

FUND FINANCIAL STATEMENTS

UVALDE COUNTY, TEXAS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2012

	General Fund	Road and Bridge	Capital Projects Fund	Economic Development Fund	Hotel/Motel Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and Cash Equivalents	\$1,438,447	\$721,058	\$0	\$308,121	\$344,780	\$497,549	\$3,309,955
Receivables (net of allowance for uncollectibles)	1,200,412	151,089		163,297		146,086	1,660,884
<b>Restricted Assets:</b>							
Cash and Cash Equivalents			1,082,004			168,872	1,250,876
Receivables (net of allowance for uncollectibles)						65,414	65,414
<b>Total Assets</b>	<b>\$2,638,859</b>	<b>\$872,147</b>	<b>\$1,082,004</b>	<b>\$471,418</b>	<b>\$344,780</b>	<b>\$877,921</b>	<b>\$6,287,129</b>
<b>LIABILITIES AND FUND BALANCES:</b>							
<b>Liabilities</b>							
Accounts Payable	\$192,695	\$234	\$32,209	\$307,261	\$179,619	\$79,123	\$791,141
Bank Overdraft						413,025	413,025
Unearned Revenues	710,201	151,089					861,290
<b>Total Liabilities</b>	<b>902,896</b>	<b>151,323</b>	<b>32,209</b>	<b>307,261</b>	<b>179,619</b>	<b>492,148</b>	<b>2,065,456</b>
<b>Fund Balances:</b>							
<b>Restricted</b>							
Archives						209,881	209,881
Construction			1,049,795				1,049,795
Debt Service						168,872	168,872
Economic Development				164,157			164,157
Elections						579	579
Health						31,337	31,337
Judicial						103,626	103,626
Legal						6,519	6,519
Public Safety						155,420	155,420
Public Transportation		720,824					720,824
<b>Committed</b>							
Culture and Recreation					165,161	14,387	179,548
Public Facilities						6,168	6,168
<b>Unassigned</b>	<b>1,735,963</b>					<b>(311,016)</b>	<b>1,424,947</b>
<b>Total Fund Balance</b>	<b>1,735,963</b>	<b>720,824</b>	<b>1,049,795</b>	<b>164,157</b>	<b>165,161</b>	<b>385,773</b>	<b>4,221,673</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$2,638,859</b>	<b>\$872,147</b>	<b>\$1,082,004</b>	<b>\$471,418</b>	<b>\$344,780</b>	<b>\$877,921</b>	<b>\$6,287,129</b>

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, 2012

Total Fund Balances - governmental funds balance sheet	\$4,221,673
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.	32,640,628
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,791,650
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	851,290
Bond Issuance Costs are expenditures in the funds but are recorded as assets in the governmental activities.	120,918
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(24,152,413)
Internal Service fund is not reported in the funds.	<u>367,197</u>
Net assets of governmental activities - statement of net assets	<u>\$15,840,943</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, 2012

	General Fund	Road and Bridge	Capital Projects Fund	Economic Development Fund	Hotel/Motel Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes							
Property	\$6,021,666	\$1,535,687	\$0	\$0	\$0	\$1,759,822	\$9,317,175
Sales	2,985,299						2,985,299
Other					340,895		340,895
Intergovernmental	476,341	21,562				1,675,117	2,173,020
Licenses and Permits		579,403					579,403
Charges for Services	1,354,973	81,347				251,458	1,687,778
Fines and Forfeitures	330,273						330,273
Interest	26,714	190	20,893	6,568	1,116	2,333	57,814
Miscellaneous	351,966	1,124				164,747	517,837
Total Revenues	<u>11,547,232</u>	<u>2,219,313</u>	<u>20,893</u>	<u>6,568</u>	<u>342,011</u>	<u>3,853,477</u>	<u>17,989,494</u>
<b>EXPENDITURES</b>							
Current:							
General Administration	2,072,068	11,495		312,260		295,537	2,691,360
Legal	245,029					88,067	333,096
Judicial	1,095,359					626,641	1,722,000
Financial Administration	938,317						938,317
Public Facilities	178,263					223,812	402,075
Public Safety	3,911,587					610,866	4,522,453
Public Transportation	21,768	2,054,812					2,076,580
Environmental Protection	57,231	165,720					222,951
Culture and Recreation	138,936	5,409			427,975		572,320
Health and Welfare	2,072,092					82,781	2,154,873
Conservation - Agriculture	106,302						106,302
Capital Projects -							
Capital Outlay and Other			5,222,545			679,296	5,901,841
Debt Service							
Principal Retirement	29,303	98,037				580,000	707,340
Interest Retirement	553	3,350				1,082,619	1,086,522
Total Expenditures	<u>10,866,808</u>	<u>2,338,823</u>	<u>5,222,545</u>	<u>312,260</u>	<u>427,975</u>	<u>4,269,619</u>	<u>23,438,030</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	680,424	(119,510)	(5,201,652)	(305,692)	(85,964)	(416,142)	(5,448,536)
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers In		162,000				241,170	403,170
Transfers Out	(355,670)					(47,500)	(403,170)
Total Other Financing Sources (Uses)	<u>(355,670)</u>	<u>162,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>193,670</u>	<u>0</u>
Net Changes in Fund Balances	324,754	42,490	(5,201,652)	(305,692)	(85,964)	(222,472)	(5,448,536)
Fund Balances - Beginning - Restated	1,411,209	678,334	6,251,447	469,849	251,125	608,245	9,670,209
Fund Balances - Ending	<u>\$1,735,963</u>	<u>\$720,824</u>	<u>\$1,049,795</u>	<u>\$164,157</u>	<u>\$165,161</u>	<u>\$385,773</u>	<u>\$4,221,673</u>

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, 2012

Net Changes in Fund Balances - total governmental funds	(\$5,448,536)
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.	6,800,200
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.	(585,270)
(Increase) decrease in compensated absences from beginning of period to end of period.	(109,451)
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.	2,900
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	14,357
Internal Service fund is not reported in the funds	(241,663)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	<u>707,341</u>
Change in net assets of governmental activities - statement of activities	<u>\$1,134,382</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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property	\$6,191,154	\$6,292,614	\$6,021,666	(\$270,948)
Sales	2,000,000	2,917,465	2,985,299	67,834
Intergovernmental	404,021	476,482	476,341	(141)
Charges for Services	1,183,700	1,322,700	1,354,973	32,273
Fines and Forfeitures	413,550	413,550	330,273	(83,277)
Interest	20,000	20,000	26,714	6,714
Miscellaneous	329,530	336,482	351,966	15,484
<b>Total Revenues</b>	<b>10,541,955</b>	<b>11,779,293</b>	<b>11,547,232</b>	<b>(232,061)</b>

**EXPENDITURES**

Current:

<b>General Administration</b>				
Commissioner's Court	111,285	111,285	109,639	1,646
Compliance Department	37,930	37,930	36,280	1,650
County Clerk	223,520	216,658	213,294	3,364
County Judge	200,200	201,738	199,729	2,009
Elections	78,210	104,510	92,418	12,094
Liability Insurance	1,277,365	1,163,485	1,060,634	102,851
Non-Departmental	113,293	196,433	187,845	8,588
Payroll Taxes	142,224	163,224	153,215	10,009
Veteran's Service	21,432	21,432	19,016	2,416
<b>Legal</b>				
County Attorney	255,888	255,888	240,571	15,317
Legal Counsel	10,000	9,000	4,458	4,542
<b>Judicial</b>				
District Court	258,302	272,801	251,974	20,827
District Clerk	203,983	215,284	207,261	8,023
Justice's of the Peace	457,103	462,806	444,395	18,411
Courtmaster	1,800	1,800	1,927	(127)
District Attorney	192,340	192,340	189,802	2,538
<b>Financial Administration</b>				
County Auditor	186,099	186,599	183,933	2,666
County Treasurer	192,720	192,720	189,214	3,506
Data Processing	104,500	111,700	100,305	11,395
Appraisal District	217,000	234,435	234,434	1
Tax Assessor-Collector	213,814	215,164	208,271	6,893
Professional Services	20,800	22,300	22,150	140
<b>Public Facilities</b>				
Courthouse Building	188,246	188,246	178,263	9,983
<b>Public Safety</b>				
Adult Probation	56,220	56,220	51,358	4,862
Constables	185,121	185,121	150,161	34,960
D.P.S.	30,237	30,237	25,176	5,061
Emergency Operations	195,800	195,800	195,800	0
Emergency Management	19,500	19,895	19,895	0
Fire	40,700	40,700	40,700	0
Juvenile Probation	91,984	91,984	91,984	0
Old Jail Facility	0	9,600	9,288	312
Jail Payroll	1,397,061	1,397,061	1,363,190	33,871
Justice Center	906,850	951,454	836,929	114,525
Sheriff	194,984	323,340	321,429	1,911
Sheriff Payroll	843,530	843,530	805,677	37,853

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	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Public Transportation				
Street Lights	\$10,000	\$22,340	\$21,768	\$572
Environmental Protection				
Sanitation	57,244	57,244	57,231	13
Culture and Recreation				
Libraries	107,552	139,102	138,936	166
Health and Welfare				
Health Department	33,340	33,340	33,340	0
Human Resources	239,750	301,235	287,596	13,639
Health Nurse	66,740	66,740	62,545	4,195
Indigent Health	1,187,738	1,734,236	1,888,611	45,625
Conservation - Agriculture				0
Agriculture Extension Service	90,590	90,590	65,802	24,788
Predator Control	40,500	40,500	40,500	0
Debt Service				
Principal Retirement	29,303	29,303	29,303	0
Interest Retirement	524	552	553	(1)
Total Expenditures	<u>10,533,322</u>	<u>11,437,902</u>	<u>10,866,808</u>	<u>571,094</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,633</u>	<u>341,391</u>	<u>680,424</u>	<u>339,033</u>
OTHER FINANCING SOURCES (USES):				
Other Financing Sources - Notes Payable	36,000	36,000	0	(36,000)
Transfers Out	(30,000)	(197,000)	(355,670)	(158,670)
Total Other Financing Sources (Uses)	<u>6,000</u>	<u>(161,000)</u>	<u>(355,670)</u>	<u>(194,670)</u>
Net Changes in Fund Balances	14,633	180,391	324,754	144,363
Fund Balances - Beginning	1,411,209	1,411,209	1,411,209	
Fund Balances - Ending	<u>\$1,425,842</u>	<u>\$1,591,600</u>	<u>\$1,735,963</u>	<u>\$144,363</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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property	\$1,556,951	\$1,556,951	\$1,535,687	(\$21,264)
Intergovernmental	21,577	21,577	21,562	(15)
Licenses and Permits	620,000	626,750	579,403	(47,347)
Charges for Services	69,000	69,000	81,347	12,347
Interest	100	100	190	90
Miscellaneous	60,178	60,178	1,124	(59,054)
Total Revenues	2,327,806	2,334,556	2,219,313	(115,243)
<b>EXPENDITURES</b>				
Current				
General Administration				
Non-Departmental	0	11,495	11,495	0
Parks				
Wes Cooksey Park	7,000	7,000	5,409	1,591
Public Transportation				
Road and Bridge	2,520,788	2,602,785	2,054,812	547,973
Environmental Protection				
Sanitation	231,440	177,440	165,720	11,720
Debt Service				
Principal Retirement	75,537	98,037	98,037	0
Interest Retirement	3,668	3,668	3,350	318
Total Expenditures	2,838,433	2,900,425	2,338,823	561,602
Excess (Deficiency) of Revenues Over (Under) Expenditures	(510,627)	(565,869)	(119,510)	446,359
<b>OTHER FINANCING SOURCES (USES):</b>				
Other Financing Sources - Notes Payable	171,000	171,000	0	(171,000)
Transfers In	0	162,000	162,000	0
Total Other Financing Sources (Uses)	171,000	333,000	162,000	(171,000)
Net Changes in Fund Balances	(339,627)	(232,869)	42,490	275,359
Fund Balances - Beginning	678,334	678,334	678,334	
Fund Balances - Ending	\$338,707	\$445,465	\$720,824	\$275,359

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

UVALDE COUNTY, TEXAS  
 ECONOMIC DEVELOPMENT  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest	\$0	\$6,567	\$6,568	\$1
Total Revenues	0	6,567	6,568	1
<b>EXPENDITURES</b>				
Current				
General Administration				
Economic Development	0	0	312,260	(312,260)
Total Expenditures	0	0	312,260	(312,260)
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	6,567	(305,692)	(312,259)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In				0
Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	0	6,567	(305,692)	(312,259)
Fund Balances - Beginning	469,849	469,849	469,849	
Fund Balances - Ending	\$469,849	\$476,416	\$164,157	(\$312,259)

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

UVALDE COUNTY, TEXAS  
HOTEL/MOTEL TAX FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes				
Other	\$250,000	\$340,894	\$340,895	\$1
Interest	500	500	1,116	616
Total Revenues	250,500	341,394	342,011	617
<b>EXPENDITURES</b>				
Culture and Recreation				
Culture and Recreation	289,474	340,074	427,975	(87,901)
Total Expenditures	289,474	340,074	427,975	(87,901)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,974)	1,320	(85,964)	(87,284)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In				0
Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(38,974)	1,320	(85,964)	(87,284)
Fund Balances - Beginning	251,125	251,125	251,125	
Fund Balances - Ending	\$212,151	\$252,445	\$165,161	(\$87,284)

UVALDE COUNTY, TEXAS  
 COMBINING STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2012

	County Employee Insurance Current Year	County Employee Insurance Prior Year
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$367,197	\$608,860
Receivables (net of allowance for uncollectibles)		
Total Current Assets	<u>367,197</u>	<u>608,860</u>
<b>TOTAL ASSETS</b>	<u><b>\$367,197</b></u>	<u><b>\$608,860</b></u>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>		
Liabilities		
Current Liabilities (Payable from Current Assets)		
Accounts Payable	\$0	\$0
Total Current Liabilities	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>
Unrestricted	367,197	608,860
Total Net Assets	<u><b>\$367,197</b></u>	<u><b>\$608,860</b></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, 2012

	County Employee Insurance	County Employee Insurance
	Current Year	Prior Year
OPERATING REVENUES:		
Charges for Services	\$3,064,151	\$2,812,272
Total Operating Revenues	<u>3,064,151</u>	<u>2,812,272</u>
OPERATING EXPENSES:		
Other Services and Charges	3,305,814	2,554,440
Total Operating Expenses	<u>3,305,814</u>	<u>2,554,440</u>
Operating Income (Loss)	<u>(241,663)</u>	<u>257,832</u>
NON-OPERATING REVENUES (EXPENSES):		
Ad Valorem Taxes		
Total Non-Operating Revenues (Expenses)	<u>0</u>	<u>0</u>
Income Before Transfers Transfers in	<u>(241,663)</u>	<u>257,832</u>
Change in net assets	(241,663)	257,832
Total net assets - beginning	<u>608,860</u>	<u>351,028</u>
Total net assets - ending	<u>\$367,197</u>	<u>\$608,860</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, 2012

	County Employee Insurance Current Year	County Employee Insurance Prior Year
Cash Flows from Operating Activities		
Receipts from customers and users	\$3,064,151	\$2,812,272
Payments to suppliers	(3,305,814)	(2,619,575)
Net Cash Provided (Used) By Operating Activities	<u>(241,663)</u>	<u>192,697</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	(241,663)	192,697
Cash and Cash Equivalents at Beginning of Year	<u>608,860</u>	<u>416,163</u>
Cash and Cash Equivalents at End of Year	<u>\$367,197</u>	<u>\$608,860</u>

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	<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)	(\$241,663)	\$257,832
Changes in Current Items		
Decrease (Increase) in Accounts Receivable	0	0
Increase (Decrease) in Accounts Payable	0	(65,135)
Increase (Decrease) in Bank Overdraft	0	0
Net Cash Provided (Used) By Operating Activities	<u>(\$241,663)</u>	<u>\$192,697</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, 2012

**ASSETS**

Cash and Cash Equivalents	\$1,209,220
Receivables (net of allowance for uncollectibles)	0
Total Assets	<u>\$1,209,220</u>

**LIABILITIES:**

Accounts Payable	\$0
Due to Others	1,209,220
Total Liabilities	<u>\$1,209,220</u>

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

UVALDE COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

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 administers property tax and motor vehicle license monies for the maintenance of the county's roads and bridges.

The capital projects fund administers general obligation bond monies to be used to build a Fairplex Park and a New Justice Center/Jail Building.

The economic development fund is used to administer grant monies for local economic development.

The hotel/motel tax fund is used to collect hotel/motel taxes for augmenting tourism.

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, 2012 and 10 percent of the delinquent outstanding property taxes at September 30, 2012.

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, 2012. 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, 2012 consisted of \$168,872 for debt service, \$1,082,004 for the jail facility project, and \$65,414 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 \$1,089,117. Of this amount, \$1,079,320 was included as part of the cost of capital assets. The county expended \$6,301,865 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 \$573,336.

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, 2012, fund balances of the governmental funds are classified as follows:

**Restricted** — This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants. Infrastructure Projects are restricted by State Statute and County laws and are legally segregated for funding of infrastructure improvements.

**Committed** — This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Commissioners Court. These amounts cannot be used for any other purpose unless the Commissioners Court removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

*Unassigned* — all other spendable amounts.

As of September 30, 2012, fund balances are composed of the following:

Fund Balances:	
Restricted	
Archives	\$209,881
Construction	1,049,795
Debt Service	168,872
Economic Development	164,157
Elections	579
Health	31,337
Judicial	103,626
Legal	6,519
Public Safety	155,420
Public Transportation	720,824
Committed	
Culture and Recreation	179,548
Public Facilities	6,168
Unassigned	1,424,947
Total Fund Balance	<u>\$4,221,673</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 2012, 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 \$24,162,413 difference are as follows:

Capital Leases Payable	\$21,790
Notes Payable	6,868
Bonds Payable	23,750,000
Accrued Interest Payable	178,920
Compensated Absences	204,835
	<u>\$24,162,413</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 \$32,640,628 difference are as follows:

Capital Assets Not Being Depreciated	\$3,062,974
Capital Assets Being Depreciated	34,692,393
Accumulated Depreciation	(5,114,739)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$32,640,628</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 \$861,290 difference are as follows:

Property Taxes Receivable	\$918,027
Allowance for Doubtful Accounts	<u>(56,737)</u>
Net	<u>\$861,290</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 \$1,791,650 difference are as follows:

Fines and Fees Receivable	\$2,447,405
Allowance for Doubtful Accounts	<u>(655,755)</u>
Net	<u>\$1,791,650</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 \$6,800,200 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$6,875,801
Capital Outlay - Additions - Being Depreciated	829,155
Capital Outlay - Deletions - Net	0
Depreciation Expense	<u>(904,756)</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$6,800,200</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 2012 fiscal year were adopted for general fund, the road and bridge fund, the capital projects fund, the economic development fund, and the hotel/motel tax fund. There were appropriated budgets for all the non-major special revenue, debt service and capital project funds except for the fish passage fund.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2012, 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 courtmaster department whereby expenditures of \$1,927 exceeded the budgeted amount of \$1,800 by \$127; the hotel/motel tax fund whereby expenditures of \$427,975 exceeded the budgeted amount of \$340,074 by \$87,901.

C. Deficit fund equity

The county had no deficit fund balances as of September 30, 2012 except for the following. The D. A. Administrative fund - \$14,917, the Colonia Construction fund - \$293,540, and the TFIO fund - \$2,559. 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, 2012.

*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, 2012, the government's bank balance of \$6,916,254 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 \$19,948,134 and the FDIC coverage is \$269,743.

B. Receivables

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

	General	Road and Bridge	Economic Development Fund	Other Governmental Funds	Total
<u>Receivables</u>					
Property Taxes	\$756,511	\$161,516	\$0	\$0	\$918,027
Sales Tax	490,211				490,211
Fines	2,447,405				2,447,405
Intergovernmental				211,500	211,500
Other			163,297		163,297
Gross receivables	3,694,127	161,516	163,297	211,500	4,230,440
Less: Allowance for uncollectibles	702,065	10,427			712,492
Net total receivables	<u>\$2,992,062</u>	<u>\$151,089</u>	<u>\$163,297</u>	<u>\$211,500</u>	<u>\$3,517,948</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	\$ 710,201
Delinquent Property Taxes	
Receivable (Road and Bridge Fund)-Net	<u>151,089</u>
Total Deferred/Unearned	
Revenue for Governmental Funds	<u>\$ 861,290</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, 2012 was as follows:

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$1,370,324	\$600	\$0	\$1,370,924
Construction in Progress	22,619,698	6,875,201	27,802,849	1,692,050
Total capital assets not being depreciated:	<u>23,990,022</u>	<u>6,875,801</u>	<u>27,802,849</u>	<u>3,062,974</u>
Capital assets being depreciated:				
Building and Improvements	2,053,293	25,872,519	0	27,925,812
Machinery, Equipment and Vehicles	2,676,583	408,401	28,266	3,056,718
Infrastructure	1,358,779	2,351,084	0	3,709,863
Total capital assets being depreciated:	<u>6,088,655</u>	<u>28,632,004</u>	<u>28,266</u>	<u>34,692,393</u>
Less: Accumulated Depreciation for:				
Building and Improvements	1,012,264	550,666	0	1,562,930
Machinery, Equipment and Vehicles	2,183,190	264,825	28,266	2,419,749
Infrastructure	1,042,795	89,265	0	1,132,060
Total Accumulated Depreciation	<u>4,238,249</u>	<u>904,756</u>	<u>28,266</u>	<u>5,114,739</u>
Total Capital Assets Depreciated, Net	<u>1,850,406</u>	<u>27,727,248</u>	<u>0</u>	<u>29,577,654</u>
Governmental Activities capital assets, Net	<u>\$25,840,428</u>	<u>\$34,603,049</u>	<u>\$27,802,849</u>	<u>\$32,640,628</u>

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

Governmental activities	
General Administration	\$14,707
Judicial	2,585
Financial Administration	6,539
Public Facilities	61,809
Public Safety	428,061
Public Transportation	132,322
Environmental Protection	3,362
Culture and Recreation	221,028
Health and Welfare	6,077
Total depreciation expense - governmental activities	<u>\$876,490</u>

Construction commitments

The county expended \$6,301,865 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 \$573,336. The Pavilion and the utility infrastructure projects are ongoing at years end.

D. Interfund Receivables, Payables, and Transfers

There was no Due to/from other funds at September 30, 2012.

There were no advances at September 30, 2012.

The interfund transfers are as follows:

	TRANSFER IN		TOTAL
	ROAD AND BRIDGE FUNDS	OTHER GOVERN- MENTAL FUNDS	
TRANSFER OUT			
GENERAL FUND	\$162,000	\$193,670	\$355,670
OTHER GOVERNMENTAL FUNDS		47,500	47,500
TOTALS	\$162,000	\$241,170	\$403,170

The \$162,000 transfer to the road and bridge fund was for the acquisition of equipment. The transfer of \$10,000 to the jury fund to provided monies for the judicial system. The transfer of \$5,000 to the county election fund was for defraying the costs of local elections. The transfer of \$150,000 to the fairplex department fund was for defraying the costs of building the new fairplex. The transfer of \$23,200 to the law library fund was for defraying the costs of law literature. The transfer of \$5,470 to the victims of crime - DA fund was for defraying the costs of caring for local crime victims. The transfer of \$47,500 to the D.D. Administrative fund was for the defraying the costs of the District Attorney's office. 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 \$78,471 for the year ended September 30, 2012. There are no scheduled rate increases.

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

<u>Year Ending Sep. 30</u>	<u>Amount</u>
2013	\$54,677
2014	30,137
2015	<u>12,200</u>
Total	<u>\$97,014</u>

F. Long-Term Debt

Capital Leases

The government has entered into a lease agreement as lessee for financing of acquisition of one (1) motor grader. This lease agreement 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	
Asset:	<u>670 D</u>	<u>TOTAL</u>
Cost	\$166,150	\$166,150
Less: Accumulated Depreciation	<u>132,920</u>	<u>132,920</u>
Total	<u>\$33,230</u>	<u>\$33,230</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012, were as follows:

<u>Year Ending Sep. 30</u>	<u>Amount</u>
2013	<u>\$26,882</u>
Total	<u>26,882</u>
Less: Amount Representing Interest	<u>5,092</u>
Present Value of Minimum Lease Payments	<u>\$21,790</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%	\$23,750,000

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2013	\$610,000	\$1,061,319
2014	640,000	1,036,319
2015	670,000	1,010,119
2016	705,000	979,094
2017	745,000	942,844
2018-2022	4,320,000	4,121,195
2023-2027	5,550,000	3,091,375
2028-2032	7,125,000	1,709,702
2033-2034	3,385,000	171,375
TOTALS	<u>\$23,750,000</u>	<u>\$14,123,342</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 F-150 Pickup Trucks, \$39,442 for two Chevy Silverado's for the road and bridge fund dated May 2010. The note is to be secured by the respective item purchased. The two F-150 Pickup Trucks are to be serviced by the road and bridge fund.

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities	3.5	\$6,868

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

Year Ending September 30,	Total	
	Principal	Interest
2013	\$6,868	\$90
TOTALS	\$6,868	\$90

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	\$46,525	\$0	\$24,735	\$21,790	\$21,790	\$0
Bonds Payable	24,330,000	0	580,000	23,750,000	610,000	23,140,000
Notes Payable	109,474	0	102,606	6,868	6,868	0
Compensated Absences Payable	95,384	204,835	95,384	204,835	204,835	0
	24,581,383	204,835	802,725	23,983,493	843,493	23,140,000
Grand Total	\$24,581,383	\$204,835	\$802,725	\$23,983,493	\$843,493	\$23,140,000

The general fund is used to service the compensated absences. The estimated amount due in the 2012-13 year is \$204,835.

The government-wide statement of activities includes \$843,493 as "noncurrent liabilities, due within one year".

There was \$1,079,320 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>09/30/12</u>	Year ended <u>09/30/11</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 \$4,886. There is no related accounts payable or receivable at year's end.

Another commissioner has borrowed money from the economic development fund. He owes \$36,035 at September 30, 2012.

C. Subsequent Events

On January 14, 2013, Commissioner's Court awarded bid for TxCDBG 711315 Colonia Construction Fund to Alvin E. Stock Contractor, Ltd.

On February 11, 2013, Commissioner's Court approved a change order for Block Grant Construction - Project No. 711315, to \$399,986. The contract awarded to Calvin E. Stock was modified to meet the dollar amount of the grant below \$400,000.

D. Contingent Liabilities

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

The government is a defendant in the following lawsuit:

Hans D. Rohrbaugh v. Uvalde County - failure to provide protection and failure to provide medical attention to Plaintiff's Decedent during her incarceration at Uvalde County Jail. This case was settled. The County was only obligated to pay their \$5,000 deductible.

Hobbs v. Uvalde County - Plaintiff was arrested and charged with public intoxication, disturbing the peace, resisting arrest, and disorderly conduct. The plaintiff asserts he was not intoxicated but has a medical condition that makes him appear intoxicated. He suffered damages as a result of being arrested when he fell and fractured his hip. This case was settled. The County was only obligated to pay their legal expenses.

E. Other post employment benefits

None

F. Retirement Plan

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 618 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The governing body elected to pay a rate of 8.62% for the 2011 and 9.13% for the 2012 year that did not exceed the actuarially determined rate as allowed by the provisions of the TCDRS Act.

The contribution rate payable by the employee members for calendar years 2011 and 2012 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

**Actuarial Valuation Information**

Actuarial valuation date	12/31/2009	12/31/2010	12/31/2011
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	20.0	20.0	20.0
Asset valuation method	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value
Actuarial Assumptions			
Investment return	8.00%	8.00%	8.00%
Projected salary increases	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.00%	0.00%	0.00%

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

Accounting Year	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
Ending 09-30-10	552,456	100.00	-0-
09-30-11	574,007	100.00	-0-
09-30-12	631,197	100.00	-0-

ANALYSIS OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
2011	\$16,554,510	\$18,940,819	\$2,386,309	87.40%	\$6,731,528	35.45%

The schedule of funding progress presented as required supplementary information (RSI) immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

F. Prior Period Adjustments:

The City has determined that certain transactions were recorded incorrectly in a prior year.

Governmental Activities and Funds: In the Government-Wide statements and the governmental funds, the Sales Taxes Receivable were understated in the 2010-2011 year by \$106,148. This error was the result of failure to include one month's of receivables into the year end financial statements.

In the Government-Wide statements and the governmental funds, the Construction in Progress was understated in the 2010-2011 year by \$315,984. This error was the result of failure to capitalize base material used to build roads for the Fairplex project into the year end financial statements.

These restatements had a corresponding effect on the beginning net assets and fund balances.

	Fund Balances, as Previously Reported	Sales Taxes Receivable Restatement	Fund Balances As Restated
Governmental Funds:			
Fund Balances	\$9,564,061	\$106,148	\$9,670,209
Governmental Funds	\$9,564,061	\$106,148	\$9,670,209

	Net assets, as Previously Reported	Sales Taxes Receivable Restatement	Capital Asset Inclusion Restatement	Net assets As Restated
Governmental Activities:				
Net assets	\$14,284,429	\$106,148	\$315,984	\$14,706,561
Governmental Activities:	\$14,284,429	\$106,148	\$315,984	\$14,706,561

REQUIRED SUPPLEMENTARY INFORMATION

UVALDE COUNTY, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SEPTEMBER 30, 2012

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
 ANALYSIS OF FUNDING PROGRESS

ANALYSIS OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
2009	\$15,198,539	\$16,698,925	\$1,500,386	91.02%	\$6,422,010	23.36%
2010	15,698,841	17,574,385	1,875,544	89.33%	6,687,491	28.05%
2011	16,554,510	18,940,819	2,386,309	87.40%	6,731,528	35.45%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

## Non-major Governmental Funds

### ***Special Revenue Funds***

The Special Revenue Funds for Uvalde County, Texas, consist of the Judicial, Legal, and Forfeiture Funds and Other Special Revenue Funds that have revenues earmarked for the financing of particular functions and activities of government as shown in the various expenditure schedules.

#### JUDICIAL, LEGAL, AND FORFEITURE SPECIAL REVENUE FUNDS

The Judicial, Legal, and Forfeiture Funds account for funds that are used for Judicial and Legal purposes and confiscated funds seized during crimes that are awarded to the County for legal and law enforcement purposes.

The Sheriff Forfeiture and Sheriff Seizure Funds account for monies forfeited to the Sheriff, to be used solely for the investigation of any alleged violations of the criminal laws of the State.

The District Attorney Administrative and Fee Funds account for District attorney fees and other funds used for operations of the District Attorney's Office.

The District Attorney Forfeiture Fund accounts for monies forfeited to the District Attorney to be used for criminal investigations.

The County Attorney Check Collection Fund accounts for fees collected by the County Attorney that are used for operations of the County Attorney's office.

The County Attorney Administration Fund accounts for fees collected by the County Attorney that are used for the administration of the County Attorney's office.

The Law Library Fund provides for the establishment and maintenance of a library for the use of members of the Texas Bar Association. It is stocked with several thousand books. Revenues are derived from fees which are assessed against each civil case filed in County and District Courts.

The Court Reporter Fund accounts for fees that are collected and used for court costs.

The Jury Fund accounts for Jury fees that are collected and used for jury costs.

The Dare Fund, the Stonegarden Grant, and the Narcotics Intradiction Fund account for grant monies and local contributions to assist the Sheriff's office in combating drugs and other crimes.

The Sheriff Commissary fund accounts for monies used to purchase supplies for sale to inmates. The proceeds accumulated in this fund are used to purchase supplies and equipment for law enforcement.

SPECIAL REVENUE FUNDS  
(continued)

OTHER SPECIAL REVENUE FUNDS

The Other Special Revenue Funds consist of other funds that account for particular functions and activities.

The Other Special Revenue Funds consist of the following funds:

The Tobacco Settlement Fund accounts for funds used for general administrative costs.

The Records Management, both District and County Clerk Archival Fee funds, the District Clerk, and the County Clerk Records Managements and Preservation funds accounts for fees and other funds used for records management purposes.

The District Clerk and the County Clerk Court Technology funds accounts for fees and other funds used for keeping the offices abreast of the latest technology.

The Border Crime Prosecution fund accounts for funds used for border crime prosecution.

The Courthouse Security Fund accounts for funds used for courthouse security purposes.

The Victims of Crime Funds (D.A. AND C.A.) accounts for monies held for the benefit of victims of crime.

The County Election Fund accounts for funds used to administer county elections.

The J.P. Technology Fund accounts for funds used for Justice of the Peace equipment.

The EMPG Fund account for funds used for combating bio terrorism.

The Historical Commission Fund account for funds used for preserving Uvalde County's heritage.

The Vending Machine Fund accounts for funds used for administrative purposes.

The HAVA Grant Fund is to purchase electronic voting equipment.

The Security Fee Fund is to help provide security for the Justice's of the Peace.

The TFIO Fund is to help with Home Rehabilitation.

The Energy Grant is to help with providing energy to the citizens of Uvalde County.

The Fairplex Department Fund administers the Fairplex Park.

***Debt Service Fund***

The Debt Service Funds account for ad valorem taxes and other monies collected to pay the debt service.

***Capital Projects Funds***

The Colonia Clearing 711315, the EDA Grant, the Fish Passage Grant, and the Colonia Construction grant accounts for monies to assist in construction needs of the County.

UVALDE COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2012

	SPECIAL REVENUE																						
	BORDER ARCHIVAL FEE	CRIME PROSEC. CUTION	COUNTY ATTORNEY ADMINIS- TRATION	COUNTY ATTORNEY HOT CHECK	COUNTY COURT PRESER- VATION	COUNTY COURT TECH- NOLOGY	COUNTY COUNTY ELECTION	COUNTY RECORDS MANAGE- MENT	COURT REPORTERS	COURT HOUSE SECURITY	D.A. FEE	D.A. ADMINI- STRATIVE	D.A. FORFEI- TURE	D.A. DARE	DISTRICT CLERK RECORDS MANAGEMENT	DISTRICT COURT PRESER- VATION	DISTRICT COURT RECORDS ARCHIVE	DISTRICT COURT TECH- NOLOGY	EMPG QUANT	ENERGY GRANT	FANFLEX DIFFERT- MENT FUND	HAVA GRANT	
<b>ASSETS</b>																							
Cash and Cash Equivalents	\$109,446	\$19	\$0	\$6,519	\$2,590	\$300	\$579	\$13,619	\$9,605	\$56,529	\$6,107	\$37	\$43,849	\$3,417	\$2,995	\$6,823	\$4,715	\$760	\$0	\$24,650	\$7,370	\$0	
Receivables (net of allowance for uncollectibles)																			15,164			5,106	
Restricted Assets:																							
Cash and Cash Equivalents																							
Receivables (net of allowance for uncollectibles)																							
<b>Total Assets</b>	<b>\$109,446</b>	<b>\$19</b>	<b>\$0</b>	<b>\$6,519</b>	<b>\$2,590</b>	<b>\$300</b>	<b>\$579</b>	<b>\$13,619</b>	<b>\$9,605</b>	<b>\$56,529</b>	<b>\$6,107</b>	<b>\$37</b>	<b>\$43,849</b>	<b>\$3,417</b>	<b>\$2,995</b>	<b>\$6,823</b>	<b>\$4,715</b>	<b>\$760</b>	<b>\$15,164</b>	<b>\$24,650</b>	<b>\$7,370</b>	<b>\$5,106</b>	
<b>LIABILITIES AND FUND BALANCES</b>																							
<b>Liabilities</b>																							
Accounts Payable													\$14,954	\$116							\$24,650	\$1,202	
Bank Overdraft																				15,164		5,106	
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,954</b>	<b>116</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,164</b>	<b>24,650</b>	<b>1,202</b>	<b>5,106</b>
<b>Fund Balances</b>																							
Restricted																							
Archives	109,446							13,619															
Debt Service																							
Elections							579																
Health																							
Judicial				2,590	300				9,605	6,107			43,733		2,995	6,823	4,715	760					
Legal			6,519																				
Public Safety	19									56,529				3,417									
Committed																							
Culture and Recreation																							
Public Facility																						6,168	
Unassigned																							
Total Fund Balances	109,446	19	0	6,519	2,590	300	579	13,619	9,605	56,529	6,107	(14,917)	43,733	3,417	2,995	6,823	4,715	760	0	0	6,168	0	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$109,446</b>	<b>\$19</b>	<b>\$0</b>	<b>\$6,519</b>	<b>\$2,590</b>	<b>\$300</b>	<b>\$579</b>	<b>\$13,619</b>	<b>\$9,605</b>	<b>\$56,529</b>	<b>\$6,107</b>	<b>\$37</b>	<b>\$43,849</b>	<b>\$3,417</b>	<b>\$2,995</b>	<b>\$6,823</b>	<b>\$4,715</b>	<b>\$760</b>	<b>\$15,164</b>	<b>\$24,650</b>	<b>\$7,370</b>	<b>\$5,106</b>	

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