957
Engineering	33,450	33,450	-	33,450
Administration	<u>25,000</u>	<u>22,500</u>	<u>2,500</u>	<u>25,000</u>
TOTAL EXPENSES	<u>166,980</u>	<u>96,907</u>	<u>2,500</u>	<u>99,407</u>
EXCESS REVENUE OVER EXPENSES	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>

Red River County, Texas
 FEDERAL PROGRAM PROJECT SCHEDULE
 PROJECTS THAT ENDED OR WERE IN OPERATION DURING
 the year ended September 30, 2011

Federal Grantor: U.S. Department of HUD
 Pass through Grantor: Texas Community Development
 CFDA# 14.228, Project #728587, Contract Period: 3/5/09-3/4/11

	<u>Budget</u>	<u>Federal</u>		<u>Total</u>
		<u>Prior Year</u>	<u>Current Year</u>	
REVENUE				
Federal	<u>196,185</u>	<u>169,507</u>	<u>26,678</u>	<u>196,185</u>
EXPENSES				
Street improvements	<u>169,125</u>	<u>145,507</u>	<u>23,618</u>	<u>169,125</u>
Administration	<u>27,060</u>	<u>24,000</u>	<u>3,060</u>	<u>27,060</u>
TOTAL EXPENSES	<u>196,185</u>	<u>169,507</u>	<u>26,678</u>	<u>196,185</u>
EXCESS REVENUE OVER EXPENSES	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>

Red River County, Texas
 FEDERAL PROGRAM PROJECT SCHEDULE
 PROJECTS THAT ENDED OR WERE IN OPERATION DURING
 the year ended September 30, 2011

Federal Grantor: U.S. Department of HUD
 Pass through Grantor: TDRA
 CFDA# 14.228, Project #728136, Contract Period: 2/28/09-2/27/11

	<u>Budget</u>	<u>Federal</u>		<u>Total</u>
		<u>Prior Year</u>	<u>Current Year</u>	
REVENUE				
Federal	<u>127,656</u>	<u>78,031</u>	<u>43,396</u>	<u>121,427</u>
EXPENSES				
Water facilities	61,756	39,431	19,896	59,327
Engineering	39,000	25,000	10,200	35,200
Administration	<u>26,900</u>	<u>13,600</u>	<u>13,300</u>	<u>26,900</u>
TOTAL EXPENSES	<u>127,656</u>	<u>78,031</u>	<u>43,396</u>	<u>121,427</u>
EXCESS REVENUE OVER EXPENSES	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>

Red River County, Texas
 FEDERAL PROGRAM PROJECT SCHEDULE
 PROJECTS THAT ENDED OR WERE IN OPERATION DURING
 the year ended September 30, 2011

Federal Grantor: U.S. Department of HUD
 Pass through Grantor: TDHCA
 CFDA# 14.239, Project #1001035, Contract Period: 3/11/09-8/8/11

	<u>Budget</u>	<u>Federal Current Year</u>	<u>Total</u>
REVENUE			
Federal	<u>367,200</u>	<u>288,041</u>	<u>288,041</u>
EXPENSES			
Community development	360,000	286,601	286,601
Administration	<u>7,200</u>	<u>1,440</u>	<u>1,440</u>
TOTAL EXPENSES	<u>367,200</u>	<u>288,041</u>	<u>288,041</u>
EXCESS REVENUE OVER EXPENSES	<u> -</u>	<u> -</u>	<u> -</u>

Red River County, Texas
 FEDERAL PROGRAM PROJECT SCHEDULE
 PROJECTS THAT ENDED OR WERE IN OPERATION DURING
 the year ended September 30, 2011

Federal Grantor: U.S. Department of HUD
 Pass through Grantor: TDRA
 CFDA# 14.228, Project #710157, Contract Period: 9/10/11-9/9/12

	<u>Budget</u>	<u>Federal Current Year</u>	<u>Total</u>
REVENUE			
Federal	<u>350,000</u>	<u>212,306</u>	<u>212,306</u>
EXPENSES			
Water facilities	320,000	200,306	200,306
Administration	<u>30,000</u>	<u>12,000</u>	<u>12,000</u>
TOTAL EXPENSES	<u>350,000</u>	<u>212,306</u>	<u>212,306</u>
EXCESS REVENUE OVER EXPENSES	<u> -</u>	<u> -</u>	<u> -</u>