I. Summary of Significant Accounting Policies

A. Reporting entity

Uvalde County operates under a County Judge – Commissioner's Court type of government and provides the following services throughout the County: public safety (fire, ambulance, and law enforcement), environmental protection (sanitation), public transportation (highways and roads), health and welfare, culture and recreation, conservation (agriculture), public facilities, judicial and legal, election functions, and general and financial administrative services.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The road and bridge fund accounts for the activities of the government's road and bridge operations.

The economic development fund is used to further the economic development of Uvalde County.

Additionally, the government reports the following fund types:

Internal service funds accounts for health insurance premiums and claims to pay for health insurance premiums and actual claims.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to customers for insurance fees. Operating expenses for the internal service fund include the cost of health insurance. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Additionally, the County reports Agency fund types which are fiduciary funds and are used to account for monies received and disbursed by the county in the capacity of trustee, custodian, or agent for individuals or other entities. Agency funds are custodial in nature (assets=liabilities) and do not involve measurement of results of operations. The County's Agency funds consist mainly of funds holding tax revenues, official's fees and other funds, forfeited monies and other pertinent funds for other entities or individuals.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Government and the District to invest in obligations of the U.S. Treasury. Investments for the Government are reported at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "either due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to a total of 1 percent of the current outstanding property taxes at September 30, 2008 and 10 percent of the delinquent outstanding property taxes at September 30, 2008.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the County bills the taxpayers. The County begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and Prepaid Items

Inventories of materials and supplies held by the General Fund are considered immaterial and thus are not accounted for in the Balance Sheet. In the General Fund, disbursements for supplies and materials are considered to be expenditures at the time of purchase. There were no inventory items at September 30, 2008. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets and Restricted Net Assets

The restricted assets at September 30, 2008 consisted of $97,289 for debt service and $229,759 for future projects and the restricted net assets at September 30, 2008 consisted of $97,289 for debt service and $229,759 for future projects.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

The total interest expense incurred by the County during the current fiscal year was $63,404. Of this amount, $-0- was included as part of the cost of capital assets.

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

6. Compensated Absences

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

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

8. Fund Equity

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

9. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $276,998 difference are as follows:

Capital Leases Payable	225,861
Accrued Interest Payable	6,790
Bond issuance costs	(14,165)
Compensated absences	58,512
	$276,998

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds" report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this $2,407,845 difference are as follows:

Capital outlay	$5,963,728
Depreciation expense	(3,555,883)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	$2,407,845

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets. (continued)

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles)." The details of this $573,620 difference are as follows:

Property taxes Receivable	$612,506
Allowance for Doubtful Accounts	(38,886)
Net	$573,620

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of this $3,607,765 difference are as follows:

Fines and Fees Receivable	$4,400,825
Allowance for Doubtful Accounts	(793,060)
Net	$3,607,765

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.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this ($104,832) difference are as follows:

Capital outlay - additions	$197,446
Capital outlay - deletions - net	0
Depreciation expense	(302,278)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	($104,832)

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

The original budget is adopted by the Commissioner's Court and filed with the County Clerk. Amendments are made during the year on approval by the Commissioner's Court.

The final amended budget is used in this report.

The budget should not be exceeded in any expenditure category under State law. Unused appropriations lapse at the end of each year.

The County Judge is, by statute, the Budget Officer of the County. He usually requests and relies on the assistance of the County Auditor to prepare the annual budget. After being furnished budget guidelines by the Commissioner's Court, the County Auditor prepares an estimate of revenues and a compilation of requested departmental expenditures and submits this data to the Commissioner's Court.

The Commissioner's Court invites various department heads to appear for a hearing concerning the departments' budget requests. Before determining the final budget, the Commissioner's Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the County Auditor's estimate of revenues and available cash. The final budget can be legally amended by the Commissioner's Court to whatever extent the Court desires as long as the amended figures do not exceed the County Auditor's estimate of revenues and available cash.

When the Budget has been adopted by the Commissioner's Court, the County Auditor is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the Commissioner's Court advised of the condition of the various funds and accounts. The level of control for each legally adopted annual operating budget is the fund.

Budgets for all budgeted General, Special Revenue, Debt Service, and Capital Project Funds are adopted on a budgetary basis which is in conformity with generally accepted accounting principles (GAAP). Budgets for the 2008 fiscal year were adopted for the general fund, the road and bridge fund, and the economic development funds. There were appropriated budgets for all the non-major special revenue, debt service and capital project funds except there were no appropriated budgets for the FEMA, ORCA Building Grant, Jail Project, and CDBG Grant funds.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2008, expenditures did not exceed appropriations in any function nor in any fund except for the general fund which had the following functions in which expenditures exceeded appropriations: the liability insurance department whereby expenditures of $708,479 exceeded the budgeted amount of $702,592 by $5,887, the non-departmental department whereby expenditures of $800,341 exceeded the budgeted amount of $760,619 by $39,722, the district court department whereby expenditures of $102,364 exceeded the budgeted amount of $100,049 by $2,315, the district clerk department whereby expenditures of $175,010 exceeded the budgeted amount of $158,214 by $16,796, the data processing department whereby expenditures of $59,997 exceeded the budgeted amount of $43,500 by $16,497, the emergency management department whereby expenditures of $19,600 exceeded the budgeted amount of $19,500 by $100, the sheriff department whereby expenditures of $228,150 exceeded the budgeted amount of $208,592 by $19,558, the sheriff payroll department whereby expenditures of $938,977 exceeded the budgeted amount of $799,880 by $136,097, the street lights department whereby expenditures of $10,990 exceeded the budgeted amount of $10,710 by $280, the human resources department whereby expenditures of $182,719 exceeded the budgeted amount of $170,450 by $12,269, the indigent health department whereby expenditures of $1,169,487 exceeded the budgeted amount of $968,706 by $200,781, the interest retirement department whereby expenditures of $40,145 exceeded the budgeted amount of $1,135 by $39,010, and bond issuance costs whereby expenditures of $21,250 exceeded the budgeted amount of $-0- by $21,250; the law library fund whereby expenditures of $23,629 exceeded the budgeted amount of $22,822 by $807 and the vending machines fund whereby expenditures of $2,767 exceeded the budgeted amount of $2,100 by $667.

C. Deficit fund equity

The county had no deficit fund balances as of September 30, 2008 except for the following. The D.A. Administrative fund - $2,847, the Uvalde Estates Grant - $8,689, the Vending Machines fund - $983, the Jail Project fund – 263, and the Victims of Crime - DA - $1,555. These deficits are expected to be liquidated by future resources of the funds.

IV. Detailed Notes on All Funds

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 stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (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.

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:

The County had no investments at September 30, 2008.

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 government has a deposit policy for custodial credit risk. As of September 30, 2008, the government's bank balance of $4,172,402 was not exposed to custodial credit risk because it was fully insured and collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name. The fair market value of the securities pledged is $7,918,848 and the FDIC coverage is $131,877.

B. Receivables

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

	General	Road and Bridge	Economic Development	Total
Receivables				
Taxes	$500,422	$112,084		$612,506
Fines	4,400,825			4,400,825
Other	98,863		193,877	292,740
Gross receivables	5,000,110	112,084	193,877	5,306,071
Less: Allowance for uncollectibles	825,570	6,376		831,946
Net total receivables	$4,174,540	$105,708	$193,877	$4,474,125

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

	Unavailable
Delinquent Property Taxes Receivable (General Fund)-Net	$ 467,912
Delinquent Property Taxes Receivable (Road and Bridge Fund)-Net	105,708
Total Deferred/Unearned Revenue for Governmental Funds	$ 573,620

There was no other unearned revenue reported in the governmental funds during the year.

C. Capital Assets

Capital asset activity for the year ended September 30, 2008 was as follows:

Governmental Activities: Capital assets not being depreciated:	Beginning Balances	Increases	Decreases	Ending Balances
Land	876,215	10	0	876,225
Total capital assets not being depreciated:	876,215	10	0	876,225
Capital assets being depreciated:				
Building and Improvements	2,053,293	0	0	2,053,293
Machinery, Equipment and Vehicles	1,804,875	197,436	0	2,002,311
Infrastructure	1,031,899	0	0	1,031,899
Total capital assets being depreciated:	4,890,067	197,436	0	5,087,503
Less: Accumulated Depreciation for:				
Building and Improvements	879,400	33,216	0	912,616
Machinery, Equipment and Vehicles	1,342,306	269,062	0	1,611,368
Infrastructure	1,031,899	0	0	1,031,899
Total Accumulated Depreciation	3,253,605	302,278	0	3,555,883
Total Capital Assets Depreciated, Net	1,636,462	(104,842)	0	1,531,620
Governmental Activities capital assets, Net	2,512,677	(104,832)	0	2,407,845

Governmental activities	
General Administration	$1,627
Legal	4,531
Financial Administration	5,057
Public Facilities	9,361
Public Safety	86,537
Public Transportation	170,113
Health and Welfare	25,052
Total depreciation expense - governmental activities	$302,278

The infrastructure capital assets are fully depreciated at September 30, 2008.

Construction commitments

There were major FEMA and CDBG construction projects which were for disasters occurring in prior years.

D. Interfund Receivables, Payables, and Transfers

There was no Due to/from other funds at September 30, 2008.

There were no advances at September 30, 2008.

The interfund transfers are as follows:

	TRANSFER IN		
		NON-MAJOR	
	GENERAL	GOVERNMENTAL	
TRANSFER OUT	FUND	FUNDS	TOTAL
NON-MAJOR GOVERNMENTAL FUNDS	$10,000	$64,260	74,260
TOTALS	$10,000	$64,260	$74,260

The $10,000 transfer was to the law library fund and provided monies for law research. The $64,260 was from the D.A. Forfeiture fund to the Courthouse Security fund and was to provide security for the courtroom.

E. Operating Leases

The government leases equipment under noncancelable operating leases. Total costs for such leases were $62,812 for the year ended September 30, 2008. There are no scheduled rate increases.

The future minimum lease payments for these leases are as follows:

Year Ending Sep. 30	Amount
2009	$44,185
2010	31,113
2011	22,977
2012	10,304
Total	$108,579

F. Long-Term Debt

Capital Leases

The government has entered into a lease agreement as lessee for financing of acquisition of two (2) caterpillars, six (6) ford pickups, three (3) chevy pickups, and other various equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	ROAD AND BRIDGE FUND			GENERAL FUND		
Asset:	JOHN DEERE 670 D	THREE CHEVY PICKUPS	CATER-PILLAR	SIX FORD PICKUPS	PHONE SYSTEM	TOTAL
Cost	$166,150	$54,801	$129,433	$158,868	$24,959	$534,211
Less: Accumulated Depreciation	33,230	32,881	77,660	94,721	14,975	253,467
Total	$132,920	$21,920	$51,773	$64,147	$9,984	$280,744

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008, were as follows:

Year Ending Sep. 30	Amount
2009	$103,693
2010	56,522
2011	41,702
2012	41,702
2013	20,161
Total	263,780
Less: Amount representing interest	37,919
Present Value of Minimum Lease Payments	$225,861

Changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Summary Noncurrent Liabilities Due within one year	Due in more than one year
Governmental activities:						
Capital lease payable	$279,360	$115,650	$169,149	$225,861	$91,441	$134,420
Compensated absences payable	4,368	58,512	4,368	58,512	58,512	0
	283,728	174,162	173,517	284,373	149,953	134,420
Grand Total	$283,728	$174,162	$173,517	$284,373	$149,953	$134,420

The general fund is used to service the compensated absences. The estimated amount due in the 2008-09 year is $58,512.

The government-wide statement of activities includes $149,953 as "noncurrent liabilities, due within one year".

There was no interest capitalized. All of the interest was expensed.

G. Short-Term Debt

Tax Notes

The government issues tax notes to provide funds to infuse capital into the county's operating system for the governmental activities. The original amount of the tax notes was $700,000. The tax notes were issued in anticipation of future ad valorem tax collections. The tax notes are reported as a fund liability in the governmental funds and as a current liability in the governmental-wide financial statements.

Changes in short-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Liabilities
Governmental activities:					
Tax Anticipation Notes payable	$1,000,000	$700,000	$1,000,000	$700,000	$700,000
Less deferred amounts:					
For issuance costs	(14,292)	(14,165)	(14,292)	(14,165)	(14,165)
Total Tax Anticipation Notes payable	985,708	685,835	985,708	685,835	685,835
Grand Total	$985,708	$685,835	$985,708	$685,835	$685,835

The general fund is used to service the notes.

V. Other Information

A. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

	Year ended 09/30/08	Year ended 09/30/07
Unpaid Claims, Beginning of Fiscal Year	$ -0-	$ -0-
Incurred Claims (including IBNRs)		
Claim Payments	-0-	-0-
Unpaid Claims, End of Fiscal Year	$ -0-	$ -0-

B. Related Party Transaction

Most transactions are of the "arm's-length" variety. That is, it is assumed that both parties to the transaction are acting solely on basis of their self-interest. Occasionally, however, in the public and the private sectors, parties enter into transactions that an informed observer might reasonably believe reflect considerations other than self-interest. GAAP use the phrase *related party transactions* to describe such arrangements. While there is nothing inherently undesirable about related party transactions, they raise potential concerns regarding 1) the reasonability of the terms of the arrangement, and 2) the eventual collectibility of related receivables.

There were no related party transactions during the year.

C. Subsequent Events

The county received a $520,000 home project grant to help rehabilitate 9 homes in the Uvalde county area.

The county will issue $25,000,000 in bonds for a Convention Center, a New Jail, a 4-H Center, and an Amphitheater.

D. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The government is not a defendant in any lawsuit.

E. Other post employment benefits

None

F. Retirement Plan

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 575 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's 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.

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) 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 governing body elected to pay a rate of 7.99% for the 2007 and 7.48% for the 2008 year that did not exceed the actuarially determined rate as allowed by the provisions of the TCDRS Act.

The contribution rate payable by the employee members for calendar years 2007 and 2008 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Actuarial Valuation Information

Actuarial valuation date	12/31/2005	12/31/2006	12/31/2007
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, open
Amortization period	20.0	15.0	15.0
Asset valuation method	Long-term appreciation with adjustment	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value
Actuarial Assumptions			
Investment return	8.00%	8.00%	8.00%
Projected salary increases	5.5%	5.5%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.00%	0.00%	0.00%

Trend Information for the Retirement Plan for the Employees of Uvalde County, Texas

Accounting Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
09-30-06	382,799	100.00	-0-
09-30-07	410,432	100.00	-0-
09-30-08	440,491	100.00	-0-

ANALYSIS OF FUNDING PROGRESS

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 (c)	UAAL as a Percentage of Payroll ((b-a)/c)
2005	11,475,710	12,239,229	763,519	93.8	4,883,481	15.6
2006	12,730,372	13,182,648	452,276	96.6	5,111,469	8.9
2007	13,781,685	14,218,663	436,978	96.9	5,327,956	8.2