

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Total
Primary Government						
Government Activities:						
General Administration	\$2,290,702	\$194,897	\$167,698	\$0	(\$1,928,107)	(\$1,928,107)
Judicial	1,694,639	476,525	621,540		(596,574)	(596,574)
Legal	340,849	23,601			(317,248)	(317,248)
Financial Administration	918,623	132,151			(786,472)	(786,472)
Public Facilities	364,925			1,084,455	719,530	719,530
Public Safety	3,863,201	154,022	1,039,545		(2,669,634)	(2,669,634)
Public Transportation	2,062,819	652,358	21,577		(1,388,884)	(1,388,884)
Environmental Protection	214,166		409		(213,757)	(213,757)
Culture and Recreation	294,075		170,110		(123,965)	(123,965)
Health and Welfare	1,703,238	42,676	74,059		(1,586,503)	(1,586,503)
Conservation - Agriculture	100,923		20,600		(80,323)	(80,323)
Interest and Fiscal Charges	16,624				(16,624)	(16,624)
Total Government Activities	13,864,784	1,676,230	2,115,538	1,084,455	(8,988,561)	(8,988,561)
Total Primary Government	\$13,864,784	\$1,676,230	\$2,115,538	\$1,084,455	(8,988,561)	(8,988,561)
General Revenues						
Property Taxes, Levies for General Purposes					9,229,742	9,229,742
Sales Taxes					2,517,976	2,517,976
Other Taxes					375,293	375,293
Unrestricted Investment Earnings					202,167	202,167
Miscellaneous					797,043	797,043
Total General Revenues and Transfers					13,122,221	13,122,221
Change in Net Assets					4,133,660	4,133,660
Net Assets - Beginning					10,150,769	10,150,769
Net Assets - Ending					\$14,284,429	\$14,284,429

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

UVALDE COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Road and Bridge	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$1,140,933	\$679,468	\$0	\$1,248,269	\$3,068,670
Receivables (net of allowance for uncollectibles)	1,005,136	158,023		305,655	1,468,814
Restricted Assets:					
Cash and Cash Equivalents			6,274,447	70,127	6,344,574
Receivables (net of allowance for uncollectibles)				837,176	837,176
Total Assets	\$2,146,069	\$837,491	\$6,274,447	\$2,461,227	\$11,719,234
LIABILITIES AND FUND BALANCES:					
Liabilities					
Accounts Payable	\$152,098	\$1,134	\$23,000	\$366,444	\$542,676
Bank Overdraft				765,564	765,564
Unearned Revenues	688,910	158,023			846,933
Total Liabilities	841,008	159,157	23,000	1,132,008	2,155,173
Fund Balances:					
Restricted					
Archives				203,015	203,015
Construction			6,251,447		6,251,447
Debt Service				70,127	70,127
Economic Development				469,849	469,849
Elections				7,485	7,485
Health				74,868	74,868
Judicial				173,984	173,984
Legal				26,961	26,961
Public Safety				170,164	170,164
Public Transportation		678,334			678,334
Committed					
Culture and Recreation				264,753	264,753
Unassigned	1,305,061			(131,987)	1,173,074
Total Fund Balance	1,305,061	678,334	6,251,447	1,329,219	9,564,061
Total Liabilities and Fund Balances	\$2,146,069	\$837,491	\$6,274,447	\$2,461,227	\$11,719,234

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, 2011

Total Fund Balances - governmental funds balance sheet	\$9,564,061
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.	25,524,444
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,376,920
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	846,933
Bond Issuance Costs are expenditures in the funds but are recorded as assets in the governmental activities.	126,414
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(24,763,203)
Internal Service fund is not reported in the funds.	<u>608,860</u>
Net assets of governmental activities - statement of net assets	<u>\$14,284,429</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, 2011

	General Fund	Road and Bridge	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Property	\$5,871,950	\$1,747,442	\$0	\$1,488,381	\$9,107,773
Sales	2,517,976				2,517,976
Other				375,293	375,293
Intergovernmental	556,080	21,577		2,622,336	3,199,993
Licenses and Permits		580,523			580,523
Charges for Services	629,509	71,835		135,580	836,924
Fines and Forfeitures	380,824				380,824
Interest	40,572	123	149,430	12,042	202,167
Miscellaneous	319,633	5,179		214,389	539,201
Total Revenues	10,316,544	2,426,679	149,430	4,848,021	17,740,674
EXPENDITURES					
Current:					
General Administration	2,080,769			200,757	2,281,526
Legal	245,912			93,056	338,968
Judicial	1,077,248			617,391	1,694,639
Financial Administration	912,084				912,084
Public Facilities	192,488				192,488
Public Safety	3,237,445			714,938	3,952,383
Public Transportation	11,631	2,033,216			2,044,847
Environmental Protection	73,807	153,809			227,616
Culture and Recreation	119,724	6,473		167,878	294,075
Health and Welfare	1,612,820			81,053	1,693,873
Conservation - Agriculture	100,923				100,923
Capital Projects -					
Capital Outlay and Other			11,848,449	1,225,952	13,074,401
Debt Service					
Principal Retirement	22,149	83,797		564,605	670,551
Interest Retirement	1,582	8,927		1,099,785	1,110,294
Total Expenditures	9,688,582	2,286,222	11,848,449	4,765,415	28,588,668
Excess (Deficiency) of Revenues Over (Under) Expenditures	627,962	140,457	(11,699,019)	82,606	(10,847,994)
OTHER FINANCING SOURCES (USES):					
Other Financing Sources - Notes Payable	16,812	31,737			48,549
Transfers In				32,699	32,699
Transfers Out	(31,757)		(942)		(32,699)
Total Other Financing Sources (Uses)	(14,945)	31,737	(942)	32,699	48,549
Net Changes in Fund Balances	613,017	172,194	(11,699,961)	115,305	(10,799,445)
Fund Balances - Beginning	692,044	506,140	17,951,408	1,213,914	20,363,506
Fund Balances - Ending	\$1,305,061	\$678,334	\$6,251,447	\$1,329,219	\$9,564,061

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, 2011

Net Changes in Fund Balances - total governmental funds	(\$10,799,445)
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.	14,060,100
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.	(122,041)
(Increase) decrease in compensated absences from beginning of period to end of period.	(4,010)
Increase (decrease) in bond issuance costs from beginning of period to end of period.	(5,496)
(Increase) decrease in accrued interest from beginning of period to end of period.	2,750
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	121,969
Internal Service fund is not reported in the funds.	257,832
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(48,549)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	670,550
Change in net assets of governmental activities - statement of activities	<u>\$4,133,660</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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes				
Property	\$5,927,033	\$6,011,277	\$5,871,950	(\$139,327)
Sales	2,000,000	2,056,771	2,517,976	461,205
Intergovernmental	455,359	632,415	556,080	(76,335)
Charges for Services	572,700	631,655	629,509	(2,146)
Fines and Forfeitures	413,400	401,902	380,824	(21,078)
Interest	15,000	40,572	40,572	0
Miscellaneous	317,500	334,772	319,633	(15,139)
Total Revenues	9,700,992	10,109,364	10,316,544	207,180

EXPENDITURES

Current:

General Administration				
Commissioner's Court	111,170	111,170	109,409	1,761
Compliance Department	38,530	39,280	38,898	382
County Clerk	238,253	238,253	230,897	7,356
County Judge	199,649	199,649	198,148	1,501
Elections	78,210	92,966	67,908	25,058
Liability Insurance	1,181,795	1,020,651	954,032	66,619
Non-Departmental	316,294	399,681	354,178	45,503
Payroll Taxes	148,492	148,492	109,308	39,184
Veteran's Service	21,355	20,605	17,991	2,614
Legal				
County Attorney	255,032	255,032	240,751	14,281
Legal Counsel	10,000	10,000	5,161	4,839
Judicial				
District Court	249,664	247,595	241,852	5,743
District Clerk	199,936	205,981	205,219	762
Justice's of the Peace	458,395	466,014	454,908	11,106
Courtmaster	1,800	2,035	1,908	127
District Attorney	166,545	174,114	173,361	753
Financial Administration				
County Auditor	185,380	185,380	183,621	1,759
County Treasurer	192,165	192,165	189,737	2,428
Data Processing	65,500	80,573	78,832	1,741
Appraisal District	217,000	228,704	228,704	0
Tax Assessor-Collector	211,777	217,758	212,530	5,228
Professional Services	18,800	18,800	18,660	140
Public Facilities				
Courthouse Building	187,537	206,554	192,488	14,066
Public Safety				
Adult Probation	56,220	60,934	60,412	522
Constables	183,265	184,914	163,365	21,549
D.P.S.	31,858	31,858	26,461	5,397
Emergency Operations	195,800	195,800	195,800	0
Emergency Management	19,500	19,500	19,500	0
Fire	40,700	46,200	46,200	0
Juvenile Probation	91,984	91,984	91,984	0
Jail	627,045	692,199	691,309	890
Jail Payroll	692,673	699,460	631,092	68,368
Justice Center	205,500	160,500	193,884	(33,384)
Sheriff	189,984	367,143	314,629	52,514
Sheriff Payroll	840,284	840,284	802,809	37,475

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	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Transportation				
Street Lights	\$10,000	\$11,115	\$11,631	(\$516)
Environmental Protection				
Sanitation	75,059	75,059	73,807	1,252
Culture and Recreation				
Fairpark Complex	61,000	55,171	12,172	42,999
Libraries	107,552	107,552	107,552	0
Health and Welfare				
Health Department	33,340	33,340	33,340	0
Human Resources	229,950	232,950	233,311	(361)
Health Nurse	66,517	66,517	62,803	3,714
Indigent Health	1,007,790	1,009,889	1,283,366	(273,477)
Conservation - Agriculture				
Agriculture Extension Service	91,189	91,189	60,423	30,766
Predator Control	40,500	40,500	40,500	0
Debt Service				
Principal Retirement	41,476	41,476	22,149	19,327
Interest Retirement	1,641	1,641	1,582	59
Total Expenditures	<u>9,694,106</u>	<u>9,918,627</u>	<u>9,688,582</u>	<u>230,045</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>6,886</u>	<u>190,737</u>	<u>627,962</u>	<u>437,225</u>
OTHER FINANCING SOURCES (USES):				
Other Financing Sources - Notes Payable	18,000	18,000	16,812	(1,188)
Transfers Out	(20,000)	(31,757)	(31,757)	0
Total Other Financing Sources (Uses)	<u>(2,000)</u>	<u>(13,757)</u>	<u>(14,945)</u>	<u>(1,188)</u>
Net Changes in Fund Balances	4,886	176,980	613,017	436,037
Fund Balances - Beginning	692,044	692,044	692,044	
Fund Balances - Ending	<u>\$696,930</u>	<u>\$869,024</u>	<u>\$1,305,061</u>	<u>\$436,037</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$1,716,982	\$1,726,181	\$1,747,442	\$21,261
Intergovernmental	21,620	21,620	21,577	(43)
Licenses and Permits	615,000	615,000	580,523	(34,477)
Charges for Services	62,000	66,414	71,835	5,421
Interest	100	100	123	23
Miscellaneous	100	100	5,179	5,079
Total Revenues	<u>2,415,802</u>	<u>2,429,415</u>	<u>2,426,679</u>	<u>(2,736)</u>
EXPENDITURES				
Current				
Parks				
Wes Cooksey Park	7,000	7,000	6,473	527
Public Transportation				
Road and Bridge	2,385,320	2,385,320	2,033,216	352,104
Environmental Protection				
Sanitation	207,795	207,795	153,809	53,986
Debt Service				
Principal Retirement	81,514	85,684	83,797	1,887
Interest Retirement	6,554	7,041	8,927	(1,886)
Total Expenditures	<u>2,688,183</u>	<u>2,692,840</u>	<u>2,286,222</u>	<u>406,618</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(272,381)	(263,425)	140,457	403,882
OTHER FINANCING SOURCES (USES):				
Other Financing Sources - Notes Payable	171,000	171,000	31,737	(139,263)
Total Other Financing Sources (Uses)	<u>171,000</u>	<u>171,000</u>	<u>31,737</u>	<u>(139,263)</u>
Net Changes in Fund Balances	(101,381)	(92,425)	172,194	264,619
Fund Balances - Beginning	506,140	506,140	506,140	
Fund Balances - Ending	<u>\$404,759</u>	<u>\$413,715</u>	<u>\$678,334</u>	<u>\$264,619</u>

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, 2011

	County Employee Insurance Current Year	County Employee Insurance Prior Year
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$608,860	\$416,163
Receivables (net of allowance for uncollectibles)		
Total Current Assets	<u>608,860</u>	<u>416,163</u>
TOTAL ASSETS	<u><u>\$608,860</u></u>	<u><u>\$416,163</u></u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS		
Liabilities		
Current Liabilities (Payable from Current Assets)		
Accounts Payable	\$0	\$65,135
Total Current Liabilities	<u>0</u>	<u>65,135</u>
Total Liabilities	<u>0</u>	<u>65,135</u>
Unrestricted	608,860	351,028
Total Net Assets	<u><u>\$608,860</u></u>	<u><u>\$351,028</u></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, 2011

	County Employee Insurance Current Year	County Employee Insurance Prior Year
OPERATING REVENUES:		
Charges for Services	<u>\$2,812,272</u>	<u>\$2,397,612</u>
Total Operating Revenues	<u>2,812,272</u>	<u>2,397,612</u>
OPERATING EXPENSES:		
Other Services and Charges	<u>2,554,440</u>	<u>2,132,767</u>
Total Operating Expenses	<u>2,554,440</u>	<u>2,132,767</u>
Operating Income (Loss)	<u>257,832</u>	<u>264,845</u>
NON-OPERATING REVENUES (EXPENSES):		
Ad Valorem Taxes		
Total Non-Operating Revenues (Expenses)	<u>0</u>	<u>0</u>
Income Before Transfers	<u>257,832</u>	<u>264,845</u>
Transfers in		
Change in net assets	<u>257,832</u>	<u>264,845</u>
Total net assets - beginning	<u>351,028</u>	<u>86,183</u>
Total net assets - ending	<u>\$608,860</u>	<u>\$351,028</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, 2011

	County Employee Insurance Current Year	County Employee Insurance Prior Year
Cash Flows from Operating Activities		
Receipts from customers and users	\$2,812,272	\$2,397,612
Payments to suppliers	(2,619,575)	(2,067,632)
Net Cash Provided (Used) By Operating Activities	<u>192,697</u>	<u>329,980</u>
Cash Flows from Non-Capital and Related Financing Activities		
Transfers In	0	0
Ad Valorem Taxes	0	0
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>0</u>	<u>0</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	192,697	329,980
Cash and Cash Equivalents at Beginning of Year	<u>416,163</u>	<u>86,183</u>
Cash and Cash Equivalents at End of Year (continued)	<u>\$608,860</u>	<u>\$416,163</u>

(continued)

	<u>County Employee Insurance Current Year</u>	<u>County Employee Insurance Prior Year</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating Income (Loss)	\$257,832	\$264,845
Changes in Current Items		
Decrease (Increase) in Accounts Receivable	0	0
Increase (Decrease) in Accounts Payable	(65,135)	65,135
Increase (Decrease) in Bank Overdraft	0	0
Net Cash Provided (Used) By Operating Activities	<u>\$192,697</u>	<u>\$329,980</u>
Noncash Investing, Capital, and Financing Activities:		
None	<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, 2011

ASSETS

Cash and Cash Equivalents	\$1,181,960
Receivables (net of allowance for uncollectibles)	0
Total Assets	<u>\$1,181,960</u>

LIABILITIES:

Accounts Payable	\$68
Due to Others	1,181,892
Total Liabilities	<u>\$1,181,960</u>

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

UVALDE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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.

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 new justice center/jail building.

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, 2011 and 10 percent of the delinquent outstanding property taxes at September 30, 2011.

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, 2011. 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

The restricted assets at September 30, 2011 consisted of \$70,127 for debt service, \$6,274,447 for the jail facility project, and \$837,176 for present and future construction.

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 \$1,096,418. Of this amount, \$1,096,418 was included as part of the cost of capital assets. 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 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.

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

5. 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.

6. 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.

7. Fund Balances – Governmental Funds

As of September 30, 2011, fund balances of the governmental funds are classified as follows:

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of Commissioners Court. Commissioners Court is the highest level of decision-making authority for the County. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Commissioners Court.

Unassigned — all other spendable amounts.

As of September 30, 2011, fund balances are composed of the following:

Fund Balances:	
Restricted	
Archives	\$203,015
Construction	6,251,447
Debt Service	70,127
Economic Development	469,849
Elections	7,485
Health	74,868
Judicial	173,984
Legal	26,961
Public Safety	170,164
Public Transportation	678,334
Committed	
Culture and Recreation	264,753
Unassigned	<u>1,173,074</u>
Total Fund Balance	<u>\$9,564,061</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Commissioners Court or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2011, the Commissioners Court adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to 25 percent of the subsequent year's budgeted General Fund expenditures.

8. 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 \$24,763,203 difference are as follows:

Capital Leases Payable	\$46,525
Notes Payable	109,474
Bonds Payable	24,330,000
Accrued Interest Payable	181,820
Compensated Absences	95,384
	<u>\$24,763,203</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 \$25,524,444 difference are as follows:

Capital Assets Not Being Depreciated	\$23,990,022
Capital Assets Being Depreciated	5,761,775
Accumulated Depreciation	(4,227,353)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$25,524,444</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 \$846,933 difference are as follows:

Property Taxes Receivable	\$897,310
Allowance for Doubtful Accounts	<u>(50,377)</u>
Net	<u>\$846,933</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 \$2,376,920 difference are as follows:

Fines and Fees Receivable	\$4,253,047
Allowance for Doubtful Accounts	<u>(1,876,127)</u>
Net	<u>\$2,376,920</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 \$14,060,100 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$14,002,761
Capital Outlay - Additions - Being Depreciated	285,396
Capital Outlay - Deletions - Net	0
Depreciation Expense	<u>(228,057)</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$14,060,100</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 2011 fiscal year were adopted for the general fund, the road and bridge fund, and the capital project fund. There were appropriated budgets for all the non-major special revenue, debt service and capital project funds except for the Jail project fund.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2011, 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 justice center department whereby expenditures of \$193,844 exceeded the budgeted amount of \$160,500 by \$33,384, the street lights department whereby expenditures of \$11,631 exceeded the budgeted amount of \$11,115 by \$516, the human resources department whereby expenditures of \$233,311 exceeded the budgeted amount of \$232,950 by \$361, and the indigent health department whereby expenditures of \$1,283,366 exceeded the budgeted amount of \$1,009,889 by \$273,477; the jail building interest and sinking fund whereby expenditures of \$1,649,569 exceeded the budgeted amount of \$1,649,169 by \$400, the HAVA grant fund whereby expenditures of \$47,037 exceeded the budgeted amount of \$20,760 by \$26,277, and the law library fund whereby expenditures of \$27,829 exceeded the budgeted amount of \$26,648 by \$1,181.

C. Deficit fund equity

The county had no deficit fund balances as of September 30, 2011 except for the following. The D. A. Administrative fund - \$3,717, the Colonia Construction fund - \$119,955, and the Victims of Crime - CA - \$8,315. These deficits are expected to be liquidated by future resources of the funds.

IV. Detailed Notes on All Funds

A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments:

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

Policies Governing Deposits and Investments:

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

The County had no investments at September 30, 2011.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government has a deposit policy for custodial credit risk. As of September 30, 2011, the government's bank balance of \$13,079,130 was not exposed to custodial credit risk because it was fully insured and collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name. The fair market value of the securities pledged is \$24,157,501 and the FDIC coverage is \$277,490.

B. Receivables

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

	General	Road and Bridge	Other Governmental Funds	Total
<u>Receivables</u>				
Property Taxes	\$730,097	\$167,213		\$897,310
Sales Tax	316,226			316,226
Fines	4,253,047			4,253,047
Intergovernmental			837,176	837,176
Other			305,655	305,655
Gross receivables	5,299,370	167,213	1,142,831	6,609,414
Less: Allowance for uncollectibles	1,917,314	9,190		1,926,504
Net total receivables	<u>\$3,382,056</u>	<u>\$158,023</u>	<u>\$1,142,831</u>	<u>\$4,682,910</u>

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

	<u>Unavailable</u>
Delinquent Property Taxes	
Receivable (General Fund)-Net	\$ 688,910
Delinquent Property Taxes	
Receivable (Road and Bridge Fund)-Net	<u>158,023</u>
Total Deferred/Unearned	
Revenue for Governmental Funds	<u>\$ 846,933</u>

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

C. Capital Assets

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

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$1,366,145	\$4,179	\$0	\$1,370,324
Construction in Progress	8,621,116	13,998,582	0	22,619,698
Total capital assets not being depreciated:	<u>9,987,261</u>	<u>14,002,761</u>	<u>0</u>	<u>23,990,022</u>
Capital assets being depreciated:				
Building and Improvements	2,053,293	0	0	2,053,293
Machinery, Equipment and Vehicles	2,424,106	285,396	32,919	2,676,583
Infrastructure	1,031,899	0	0	1,031,899
Total capital assets being depreciated:	<u>5,509,298</u>	<u>285,396</u>	<u>32,919</u>	<u>5,761,775</u>
Less: Accumulated Depreciation for:				
Building and Improvements	979,048	33,216	0	1,012,264
Machinery, Equipment and Vehicles	2,021,268	194,841	32,919	2,183,190
Infrastructure	1,031,899	0	0	1,031,899
Total Accumulated Depreciation	<u>4,032,215</u>	<u>228,057</u>	<u>32,919</u>	<u>4,227,353</u>
Total Capital Assets Depreciated, Net	<u>1,477,083</u>	<u>57,339</u>	<u>0</u>	<u>1,534,422</u>
Governmental Activities capital assets, Net	<u>\$11,464,344</u>	<u>\$14,060,100</u>	<u>\$0</u>	<u>\$25,524,444</u>

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

Governmental activities	
General Administration	10,305
Legal	1,881
Financial Administration	6,539
Public Facilities	4,370
Public Safety	105,098
Public Transportation	87,137
Environmental Protection	3,362
Health and Welfare	9,365
Total depreciation expense - governmental activities	<u>\$228,057</u>

The infrastructure capital assets are fully depreciated at September 30, 2011.

Construction commitments

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.

D. Interfund Receivables, Payables, and Transfers

There was no Due to/from other funds at September 30, 2011.

There were no advances at September 30, 2011.

The interfund transfers are as follows:

TRANSFER OUT	TRANSFER IN	
	OTHER GOVERNMENTAL FUNDS	TOTAL
GENERAL FUND	\$31,757	\$31,757
CAPITAL PROJECTS FUND	942	942
TOTALS	\$32,699	\$32,699

A \$20,000 transfer was to the law library fund to provided monies for law research. A \$10,324 was to the interest and sinking fund to provided monies for debt service. A \$1,433 was to the Uvalde estates grant fund to help close out the fund. A \$942 was to the EDA grant fund to help defray the costs of construction. All of the above transfers are non-recurring.

E. Operating Leases

The government leases equipment under noncancelable operating leases. Total costs for such leases were \$79,473 for the year ended September 30, 2011. There are no scheduled rate increases.

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

Year Ending Sep. 30	<u>Amount</u>
2012	\$43,287
2013	24,718
2014	<u>8,182</u>
Total	<u>\$76,187</u>

F. Long-Term Debt

Capital Leases

The government has entered into a lease agreement as lessee for financing of acquisition of two (2) motor graders. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>ROAD AND BRIDGE FUND</u>		
	JOHN DEERE 670 D	CATER- PILLAR	TOTAL
Asset:			
Cost	\$166,150	\$129,433	\$295,583
Less: Accumulated Depreciation	132,920	129,433	262,353
Total	<u>\$33,230</u>	<u>\$0</u>	<u>\$33,230</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011, were as follows:

<u>Year Ending Sep. 30</u>	<u>Amount</u>
2012	26,882
2013	<u>26,882</u>
Total	<u>53,764</u>
Less: Amount Representing Interest	<u>7,239</u>
Present Value of Minimum Lease Payments	<u>\$46,525</u>

Certificates of Obligation

The government issues Certificates of Obligation, Series 2009 in the Amount of \$25,000,000 which is to provide funds for the construction of a new Convention Center, a New Jail, a 4-H Center, and an Amphitheater. The Certificates of Obligation are serviced by the jail facility debt service fund.

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities – C.O. Bonds	3.00 – 5.00%	\$24,880,000

Annual debt service requirements to maturity for the Certificates of Obligation are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2012	\$580,000	\$1,082,219
2013	610,000	1,061,319
2014	640,000	1,036,319
2015	670,000	1,010,119
2016	705,000	979,094
2017-2021	4,110,000	4,514,095
2022-2026	5,280,000	3,523,404
2027-2031	6,780,000	2,320,843
2032-2034	4,955,000	657,243
TOTALS	<u>\$24,330,000</u>	<u>\$16,184,655</u>

Notes Payable

The government procured notes payable to the First State Bank of Uvalde, Texas in the amount of \$89,460 for the purchase of two International Dump Trucks, \$29,684 for two F-150 Pickup Trucks, \$39,442 for two Chevy Silverado's for the road and bridge fund dated June 2009, June 2010, and May 2010, respectively, and \$54,864 for two 2009 Dodge Chargers for the sheriff department dated July 2009. The notes are to be secured by the respective items purchased. The two International Dump Trucks, the two F-150 Pickup Trucks, and the two 2009 Dodge Chargers are to be paid in 36 monthly installments of \$2,621.36, \$1,607.63, and \$869.79, respectively. The two Chevy Silverado's are to be paid in 26 monthly installments of \$1,607.63. The payments begin on June 2009, June 2010, and June 2010, respectively for the two International Dump Trucks, the two F-150 Pickup Trucks, and the two Chevy Silverado's. The payments begin on July 2009 for the two 2009 Dodge Chargers. The two Dodge Chargers are to be serviced by the general fund, the two dump trucks, the two F-150 Pickup Trucks, and the two Chevy Silverado's are to be serviced by the road and bridge fund.

The government procured a notes payable to the First State Bank of Uvalde, Texas in the amounts of \$31,737 dated April 2011 for one 2011 Ford F450 truck to be used in the road and bridge fund. This note is to be paid in 11 monthly installments of \$931.39 beginning in May 2011 with a final payment of \$22,489 in April 2012. The rate of interest for this note is 3.5%. The balance at September 30, 2011 is \$27,567.

The government procured a notes payable to the First State Bank of Uvalde, Texas in the amounts of \$16,812 dated April 2011 for one 2011 Ford F150 truck to be used in the environmental department in the general fund. This note is to be paid in 11 monthly installments of \$492.63 beginning in June 2011 with a final payment of \$11,910 in May 2012. The rate of interest for this note is 3.5%. The balance at September 30, 2011 is \$15,043.

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities	3.5	\$16,874
Governmental activities	3.5	\$15,031
Governmental activities	6.0	\$14,260
Governmental activities	3.5%	\$27,567
Governmental activities	3.5%	\$15,044
Governmental activities	3.5%	\$20,698

The annual debt service requirement to maturity schedule is as follows:

Year Ending September 30,	Total	
	Principal	Interest
2012	102,606	2,786
2013	6,868	90
TOTALS	<u>\$109,474</u>	<u>\$2,876</u>

Changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Summary	
					Noncurrent Liabilities	
					Due Within One Year	Due in More Than One Year
<u>Governmental Activities:</u>						
Capital Lease Payable	\$84,461	\$0	\$37,936	\$46,525	\$24,735	\$21,790
Bonds Payable	24,880,000	0	550,000	24,330,000	580,000	23,750,000
Notes Payable	143,539	48,549	82,614	109,474	102,606	6,868
Compensated Absences Payable	91,374	95,384	91,374	95,384	95,384	0
	<u>25,199,374</u>	<u>143,933</u>	<u>761,924</u>	<u>24,581,383</u>	<u>802,725</u>	<u>23,778,658</u>
Grand Total	<u>\$25,199,374</u>	<u>\$143,933</u>	<u>\$761,924</u>	<u>\$24,581,383</u>	<u>\$802,725</u>	<u>\$23,778,658</u>

The general fund is used to service the compensated absences. The estimated amount due in the 2011-12 year is \$95,384.

The government-wide statement of activities includes \$802,725 as "noncurrent liabilities, due within one year".

There was \$1,096,418 in interest capitalized into construction in progress for the new Convention Center, a New Jail, a 4-H Center, and an Amphitheater from the jail facility bond. All of the remaining interest was expensed.

V. Other Information

A. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no instances where settlements exceeded insurance coverage in any of the three previous years.

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

	Year ended <u>09/30/11</u>	Year ended <u>09/30/10</u>
Unpaid Claims, Beginning of Fiscal Year \$	-0-	\$ -0-
Incurred Claims (including IBNRs)		
Claim Payments	<u>-0-</u>	<u>-0-</u>
Unpaid Claims, End of Fiscal Year	<u>\$ -0-</u>	<u>\$ -0-</u>

B. Related Party Transaction

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

The related party transactions were as follows:

A Commissioner owns an auto parts store wherein the County purchases parts from him. The total amount purchased in the audit year was \$3,240. There is no related accounts payable or receivable at year's end.

Another commissioner has borrowed money from the economic development fund. He owes \$39,190 at September 30, 2011.

C. Subsequent Events

On October 1, 2011, Uvalde County was awarded a TxCDBG Colonia Construction Grant No. 711315 in the amount of \$500,000.

On November 14, 2011, the Commissioner's Court approved the County's participation in the Indigent Defense Grant in the amount of \$63,767.

On November 14, 2011, the Commissioner's Court ratified a resolution supporting the Border Prosecution Unit Grant in the amount of \$96,004.

On December 12, 2011, the Commissioner's Court awarded the bid for the EDA Project Phase 2 to Alvin E. Stock, Contractor, LTD. in the amount of \$304,792.