

FUND FINANCIAL STATEMENTS

UVALDE COUNTY, TEXAS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2009

	General Fund	Road and Bridge	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$652,764	\$483,654	\$0	\$1,213,954	\$2,350,372
Receivables (net of allowance for uncollectibles)	695,790	130,225		186,360	1,012,375
Restricted Assets:					
Cash and Cash Equivalents			24,100,558	166,985	24,267,543
Total Assets	\$1,348,554	\$613,879	\$24,100,558	\$1,567,299	\$27,630,290
LIABILITIES AND FUND BALANCES:					
Liabilities					
Accounts Payable	\$34,152		\$143,417		\$177,569
Bank Overdraft				51,172	51,172
Unearned Revenues	524,420	130,225			654,645
Total Liabilities	558,572	130,225	143,417	51,172	883,386
Fund Balances:					
Reserved for Debt Service				166,985	166,985
Reserved for Future Projects			23,957,141		23,957,141
Unreserved, Reported in					
General Fund	789,982				789,982
Special Revenue Funds		483,654		1,349,142	1,832,796
Total Fund Balance	789,982	483,654	23,957,141	1,516,127	26,746,904
Total Liabilities and Fund Balances	\$1,348,554	\$613,879	\$24,100,558	\$1,567,299	\$27,630,290

The accompanying notes are an integral part of this statement.

UVALDE COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2009

Total Fund Balances - governmental funds balance sheet	\$26,746,904
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	3,927,544
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,740,731
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	654,645
Bond Issuance Costs are expenditures in the funds but are recorded as assets in the governmental activities.	137,406
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(25,896,363)
Internal Service fund is not reported in the funds.	<u>86,183</u>
Net assets of governmental activities - statement of net assets	<u>\$8,397,050</u>

The accompanying notes are an integral part of this statement.

UVALDE COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Road and Bridge	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Property	\$5,120,355	\$1,399,037		\$3,821	\$6,523,213
Sales	2,278,750				2,278,750
Intergovernmental	815,698	250,379		1,103,450	2,169,527
Licenses and Permits		594,218			594,218
Charges for Services	740,441	73,292		130,746	944,479
Fines and Forfeitures	422,204				422,204
Interest	47,219		115,487	139,293	301,999
Miscellaneous	354,349	5,648		786,774	1,146,771
Total Revenues	9,779,016	2,322,574	115,487	2,164,084	14,381,161
EXPENDITURES					
Current:					
General Administration	2,115,819			61,558	2,177,377
Legal	233,159			74,318	307,477
Judicial	940,008			559,158	1,499,166
Financial Administration	833,634				833,634
Public Facilities	167,601				167,601
Public Safety	3,182,810			533,004	3,715,814
Public Transportation	9,113	1,785,121			1,794,234
Environmental Protection	52,840	142,017			194,857
Culture and Recreation	107,552	7,188		21,402	136,142
Health and Welfare	1,436,056			40,532	1,476,588
Conservation - Agriculture	136,524				136,524
Capital Projects -					
Capital Outlay and Other			1,020,940	844,460	1,865,400
Debt Service					
Principal Retirement	14,001	30,207		61,072	105,280
Interest Retirement	19,126	7,160		5,901	32,187
Bond Issuance Costs	0		137,406		137,406
Total Expenditures	9,248,243	1,971,693	1,158,346	2,201,405	14,579,687
Excess (Deficiency) of Revenues Over (Under) Expenditures	530,773	350,881	(1,042,859)	(37,321)	(198,526)
OTHER FINANCING SOURCES (USES):					
Other Financing Sources - Bond Proceeds			25,000,000		25,000,000
Other Financing Sources - Notes Payable	54,864	89,460			144,324
Transfers In	0			261,903	261,903
Transfers Out	(10,903)	(200,000)		(251,000)	(461,903)
Total Other Financing Sources (Uses)	43,961	(110,540)	25,000,000	10,903	24,944,324
Net Changes in Fund Balances	574,734	240,341	23,957,141	(26,418)	24,745,798
Fund Balances - Beginning	215,248	243,313		1,542,545	2,001,106
Fund Balances - Ending	\$789,982	\$483,654	\$23,957,141	\$1,516,127	\$26,746,904

The accompanying notes are an integral part of this statement.

UVALDE COUNTY, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

Net Changes in Fund Balances - total governmental funds	\$24,745,798
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,519,699
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	(867,034)
(Increase) decrease in compensated absences from beginning of period to end of period.	(16,837)
Increase (decrease) in bond issuance costs from beginning of period to end of period.	123,241
(Increase) decrease in accrued interest from beginning of period to end of period.	(549,319)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	81,025
Internal Service fund is not reported in the funds.	571,479
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(25,144,324)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	105,280
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Change in net assets of governmental activities - statement of activities	<u>\$569,008</u>

The accompanying notes are an integral part of this statement.

UVALDE COUNTY, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes				
Property	\$5,229,109	\$5,261,829	\$5,120,355	(\$141,474)
Sales	2,000,000	2,152,585	2,278,750	126,165
Intergovernmental	623,224	999,984	815,698	(184,286)
Charges for Services	554,450	737,502	740,441	2,939
Fines and Forfeitures	437,500	437,500	422,204	(15,296)
Interest	25,000	47,219	47,219	0
Miscellaneous	313,900	352,364	354,349	1,985
Total Revenues	9,183,183	9,988,983	9,779,016	(209,967)

EXPENDITURES

Current:

General Administration				
Commissioner's Court	108,086	108,086	107,014	1,072
Compliance Department	37,130	37,130	29,520	7,610
County Clerk	249,294	251,532	247,342	4,190
County Judge	188,187	198,620	193,554	5,066
Elections	69,573	82,763	69,859	12,904
Liability Insurance	899,895	820,242	802,802	17,440
Non-Departmental	1,228,735	1,374,163	590,020	784,143
Payroll Taxes	93,947	93,947	55,786	38,161
Veterans Service	21,099	21,099	19,922	1,177
Legal				
County Attorney	241,957	241,957	233,159	8,798
Legal Counsel	10,000	1,147	0	1,147
Judicial				
Associate Judge	1,000	1,000	354	646
District Court	96,753	172,586	154,893	17,693
District Clerk	195,039	199,539	195,797	3,742
Justices of the Peace	439,766	442,166	433,142	9,024
Courtmaster	1,000	1,700	1,420	280
District Attorney	154,029	160,529	154,402	6,127
Financial Administration				
County Auditor	172,737	178,530	166,024	12,506
County Treasurer	181,285	184,441	177,431	7,010
Data Processing	49,500	64,500	62,185	2,315
Appraisal District	205,000	213,800	213,715	85
Tax Assessor-Collector	206,014	207,014	198,644	8,370
Professional Services	15,630	15,630	15,635	(5)
Public Facilities				
Courthouse Building	190,153	190,153	167,601	22,552
Public Safety				
Adult Probation	56,220	56,220	52,268	3,952
Constables	180,055	180,055	169,669	10,386
D.P.S.	30,508	30,508	29,225	1,283
Emergency Operations	195,800	195,800	195,800	0
Emergency Management	19,500	19,500	19,629	(129)
Fire	44,700	44,700	44,700	0
Juvenile Probation	91,984	91,984	91,984	0
Jail	850,620	850,620	776,860	73,760
Jail Payroll	572,003	572,003	545,927	26,076
Sheriff	193,100	353,835	343,104	10,731
Sheriff Payroll	805,154	936,398	913,644	22,754

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	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Transportation				
Street Lights	\$10,000	\$10,000	\$9,113	\$887
Environmental Protection				
Sanitation	55,499	55,499	52,840	2,659
Culture and Recreation				
Fairpark Complex	0	3,500	0	3,500
Libraries	107,552	107,552	107,552	0
Health and Welfare				
Health Department	33,340	33,340	33,340	0
Human Resources	195,950	183,050	174,818	8,232
Health Nurse	64,068	64,068	60,152	3,916
Indigent Health	1,143,648	1,381,861	1,167,746	214,115
Conservation - Agriculture				0
Agriculture Extension Service	95,130	100,983	96,024	4,959
Predator Control	40,500	40,500	40,500	0
Debt Service				
Principal Retirement	9,650	13,993	13,993	0
Interest Retirement	150	629	19,134	(18,505)
Bond Issuance Costs				0
Total Expenditures	<u>9,850,940</u>	<u>10,588,872</u>	<u>9,248,243</u>	<u>1,340,629</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(667,757)</u>	<u>(599,889)</u>	<u>530,773</u>	<u>1,130,662</u>
OTHER FINANCING SOURCES (USES):				
Other Financing Sources - Notes Payable	0	54,864	54,864	0
Transfers Out	(10,000)	(12,000)	(10,903)	1,097
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>42,864</u>	<u>43,961</u>	<u>1,097</u>
Net Changes in Fund Balances	<u>(677,757)</u>	<u>(557,025)</u>	<u>574,734</u>	<u>1,131,759</u>
Fund Balances - Beginning	215,248	215,248	215,248	
Fund Balances - Ending	<u>(\$462,509)</u>	<u>(\$341,777)</u>	<u>\$789,982</u>	<u>\$1,131,759</u>

The accompanying notes are an integral part of this statement.

UVALDE COUNTY, TEXAS
ROAD AND BRIDGE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$1,503,717	\$1,565,358	\$1,399,037	(\$166,321)
Intergovernmental	21,429	250,188	250,379	191
Licenses and Permits	663,050	663,050	594,218	(68,832)
Charges for Services	64,500	64,500	73,292	8,792
Interest				0
Miscellaneous	5,900	5,900	5,648	(252)
Total Revenues	<u>2,258,596</u>	<u>2,548,996</u>	<u>2,322,574</u>	<u>(226,422)</u>
EXPENDITURES				
Current				
Parks				
Wes Cooksey Park	7,000	8,188	7,188	1,000
Public Transportation				
Road and Bridge	2,293,466	2,091,997	1,785,121	306,876
Environmental Protection				
Sanitation	147,259	147,259	142,017	5,242
Debt Service				
Principal Retirement	20,724	30,207	30,207	0
Interest Retirement	6,158	7,160	7,160	0
Total Expenditures	<u>2,474,607</u>	<u>2,284,811</u>	<u>1,971,693</u>	<u>313,118</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(216,011)	264,185	350,881	86,696
OTHER FINANCING SOURCES (USES):				
Other Financing Sources	117,000	117,000	89,460	(27,540)
Transfers Out	0	(200,000)	(200,000)	0
Total Other Financing Sources (Uses)	<u>117,000</u>	<u>(83,000)</u>	<u>(110,540)</u>	<u>(27,540)</u>
Net Changes in Fund Balances	(99,011)	181,185	240,341	59,156
Fund Balances - Beginning	243,313	243,313	243,313	
Fund Balances - Ending	<u>\$144,302</u>	<u>\$424,498</u>	<u>\$483,654</u>	<u>\$59,156</u>

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

UVALDE COUNTY, TEXAS
 CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Interest	\$0	\$110,499	\$115,487	\$4,988
Total Revenues	0	110,499	115,487	4,988
EXPENDITURES				
Capital Projects -				
Capital Outlay and Other	0	24,670,000	1,020,940	23,649,060
Bond Issuance Costs	0	330,000	137,406	192,594
Total Expenditures	0	25,000,000	1,158,346	23,841,654
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(24,889,501)	(1,042,859)	23,846,642
OTHER FINANCING SOURCES (USES):				
Other Financing Sources - Bond Proceeds	0	25,000,000	25,000,000	0
Total Other Financing Sources (Uses)	0	25,000,000	25,000,000	0
Net Changes in Fund Balances	0	110,499	23,957,141	23,846,642
Fund Balances - Beginning	0	0	0	
Fund Balances - Ending	\$0	\$110,499	\$23,957,141	\$23,846,642

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

UVALDE COUNTY, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 SEPTEMBER 30, 2009

	County Employee Insurance Current Year	County Employee Insurance Prior Year
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$86,183	\$0
Receivables (net of allowance for uncollectibles)		
Total Current Assets	<u>86,183</u>	<u>0</u>
TOTAL ASSETS	<u>\$86,183</u>	<u>\$0</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS		
Liabilities		
Current Liabilities (Payable from Current Assets)		
Accounts Payable	\$0	\$0
Bank Overdraft	0	485,296
Total Current Liabilities	<u>0</u>	<u>485,296</u>
Total Liabilities	<u>0</u>	<u>485,296</u>
Unrestricted	86,183	(485,296)
Total Net Assets	<u>\$86,183</u>	<u>(\$485,296)</u>

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

UVALDE COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	County Employee Insurance Current Year	County Employee Insurance Prior Year
OPERATING REVENUES:		
Charges for Services	\$1,992,673	\$1,779,355
Total Operating Revenues	<u>1,992,673</u>	<u>1,779,355</u>
OPERATING EXPENSES:		
Other Services and Charges	1,625,474	1,741,658
Total Operating Expenses	<u>1,625,474</u>	<u>1,741,658</u>
Operating Income (Loss)	<u>367,199</u>	<u>37,697</u>
NON-OPERATING REVENUES (EXPENSES):		
Ad Valorem Taxes	4,280	127,098
Total Non-Operating Revenues (Expenses)	<u>4,280</u>	<u>127,098</u>
Income Before Transfers	371,479	164,795
Transfers in	<u>200,000</u>	
Change in net assets	571,479	164,795
Total net assets - beginning	<u>(485,296)</u>	<u>(650,091)</u>
Total net assets - ending	<u>\$86,183</u>	<u>(\$485,296)</u>

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

UVALDE COUNTY, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	County Employee Insurance Current Year	County Employee Insurance Prior Year
Cash Flows from Operating Activities		
Receipts from customers and users	\$1,992,673	\$1,779,391
Payments to suppliers	(2,110,770)	(1,906,489)
Net Cash Provided (Used) By Operating Activities	<u>(118,097)</u>	<u>(127,098)</u>
Cash Flows from Non-Capital and Related Financing Activities		
Transfers In	200,000	
Ad Valorem Taxes	4,280	127,098
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>204,280</u>	<u>127,098</u>
Cash Flows from Capital and Related Financing Activities		
State Grants	0	0
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>0</u>	<u>0</u>
Cash Flows from Investing Activities		
Interest Received	0	0
Net Cash Provided (Used) by Investment Activities	<u>0</u>	<u>0</u>
Net Increase (Decrease) in Cash Equivalents	86,183	0
Cash and Cash Equivalents at Beginning of Year	<u>0</u>	<u>0</u>
Cash and Cash Equivalents at End of Year	<u>\$86,183</u>	<u>\$0</u>

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	County Employee Insurance	County Employee Insurance
	Current Year	Prior Year
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating Income (Loss)	\$367,199	\$37,697
Changes in Current Items		
Decrease (Increase) in Accounts Receivable	0	36
Increase (Decrease) in Accounts Payable	0	(16)
Increase (Decrease) in Bank Overdraft	(485,296)	(164,815)
Net Cash Provided (Used) By Operating Activities	<u>(\$118,097)</u>	<u>(\$127,098)</u>
Noncash Investing, Capital, and Financing Activities:		
Borrowing from capital debt	<u>\$0</u>	<u>\$0</u>

Note: The above fund is an Enterprise Fund.

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

UVALDE COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2009

ASSETS

Cash and Cash Equivalents	\$1,030,770
Receivables (net of allowance for uncollectibles)	0
Total Assets	<u>\$1,030,770</u>

LIABILITIES:

Accounts Payable	\$0
Due to Others	1,030,770
Total Liabilities	<u>\$1,030,770</u>

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

UVALDE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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 capital projects fund is used to build the new county jail.

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)

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. 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, 2009 and 10 percent of the delinquent outstanding property taxes at September 30, 2009.

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, 2009. 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, 2009 consisted of \$166,985 for debt service and \$24,100,558 for future projects and the restricted net assets at September 30, 2009 consisted of \$166,985 for debt service.

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 \$595,671. Of this amount, \$556,109 was included as part of the cost of capital assets. The county expended \$1,576,649 towards the Convention Center, a New Jail, a 4-H Center, and an Amphitheater which included a land purchase of \$489,920 and \$1,086,729 included in construction in progress.

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

<u>Assets</u>	<u>Years</u>
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 \$25,896,363 difference are as follows:

Capital Leases Payable	\$134,420
Notes Payable	130,485
Bonds Payable	25,000,000
Accrued Interest Payable	556,109
Compensated Absences	75,349
	<u>\$25,896,363</u>

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 \$3,927,544 difference are as follows:

Capital outlay	\$7,711,101
Depreciation expense	(3,783,557)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$3,927,544</u>

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 \$654,645 difference are as follows:

Property Taxes Receivable	\$694,676
Allowance for Doubtful Accounts	<u>(40,031)</u>
Net	<u>\$654,645</u>

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 \$2,740,731 difference are as follows:

Fines and Fees Receivable	\$4,110,995
Allowance for Doubtful Accounts	<u>(1,370,264)</u>
Net	<u>\$2,740,731</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.

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 \$1,519,699 difference are as follows:

Capital outlay - additions	\$1,747,373
Capital outlay - deletions - net	0
Depreciation expense	<u>(227,674)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$1,519,699</u>

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 2009 fiscal year were adopted for the general fund, the road and bridge fund, and the capital project funds. There were appropriated budgets for all the non-major special revenue, debt service and capital project funds.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2009, 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 professional services department whereby expenditures of \$15,635 exceeded the budgeted amount of \$15,630 by \$5, the emergency management department whereby expenditures of \$19,629 exceeded the budgeted amount of \$19,500 by \$129, and the interest retirement department whereby expenditures of \$19,134 exceeded the budgeted amount of \$629 by \$18,505; the D.A. administrative fund whereby expenditures of \$505,106 exceeded the budgeted amount of \$483,514 by \$21,592 and the interest and sinking fund whereby expenditures of \$66,973 exceeded the budgeted amount of \$66,971 by \$2.

C. Deficit fund equity

The county had no deficit fund balances as of September 30, 2009 except for the following. The EMPG fund - \$35,996, the HAVA grant fund - \$3,627, the Uvalde Estates Grant - \$6,660, the Victims of Crime - DA - 1,563, and the Victims of Crime - CA - \$3,326. These deficits are expected to be liquidated by future resources of the funds.