

UVALDE COUNTY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
September 30, 2011

ISSUED BY
COUNTY AUDITOR'S OFFICE

ALICE CHAPMAN
COUNTY AUDITOR

Uvalde County, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2011

TABLE OF CONTENTS

INTRODUCTORY SECTION

- i. Letter of Transmittal
- viii GFOA Certificate of Achievement
- ix. Organizational Chart
- x. List of Elected and Appointed Officials
- xi. Map of Uvalde County

FINANCIAL SECTION

- 1. Independent Auditor's Report
- 4. Management's Discussion and Analysis

Basic Financial Statements:

Government-wide Financial Statements:

- 15. Statement of Net Assets
- 16. Statement of Activities

Fund Financial Statements:

- 17. Balance Sheet - Governmental Funds
- 18. Reconciliation of the Government Funds
- 19. Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
- 20. Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
- 21. Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - General Fund
- 23. Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - Road and Bridge Fund
- 24. Statement of Net Assets - Proprietary Funds
- 25. Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
- 26. Statement of Cash Flows - Proprietary Funds
- 28. Statement of Fiduciary Net Assets - Fiduciary Funds

Notes to Financial Statements

- 29. Notes to the Financial Statements

Required Supplementary Information:

- 53. Schedule of Funding Progress - Public Employees Retirement System

Combining and Individual Fund Statements and Schedules:

- 54. Combining Balance Sheet - Non-major Governmental Funds
- 56. Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds

Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:

- 58. Capital Projects Fund
- 59. Jail Building Interest and Sinking Fund
- 60. Archival Fee
- 61. Border Crime Prosecution
- 62. Colonia Planning Grant
- 63. County Attorney Administration
- 64. County Attorney Hot Check
- 65. County Court Preservation
- 66. County Court Technology
- 67. County Records Management
- 68. County Election
- 69. Court Reporters
- 70. Courthouse Security
- 71. D.A. Administrative
- 72. D.A. Fee
- 73. D.A. Forfeiture
- 74. DARE
- 75. District Court Technology Fund
- 76. District Court Records Archive
- 77. District Court Records Preservation
- 78. District Clerk Records Management
- 79. Economic Development
- 80. HAVA Grant Fund
- 81. EMPG
- 82. Historical Commission
- 83. J.P. Technology
- 84. Jury
- 85. Law Library
- 86. Narcotics Intradiction Fund
- 87. Records Management
- 88. Security Fees Fund
- 89. Sesquicentennial Fund
- 90. Sheriff Commissary
- 91. Sheriff Forfeiture
- 92. Sheriff Seizure
- 93. Stonegarden Grant
- 94. Tobacco Settlement
- 95. Uvalde Estate Grant
- 96. Vending Machines
- 97. Victims of Crime – DA

- 98. Victims of Crime - CA
- 99. Interest and Sinking Fund
- 100. Colonia Construction
- 101. EDA Grant
- 102. Fish Passage Fund

Agency Funds:

- 103. Combining Statement of Fiduciary Net Assets
- 104. Combining Statement of Changes in Assets and Liabilities

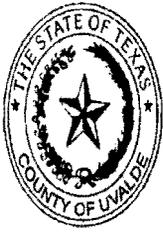
STATISTICAL SECTION

- 106. Net Assets by Component
- 107. Changes in Net Assets
- 109. Governmental General Tax Revenues by Source
- 110. Fund Balances of Governmental Funds
- 111. Changes in Fund Balances of Governmental Funds
- 113. General Governmental Tax Revenues by Source
- 114. Assessed and Estimated Actual Value of Property
- 115. Property Tax Rates -All Direct and Overlapping Governments
- 116. Principal Property Taxpayers
- 117. Property Tax Levies and Collections
- 118. Ratios of Outstanding Debt by Type
- 119. Ratios of Net General Bonded Debt Outstanding
- 120. Estimated Net Direct and Overlapping Debt
- 121. Computation of Legal Debt Margin
- 122. Demographic and Economic Statistics
- 123. Principal Employers
- 124. Full-time Equivalent County Government Employees by Function
- 125. Operating Indicators by Function
- 127. Capital Assets by Function

Single Audit Section:

- 128. Schedule of Expenditures of Federal Awards
- 130. Community Development Block Grants/States Program - Budget-Award No. 728195
- 131. Community Development Block Grants/States Program - Budget-Award No. 710035
- 132. Community Development Block Grants/States Program - Budget-Award No. 727480
- 133. 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
- 135. Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133
- 137. Notes to Schedule of Expenditures of Federal Awards
- 137. Schedule of Prior Audit Findings
- 138. Schedule of Findings and Questioned Costs

INTRODUCTORY SECTION



COUNTY OF UVALDE

100 N. GETTY STREET
UVALDE, TEXAS 78801

March 26, 2012

The Honorable District Judge
Camile G. Dubose, 38th Judicial District

The Honorable Commissioners' Court, Uvalde County, Texas
William R. Mitchell County Judge
Randy Scheide County Commissioner, Precinct I
Mariano Pargas County Commissioner, Precinct II
Jerry Bates County Commissioner, Precinct III
Raul Flores County Commissioner, Precinct IV

The Citizens of Uvalde County

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

Pursuant to that requirement, the comprehensive annual financial report of Uvalde County for the fiscal year ended September 30, 2011 is hereby issued.

This report consists of management's representations concerning the finances of Uvalde County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, the management of Uvalde County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Uvalde County's financial statements in conformity with GAAP. The cost of internal control should not outweigh the benefit; therefore, Uvalde County's comprehensive framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As financial management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Uvalde County's financial statements were audited by Beyer & Co., CPA's, licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Uvalde County for the fiscal year ended September 30, 2011 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Uvalde County's financial statements for the fiscal year ended September 30, 2011 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Uvalde County's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

On February 8, 1850 the County of Uvalde was formed by the legislature from part of Bexar County and named for Spanish governor Juan de Ugalde. The County is located in the southwest part of the State of Texas with agriculture continuing to be the major industry. Uvalde County covers 1,557 square miles and has a population of 26,405 per the United States 2010 Census.

Uvalde County is a political subdivision of the State of Texas with no legislative powers and very restrictive judicial and administrative powers. The governing body of the county is the Commissioners' Court which consists of five members. The County Judge is the chairman of the Court and the Commissioner from each of the four precincts are also members. The Court has only such powers as are conferred upon it by the Constitution, Statutes, or by necessary implication there from. Uvalde County provides many varied services for its citizens including judicial, detention facilities, public safety, county roads, emergency medical service, health and limited social services, public improvements, libraries, and general administrative services.

In counties with a population less than 125,000 the County Judge serves as the budget officer assisted by the County Auditor. The County Judge may also solicit from each department whatever data may be required to prepare an accurate budget. The budget is presented on a line-item basis and adopted on the fund level. The budget must be itemized to make possible a comparison of the proposed expenditures with the prior year expenditures. The budget must show as accurately as possible the purpose of each expenditure and the amount of money appropriated.

Upon completion of the proposed budget, the County Judge files a copy with the County Clerk. The Commissioners' Court holds a public hearing on the proposed budget. Any taxpayer of the County may attend and participate in the hearing.

At the conclusion of the public hearing, the Commissioners' Court takes action on the proposed budget. The Commissioners' Court may make any changes in the proposed budget that it considers warranted by law and required in the best interest of the taxpayers. The Commissioners' Court may levy taxes only in accordance with the budget. After final approval of the budget, the County Judge shall file a copy with the County Clerk and may spend county funds only in strict compliance with the budget, except in an emergency.

The Commissioners' Court may authorize an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention. If the Court amends the original budget to meet an emergency, the Court files a copy of its order amending the budget with the County Clerk. The clerk attaches the copy to the original budget.

The Commissioners' Court, by order, may amend the budget to transfer an amount budgeted for one item to another budgeted item within the same fund without authorizing an emergency expenditure.

State law requires counties to adopt a budget before adopting a tax rate. The Commissioners' Court may levy taxes only in accordance with the budget. Chapter 26 of the Property Tax Code requires taxing units to comply with truth-in-taxation laws in setting tax rates. This law has two purposes:

- to make the taxpayers more knowledgeable about tax rate proposals;
- to allow taxpayers to roll back or limit a tax increase in certain cases.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Uvalde County operates.

Local economy. The County of Uvalde continues to see growth in subdivisions in unincorporated areas of the county as justified by plats filed in the County Clerk's office. The completion of the Regional Cancer Care Facility as part of the Uvalde Memorial Hospital will generate much needed medical accessibility to area residents as well as produce increased economic development in the area through job creation.

Tourism is a growing part of the economic base with expansion in the Con Can and hill country areas. The Commissioners Court reset the 6% Hotel Motel Occupancy Tax to 0% on January 1, 2010 at the request of local vendors; however, the tax was reset to 4% later in the year at the vendor's request. This tax is used to promote the local area.

The prolific economy generated by the Eagle Ford Shale development in counties south of Uvalde County, should increase sales tax receipts and filing fees within various courthouse offices.

Long-term financial planning. The completion of the Uvalde County Justice Center as a result of the issuance of \$25 million in certificates of obligations has been delayed by construction issues until January 2012. With the adoption of the 2011/2012 budget, all four pods will be opened housing approximately 80 federal inmates for a total jail population of 212. Job creation for this facility will include twenty-five new positions. The new positions consist of six correctional supervisors, six central control officers, six booking officers, one maintenance jailer, two transport officers, two inmate service officers, and two administrative personnel. Completion of the additional venues to include a Rodeo Arena, and Event Center, and large open stage Pavilion is scheduled to be June, 2012.

The County has sought and received multiple grants to assist with the implementation of the Fairplex, Justice Center, and Event Center. The County has also utilized grants for law enforcement and emergency management and energy conservation. Those grants consist of the following:

Colonia Planning TxCDBG 728195 - Provided for detailed planning and mapping of all colonia areas throughout Uvalde County for water, sewer, streets, roads, drainage, and housing.

Colonia Construction TxCDBG 710035 – Provided for First Time Sewer System Improvements for the Fort Clark Road Colonia. Sixteen households benefited for First Time Sewer Service.

Community Development CHDI TxCDBG 727480 – Provided for Expansion of the Community Health Development Facility at 908 South Evans Street.

HOME 1000784 – Provided for Housing Rehabilitation Assistance to residents affected by Tornado Disaster.

ARRA/EECBG CS 0631 – Provide for Energy Efficient Improvements to County Facilities.

EDA 08-01-04620 – Provide for Water, Sewer and Gas Improvements along U S Highway 90 and Fairplex Property.

Assist to Law Enforcement 2010 SD B9 0002 – Provided for Salary including Fringe for two full time Law Enforcement Officers, (1) for Uvalde PD and (1) for Uvalde County Sheriff's Office to combat crime along the U S southern border.

Fish Passage F11AC00070 – Provide for Low Water Crossing on C R 416.

EMPG – Provided for assistance to Uvalde County Emergency Management Services.

UC Health Department – Provided for Salary for Uvalde County Health Department Nurse.

While Uvalde County had secured a grant for the renovation of the old jail location into office space to be utilized by the Emergency Operations Department under guidance of the Homeland Security Department, it was lost in legislative cut backs.

Cash management policies and practices. In accordance with Section 116.112, Local Government Code, the County Treasurer with the approval of the Commissioners' Court is authorized to invest any County funds deposited in a County depository not immediately required to pay obligations of the County. The Treasurer may invest those funds as allowed by statute. Interest rates on the deposits are governed by the County depository contract which currently has been awarded to First State Bank of Uvalde.

Risk management. The County provides for the management of risks through a combination of self-insurance and traditional insurance. Property and casualty coverage has continued to be obtainable at reasonable premium rates on building and improvements. Comprehensive general liability and public officials' liability coverage has continued to be obtainable at reasonable premium rates. Workers Compensation coverage with Texas Association of Counties is partially self-funded.

The County of Uvalde provides group medical benefits to its employees on a partially self-funded basis as allowed by statute. Stop-Loss coverage is provided by American United Life using the Texas True Choice network. The group insurance is managed by a third party administrator, Group & Pension Administrators. The Commissioners' Court appointed an agent-of-record to guide the Court in the complex purchasing decisions required in this area. The insurance committee consists of the County Judge, County Treasurer, and County Auditor.

Pension and other post-employment benefits. The County of Uvalde continues to provide retirement, disability, and death benefits for all full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The plan provisions are adopted by the Commissioners' Court within the options available in the Texas State Statutes governing TCDRS. Members are vested after eight years of service but must leave accumulated contributions in the plan to receive employer contributions. The employee members' contribution rate as adopted by the Court is 7% of gross compensation. The County's 2011 employer rate is 9.13%. The County provides an option to employees to participate in COBRA benefits as required by law.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Uvalde for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2010. This was the fifteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

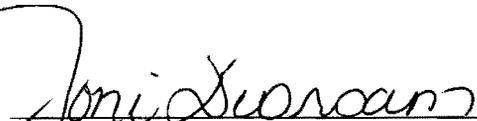
The preparation of this report is a direct result of the efficient and dedicated services of Beyer & Co., CPA's and staff, along with the cooperative efforts of each Uvalde County Elected and Appointed Official and their respective support staff. Special recognition goes to First Assistant Auditor Marjorie L. Collins and Assistant Auditor Sue K. Haynes for auditing and training in the individual county offices as well as website maintenance.

Additionally, our sincere appreciation is extended to the Uvalde County Commissioners, the Uvalde County Judge, and the 38th Judicial District Judge for their continued support and progressive attitude in maintaining the highest standards while overseeing the operation of this County government.

Respectfully submitted by:



Alice L. Chapman
County Auditor



Joni Deorsam
County Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Uvalde
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



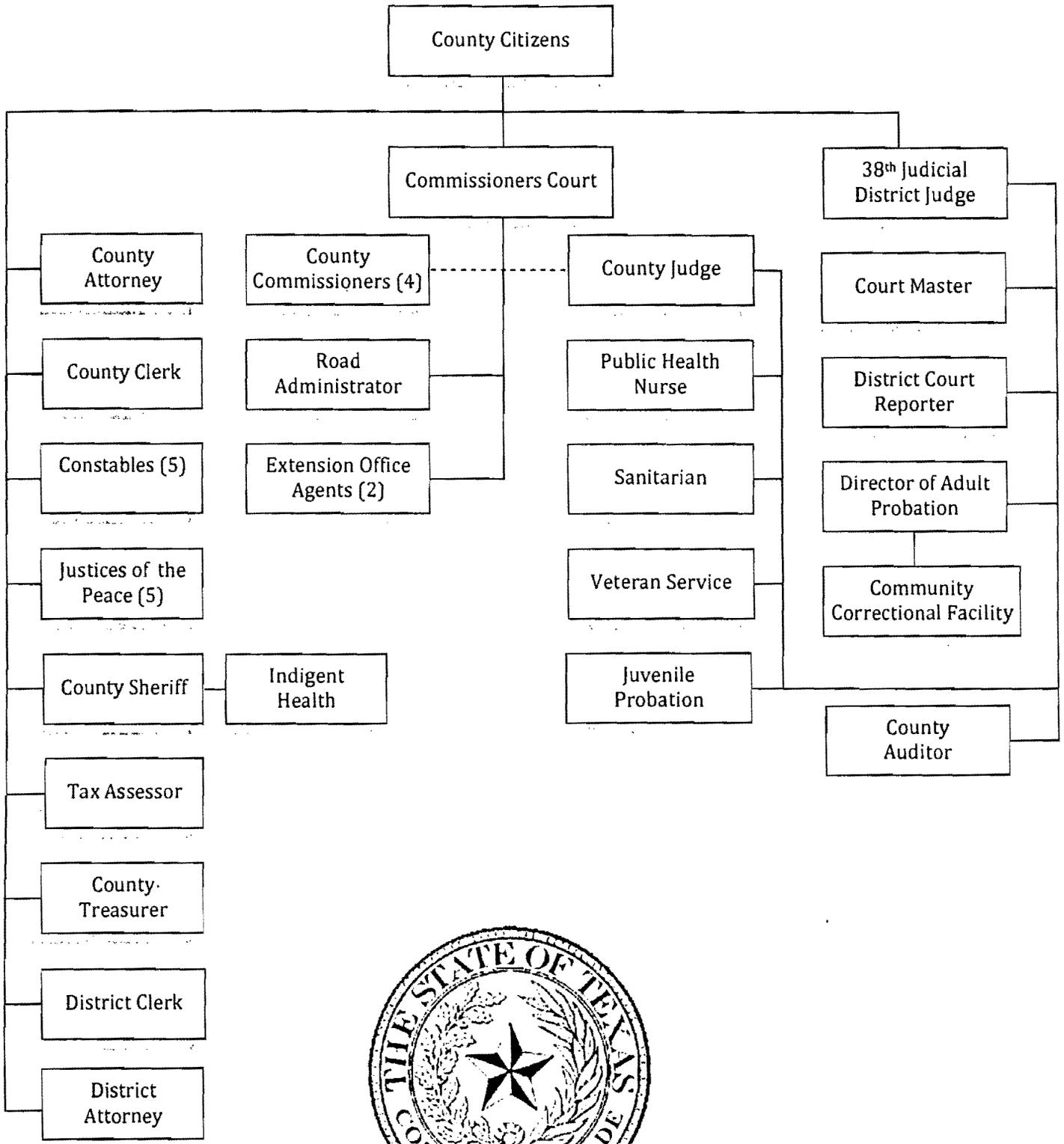
Linda C. Danison

President

Jeffrey R. Egan

Executive Director

County of Uvalde Organization Chart



**UVALDE COUNTY, TEXAS
DIRECTORY OF OFFICIALS
SEPTEMBER 30, 2011**

COMMISSIONERS COURT

William R. Mitchell
Randy Scheide
Mariano Pargas
Jerry Bates, Sr.
Raul Flores

County Judge
Commissioner Precinct No. 1
Commissioner Precinct No. 2
Commissioner Precinct No. 3
Commissioner Precinct No. 4

DISTRICT COURT

Camile G. DuBose
Daniel Kindred
Kelley Bartell
Christina Ovalle
Sherry Gentry
Dale Gear, Jr.

District Judge, 38th Judicial District
District Attorney
Associate Judge, TITLE IV
District Clerk
District Court Reporter
Chief Probation Officer

OTHER COUNTY OFFICIALS

John Dodson
Joni Deorsam
Margarita "Maggie" Del Toro
Ramona Esquivel Hobbs
Charles Mendeke
Jessie Garcia
Terry Black, RN
Rick Coggins
Bryson Dalrymple
Alice L. Chapman

County Attorney
County Treasurer
County Tax Assessor Collector
County Clerk
County Sheriff
County Road Administrator
County Public Health Nurse
County Sanitarian
County Extension Agent
County Auditor

JUSTICES OF THE PEACE

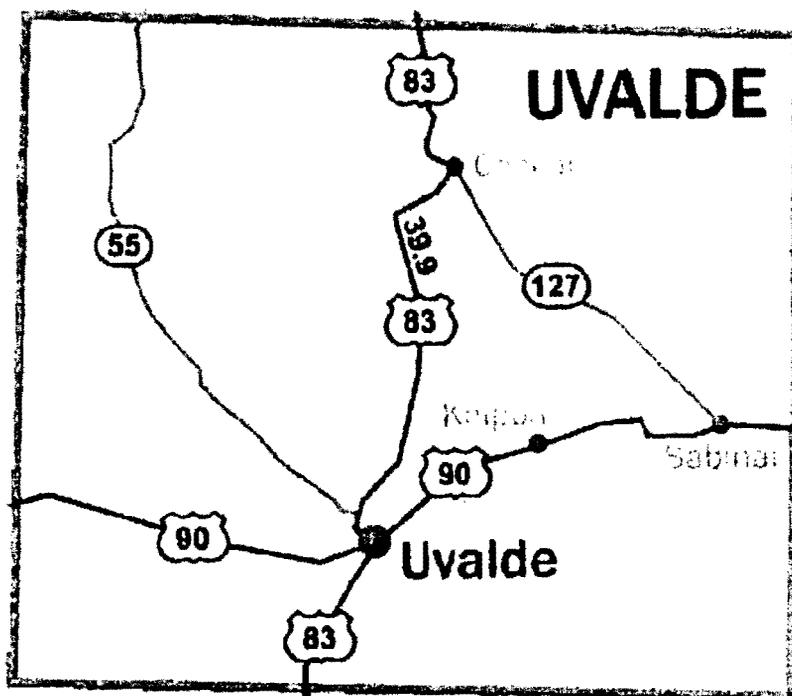
Steve Kennedy
Bobby McIntosh
William Schaefer
Rodrigo Martinez
Ernesto Luna

Precinct No. 1
Precinct No. 2
Precinct No. 3
Precinct No. 4
Precinct No. 6

CONSTABLES

Eddie Obregon
Weldon McCutcheon
William Dean
Robert Moss
Martin Morales

Precinct No. 1
Precinct No. 2
Precinct No. 3
Precinct No. 4
Precinct No. 6



FINANCIAL SECTION

BEYER & CO.
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

442 WEST OAKLAWN
P.O. BOX 366 830/569-8781 FAX 830/569-6776
PLEASANTON, TEXAS 78064

111 NORTH ODEM
830/569-8781 FAX 830/569-6776
SINTON, TEXAS 78387

INDEPENDENT AUDITOR'S REPORT

To the Commissioners Court
Uvalde County, Texas

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

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

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 Uvalde County, Texas as of September 30, 2011, and the respective changes in financial position and cash flows ,where applicable, thereof, and the respective budgetary comparison for the and the respective changes in the financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund, the Road and Bridge Fund , and the Capital Projects Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of Uvalde County, Texas, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the Jail Building Interest and Sinking Debt Service, archival fee special revenue, border crime prosecution special revenue, Colonia Planning Grant, county attorney administration special revenue, county attorney hot check special revenue, county court preservation special revenue, county court technology special revenue, county records management special revenue, county election special revenue, court reporters special revenue, courthouse security special revenue, D.A. administrative special revenue, D.A. fee special revenue, D.A. forfeiture special revenue, DARE special revenue, district court technology special revenue, district clerk court records archive special revenue, district court records preservation special revenue, district clerk records management special revenue, economic development special revenue, HAVA Grant Fund, EMPG special revenue, historical commission special revenue, J.P. technology special revenue, jury special revenue, law library special revenue, narcotics intradiction fund, records management special revenue, security fees special revenue, sesquicentennial special revenue, sheriff commissary special revenue, sheriff forfeiture special revenue, sheriff seizure special revenue, Stonegarden Grant, tobacco settlement special revenue, Uvalde estate grant special revenue, vending machines special revenue, victims of crime – DA special revenue, victims of crime – CA special revenue, interest and sinking debt service, Colonia Construction, EDA Grant, and fish passage 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 March 24, 2012, on our consideration of Uvalde County, Texas'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 analysis and the schedule of funding progress for the Public Employees Retirement System, on pages 4 through 14, and 53, respectively, 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 the 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 and opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Uvalde County, Texas' financial statements as a whole. The introductory section, combining and individual non-major fund financial statements, the non-major budgetary comparison information, and statistical section, 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 non-major budgetary comparison information, 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Respectfully submitted,

Beyer & Co.

BEYER & COMPANY
Certified Public Accountants
Pleasanton, Texas
March 24, 2012

Management's Discussion and Analysis

As management of Uvalde County, Texas, we offer readers of Uvalde County, Texas's financial statements this narrative overview and analysis of the financial activities of Uvalde County, Texas for the fiscal year ended September 30, 2011.

Financial Highlights

- . The assets of Uvalde County, Texas exceeded its liabilities at the close of the most recent fiscal year by \$14,284,429 (net assets). Of this amount, \$5,270,540 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net assets increased by \$4,133,660. This increase is attributable to revenues continuing to outpace expenses. While the total expenses increase by \$439,696 the revenues increased by \$2,819,637. The major increase in revenues occurred in the operating and capital grants which increased by \$876,570 and 1,080,021, respectively. The ad valorem taxes increased by \$702,796. The increase in sales and other taxes of \$695,732 offset the declines in investment earnings and miscellaneous of \$527,520. The increase in other taxes was a result of an increase in hotel/motel taxes and the decrease in miscellaneous was a result of a decrease in the sale of forfeited and seized property. The increase in expenses was basically consistent throughout the various expense functions.
- . As of the close of the current fiscal year, Uvalde County, Texas's governmental funds reported combined ending fund balances of \$9,564,061, a decrease of \$10,799,445 in comparison with the prior year. Approximately 12% of this total amount, \$1,173,074, is available for spending at the government's discretion (unassigned fund balance). The fund balance decreased of \$10,799,445 was the result of the construction of the new justice center/jail building.
- . At the end of the current fiscal year, the unassigned fund balance for the general fund was \$1,305,061 or 13 percent of total general fund expenditures, the total fund balance for the road and bridge fund was \$678,334 and was restricted and was 30 percent of total road and bridge fund expenditures, and the total fund balance for the capital projects fund was \$6,251,447 of which \$0 was unassigned.
- . Uvalde County, Texas's total short-term and long-term debt decreased by \$617,991 (2.45 percent) during the current fiscal year. The key factor in this decrease was the payment of debt principal on the jail facility bonds of \$550,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Uvalde County, Texas's basic financial statements. Uvalde County, Texas's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of Uvalde County, Texas's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of Uvalde County, Texas's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Uvalde County, Texas is improving or deteriorating.

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

The government-wide financial statements distinguish functions of Uvalde County, Texas that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Uvalde County, Texas include general administration, public safety, environmental protection, public transportation, health and welfare, public facilities, legal, elections, financial administration, conservation, capital projects, culture and recreation, and employee insurance fund.

The government-wide financial statements include only Uvalde County, Texas itself (known as the primary government),

The government-wide financial statements can be found on pages 15-16 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Uvalde County, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds:

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Uvalde County, Texas maintains forty-eight (48) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the road and bridge fund, and the capital projects fund all of which are considered to be major funds. Data from the other forty-five (45) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Uvalde County, Texas adopts an annual appropriated budget for its general fund, the road and bridge fund, and the capital projects fund. There were appropriated budgets for all the non-major special revenue, debt service, and capital project funds.

The basic governmental fund financial statements can be found on pages 17-23 of this report.

Proprietary funds:

Uvalde County, Texas maintains one type of proprietary fund. The Internal Service Fund for Uvalde County, Texas, consists solely of the Employee Insurance Fund. This fund was created to help facilitate employee insurance coverage. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the employee insurance fund.

The basic proprietary fund financial statements can be found on pages 24-27 of this report.

Uvalde County, Texas also has four agency funds which are a fiduciary fund type.

Notes to the financial statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-52 of this report.

Other information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Uvalde County, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 53 and 58 of this report.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 54-57 of this report. The budget comparison schedules in connection with the non-major governmental funds can be found on pages 59-102 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Uvalde County, Texas, assets exceeded liabilities by \$14,284,429 at the close of the most recent fiscal year.

A portion of Uvalde County, Texas's net assets (50 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure, and equipment), less any related debt used to acquire those assets that are still outstanding. Uvalde County, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Uvalde County, Texas's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

UVALDE COUNTY, TEXAS
NET ASSETS

| | Governmental Activities | | Total | |
|--|----------------------------|--------------|--------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Current and other Assets | \$6,884,114 | \$6,004,934 | \$6,884,114 | \$6,004,934 |
| Restricted Assets: | 7,181,750 | 18,874,953 | 7,181,750 | 18,874,953 |
| Capital Assets: | 25,524,444 | 11,464,344 | 25,524,444 | 11,464,344 |
| Total Assets | 39,590,308 | 36,344,231 | 39,590,308 | 36,344,231 |
| Long-term liabilities | 24,581,383 | 25,199,374 | 24,581,383 | 25,199,374 |
| Other liabilities | 724,496 | 994,088 | 724,496 | 994,088 |
| Total Liabilities | 25,305,879 | 26,193,462 | 25,305,879 | 26,193,462 |
| Invested in Capital Assets, Net of Related debt | 7,108,072 | 4,123,182 | 7,108,072 | 4,123,182 |
| Restricted | 1,905,817 | 602,158 | 1,905,817 | 602,158 |
| Unrestricted | 5,270,540 | 5,425,429 | 5,270,540 | 5,425,429 |
| Total Net Assets | \$14,284,429 | \$10,150,769 | \$14,284,429 | \$10,150,769 |

An additional portion of Uvalde County, Texas's net assets (13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$5,270,540) may be used to meet the government on going obligations to citizens and creditors. At the end of the current fiscal year, Uvalde County, Texas reported a positive balance in the governmental activities. For the prior fiscal year, Uvalde County, Texas reported positive balances in net assets, both for the government as a whole, as well as for its separate governmental activities.

There was an increase of \$1,303,659 in restricted net assets reported in connection with Uvalde County, Texas's government-type activities. This increase reflects grant revenues replenishing prior year grant fund deficits.

The government's total net assets increased by \$4,133,660. This increase is attributable to revenues continuing to outpace expenses. While the total expenses increase by \$439,696 the revenues increased by \$2,819,637. The major increase in revenues occurred in the operating and capital grants which increased by \$1,080,021 and 876,570, respectively. The ad valorem taxes increased by \$702,796. The increase in sales and other taxes of \$695,732 offset the declines in investment earnings and miscellaneous of \$527,520. The increase in other taxes was a result of an increase in hotel/motel taxes and the decrease in miscellaneous was a result of a decrease in the sale of forfeited and seized property. The increase in expenses was basically consistent throughout the various expense functions.

Governmental activities: Governmental activities increased Uvalde County, Texas's net assets by \$4,133,660, thereby accounting for 100 percent of the total increase in the net assets of Uvalde County, Texas.

**UVALDE COUNTY, TEXAS
CHANGE IN NET ASSETS**

| | Governmental Activities | | Total | |
|--|----------------------------|--------------|--------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenues: | | | | |
| Program Revenues: | | | | |
| Charges for Services | \$1,676,230 | \$1,684,192 | \$1,676,230 | \$1,684,192 |
| Operating Grants and Contributions | 2,115,538 | 1,238,968 | 2,115,538 | 1,238,968 |
| Capital Grants and Contributions | 1,084,455 | 4,434 | 1,084,455 | 4,434 |
| General Revenues: | | | | |
| Maintenance and Operations Taxes | 9,229,742 | 8,526,946 | 9,229,742 | 8,526,946 |
| Sales Taxes | 2,517,976 | 2,154,211 | 2,517,976 | 2,154,211 |
| Other Taxes | 375,293 | 43,326 | 375,293 | 43,326 |
| Unrestricted Investment Earnings | 202,167 | 491,656 | 202,167 | 491,656 |
| Miscellaneous | 797,043 | 1,035,074 | 797,043 | 1,035,074 |
| Total Revenue | 17,998,444 | 15,178,807 | 17,998,444 | 15,178,807 |
| Expenses: | | | | |
| General Administration | 2,290,702 | 2,395,282 | 2,290,702 | 2,395,282 |
| Judicial | 1,694,639 | 1,625,026 | 1,694,639 | 1,625,026 |
| Legal | 340,849 | 311,580 | 340,849 | 311,580 |
| Financial Administration | 918,623 | 883,669 | 918,623 | 883,669 |
| Public Facilities | 364,925 | 293,503 | 364,925 | 293,503 |
| Public Safety | 3,863,201 | 3,965,954 | 3,863,201 | 3,965,954 |
| Public Transportation | 2,062,819 | 1,789,823 | 2,062,819 | 1,789,823 |
| Environmental Protection | 214,166 | 249,259 | 214,166 | 249,259 |
| Culture and Recreation | 294,075 | 146,947 | 294,075 | 146,947 |
| Health and Welfare | 1,703,238 | 1,611,904 | 1,703,238 | 1,611,904 |
| Conservation - Agriculture | 100,923 | 135,096 | 100,923 | 135,096 |
| Interest and Fiscal Charges | 16,624 | 17,045 | 16,624 | 17,045 |
| Total Expenses | 13,864,784 | 13,425,088 | 13,864,784 | 13,425,088 |
| Increase in net assets before transfers and special items | 4,133,660 | 1,753,719 | 4,133,660 | 1,753,719 |
| Transfers | 0 | 0 | 0 | 0 |
| Increase in Net Assets | 4,133,660 | 1,753,719 | 4,133,660 | 1,753,719 |
| Net Assets at 09/30/2010 | 10,150,769 | 8,397,050 | 10,150,769 | 8,397,050 |
| Net Assets at 09/30/2011 | \$14,284,429 | \$10,150,769 | \$14,284,429 | \$10,150,769 |

Revenues increased by \$2,819,637. The biggest increase was in capital grants which increased by \$1,080,021. The expenses increased by \$439,696. The biggest increase was in the Public Transportation which increased by \$272,996 and culture and recreation which increased by \$147,128.

Expenses and Program Revenues - Governmental Activities

| Functions/Programs | Expenses | Program Revenues | | |
|-----------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government | | | | |
| Government activities: | | | | |
| General Administration | \$2,290,702 | \$194,897 | \$167,698 | \$0 |
| Judicial | 1,694,639 | 476,525 | 621,540 | |
| Legal | 340,849 | 23,601 | | |
| Financial Administration | 918,623 | 132,151 | | |
| Public Facilities | 364,925 | | | 1,084,455 |
| Public Safety | 3,863,201 | 154,022 | 1,039,545 | |
| Public Transportation | 2,062,819 | 652,358 | 21,577 | |
| Environmental Protection | 214,166 | | 409 | |
| Culture and Recreation | 294,075 | | 170,110 | |
| Health and Welfare | 1,703,238 | 42,676 | 74,059 | |
| Conservation - Agriculture | 100,923 | | 20,600 | |
| Interest and Fiscal Charges | 16,624 | | | |
| Total government activities | <u>\$13,864,784</u> | <u>\$1,676,230</u> | <u>\$2,115,538</u> | <u>\$1,084,455</u> |

Revenues by source - Governmental Activities

| | REVENUES | % |
|------------------------------------|---------------------|-------------|
| Charges for Services | \$1,676,230 | 9% |
| Operating Grants and Contributions | 2,115,538 | 12% |
| Capital Grants and Contributions | 1,084,455 | 6% |
| Maintenance and Operations Taxes | 9,229,742 | 52% |
| Sales taxes | 2,517,976 | 14% |
| Other Taxes | 375,293 | 2% |
| Unrestricted investment earnings | 202,167 | 1% |
| Miscellaneous | 797,043 | 4% |
| | <u>\$17,998,444</u> | <u>100%</u> |

For the most part expense increases were fairly ratable throughout the different departments with the exception of the transportation and the culture and recreations departments which increased by \$272,996 and 147,128, respectively. The reason for the increase in public transportation was because of more use of road materials and the major reason for the increase in the culture and recreational department was an increase in sesquicentennial activities.

Financial Analysis of the Government's Funds

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

Governmental funds:

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

As of the end of the current fiscal year, Uvalde County, Texas's governmental funds reported combined ending fund balances of \$9,564,061, a decrease of \$10,799,445 in comparison with the prior year. Approximately 12 percent of this total amount (\$1,173,074) constitutes unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of Uvalde County, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,305,061, while total fund balance reached \$1,305,061. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 12 percent of total general fund expenditures, while total fund balance represents 12 percent of that same amount.

The fund balance of Uvalde County, Texas's general fund increased by \$613,017 during the current fiscal year. The reason for this increase was an increase in property taxes of \$555,410 and an increase in sales taxes of \$363,765. Charges for services decreased by \$146,460. The property taxes increased by \$613,017 because of an increase in the tax rate and in the total taxable property. The sales taxes increased because of an increase in consumerism in the County, and the decrease in the charges for services was a result of a decrease in total fines within the County. The expenditures decreased by \$192,039. The primary reason for the decrease was of a decrease in the jail department which decreased by \$209,224. The jail department decreased because of a decrease in the housing of prisoners.

The road and bridge fund had an unassigned fund balance of \$-0- while total fund balance reached \$678,334. As a measure of the road and bridge fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 00 percent of total road and bridge fund expenditures, while total fund balance represents 30 percent of that same amount.

The fund balance of the road and bridge fund increased by \$172,194 during the current year. The reason for this increase was an increase in property taxes of \$268,076, an increase in expenditures of \$291,765, and there were no transfers out in the 2011 year. The property taxes increased by \$268,076 because of an increase in the tax rate and in the total taxable property. The primary reason for the increase in expenditures was an increase in the use of road materials. The County had a transfer out of \$200,000 in the 2010 year but had no transfer out in the 2011 year.

The capital projects fund had an unassigned fund balance of \$0, while total fund balance reached \$6,251,447. The capital projects fund was established to build the new jail facility. Thus, any comparison between fund balances and expenditures would be illusory.

The fund balance of the capital projects fund decreased by \$11,699,961 during the current year. Key factors in this decrease are as follows:

The decrease was the result of the construction of the new justice center/jail building.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for the general fund were \$224,521. This increase was mainly from an increase in budgetary expenditures of \$177,159 in the sheriff's department and \$65,154 in the jail department. The increase in the sheriff's department was a result of an increase in deputies in the department and the increase in the jail department was because of a unexpected delay in opening the new justice center.

Capital Asset and Debt Administration

Capital assets:

Uvalde County, Texas's investment in capital assets for its governmental activities as of September 30, 2011, amounts to \$25,524,444 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, and infrastructure items such as roads, and bridges. The total increase in Uvalde County, Texas's investment in capital assets for the current fiscal year was 123.36 percent.

The county expended \$11,848,448 towards the Rodeo Arena/Livestock Barns, a New Justice Center/Jail, a Multi-purpose Building, and a Pavilion. The above has been included in construction in progress along with construction period interest of \$1,096,418.

The County also expended grant monies for utility infrastructure (water, sewer, and gas) of \$1,033,116. The County expended \$20,600 for a fish passage/bridge grant.

Additional information on Uvalde County, Texas's capital assets can be found in note IV C on page 42 of this report.

**UVALDE COUNTY, TEXAS
CAPITAL ASSETS (net of depreciation)**

| | Governmental Activities | | Total | |
|---------------------------|----------------------------|---------------------|---------------------|---------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Land | \$1,370,324 | \$1,366,145 | \$1,370,324 | \$1,366,145 |
| Construction in Progress | 22,619,698 | 8,621,116 | 22,619,698 | 8,621,116 |
| Building and improvements | 1,041,029 | 1,074,245 | 1,041,029 | 1,074,245 |
| Machinery and equipment | 493,393 | 402,838 | 493,393 | 402,838 |
| Infrastructure | 0 | 0 | 0 | 0 |
| Total | \$25,524,444 | \$11,464,344 | \$25,524,444 | \$11,464,344 |

Long-term debt:

At the end of the current fiscal year, Uvalde County, Texas had total bonded debt outstanding of \$24,330,000. Of this amount, \$24,330,000 comprises debt backed by the full faith and credit of Uvalde County, Texas.

| | Beginning Balance | Additions | Reductions | Ending Balance | Summary | |
|---------------------------------|----------------------|-----------|---------------|-------------------|------------------------|------------------------------|
| | | | | | Noncurrent Liabilities | |
| | | | | | Due Within One Year | Due in More Than One Year |
| <u>Governmental Activities:</u> | | | | | | |
| Bonds Payable | \$24,880,000 | \$0 | \$550,000 | \$24,330,000 | \$580,000 | \$23,750,000 |
| Total Bonds Payable | 24,880,000 | 0 | 550,000 | 24,330,000 | 580,000 | 23,750,000 |
| Grand Total | \$24,880,000 | \$0 | \$550,000 | \$24,330,000 | \$580,000 | \$23,750,000 |

Uvalde County, Texas's bonded short-term and long-term debt decreased by \$550,000 (2.21 percent) during the current fiscal year. The key factor in this decrease was the payment of debt principal on the jail facility bonds of \$550,000. Additional information on Uvalde County, Texas's Long-term debt can be found in note IV F on pages 44 to 47 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal-year 2011 budget and tax rates. One of those factors is the economy. The County's population growth during 1998-2011 averaged annual gains of .6 percent. Unemployment during that time increased to about 8.9 percent.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County's business office, at Uvalde County, Texas, Courthouse Plaza #3, Uvalde, Texas 78801.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

UVALDE COUNTY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

| | Primary Government | |
|---|-------------------------|---------------------|
| | Governmental Activities | Total |
| ASSETS | | |
| Cash and Cash Equivalents | \$2,911,966 | \$2,911,966 |
| Receivables (net of allowance for uncollectibles) | 3,845,734 | 3,845,734 |
| Unamortized Bond Issuance Cost | 126,414 | 126,414 |
| Restricted Assets: | | |
| Cash and Cash Equivalents | 6,344,574 | 6,344,574 |
| Receivables (net of allowance for uncollectibles) | 837,176 | 837,176 |
| Capital assets not being depreciated: | | |
| Land | 1,370,324 | 1,370,324 |
| Construction in Progress | 22,619,698 | 22,619,698 |
| Total Capital assets being depreciated, net | | |
| Building and Improvements | 1,041,029 | 1,041,029 |
| Machinery and Equipment | 493,393 | 493,393 |
| Infrastructure | 0 | 0 |
| Total Assets | <u>\$39,590,308</u> | <u>\$39,590,308</u> |
| LIABILITIES: | | |
| Accounts Payable | \$542,676 | \$542,676 |
| Accrued Interest Payable | 181,820 | 181,820 |
| Noncurrent Liabilities: | | |
| Due within one year | 802,725 | 802,725 |
| Due in more than one year | 23,778,658 | 23,778,658 |
| Total Liabilities | <u>25,305,879</u> | <u>25,305,879</u> |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | 7,108,072 | 7,108,072 |
| Restricted | 1,905,817 | 1,905,817 |
| Unrestricted | 5,270,540 | 5,270,540 |
| Total Net Assets | <u>\$14,284,429</u> | <u>\$14,284,429</u> |

The accompanying notes are an integral part of this statement.