

COUNTY OF BANDERA, TEXAS

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2011

COUNTY OF BANDERA, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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Independent Auditor's Report

Honorable Judge and County Commissioners
County of Bandera
Bandera, TX 78003

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Bandera as of September 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2012, on our consideration of the County of Bandera's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 9), budgetary comparison information (pages 38 and 39), and Schedule of Funding Progress for the Retirement Plan (page 40) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Bandera's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.
Fredericksburg, Texas

March 9, 2012

**COUNTY OF BANDERA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Within this section of the County of Bandera (County) annual financial report, the County of Bandera Commissioners' Court provides a narrative discussion and analysis of the financial activities of the County for the fiscal year ending September 30, 2011. The financial performance is discussed within the context of accompanying financial statements and disclosures, which begin on page 10.

Financial Highlights (thousands)

- The County's net assets as indicated in the government-wide financial statements are \$16,187.
- Total net assets are comprised of the following:
 1. Capital assets, net of related debt, of \$7,158 include property and equipment, net of accumulated depreciation.
 2. Net assets of \$2,620 are restricted by debt covenants and or grantee laws or regulations and capital projects.
 3. Unrestricted net assets of \$6,410 are available to meet obligations of creditors and citizens.
- The Jail project was completed last fiscal year. The County was able to house prisoners and started receiving revenue from outside counties in January 2010. The County received \$521, an increase of 52.8% from 2009-2010.
- Indigent health care is an un-funded mandate from the State of Texas; the cost of that service for 2010-2011 was \$244, an increase of approximately 4% from 2009-2010. In order to fund this operation, Bandera County assessed a tax rate of .0149.
- Revenues exceeded expenditures for governmental activities by \$1,569.
- The unreserved fund balance in the general fund as shown in the fund financial statements on page 13 is \$5,128, or 44% of general fund expenditures. This amount is 19% higher than the guidelines recommended by the Commissioner's Court and the State Comptroller's Office.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (pages 10 through 12) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also compare actual revenue collection and expenditures to budget. Notes to the financial statement are included to provide additional financial information.

Government-wide Financial Statements

Government-wide statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting methods used by most private-sector entities. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements include two statements. One is the *Statement of Net Assets*; this statement presents all of the assets and liabilities of the County as a whole, with the difference reported as net assets. It answers the question as to whether the financial condition of the County is better or worse as result of the of year's activities. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. To assess the overall financial condition of the County, one must also consider non-financial conditions such as property tax base and condition of assets.

The other government-wide financial statement is the *Statement of Activities*. This statement reports how each activity is funded by showing grants and program revenues related to each activity and how much reliance is placed on general revenues. The statement relates to the *Statement of Net Assets* in that it shows how current operations have changed net assets.

Fund Financial Statements

Funds are established to account for money that is designated for specific purposes by the Commissioners' Court or grantees such as the State of Texas. The fund financial statements differ from the government-wide statements in that they focus on significant funds rather than the County as a whole. Major funds are presented separately; others are aggregated into a single statement. The fund financial statements for major funds begin on page 13. Fund data for non-major funds is included in a combining statement on page 41. The basic funds are classified by type; each type used by the County is described in the following paragraphs.

Governmental funds – Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information shows the amount of financial resources available in the near future to finance County programs.

In addition to the major government funds Balance Sheet and Statement of Revenues and Expenditures, budgetary comparison statements are included for the general fund and major special revenue fund. Comparison data is also included for all other special revenue funds and the debt service fund. These schedules compare actual revenue and expenditures with adopted and amended budgets.

Notes to the financial statements – The notes presented immediately following the basic financial statements to provide additional information to facilitate the understanding of the government-wide and fund financial statements. The notes explain accounting policies and disclose additional information concerning fixed assets, long-term liabilities, and the County retirement plan.

The County as a Whole

Our analysis of the County as a whole focuses on net assets (Table 1) and changes in net assets (Table 2). The Statement of Activities reports annual expenditures by major function along with the charges for services and grant proceeds available to support each function. This presentation shows the cost of services that must be offset by general revenue such as property and sales taxes.

The Summary of Net Assets (Table 1) lists assets in the order of liquidity beginning with cash and ending in fixed assets. Receivables include unpaid property taxes and unpaid court cost and fines assessed by the courts. Each receivable is reported net of a reserve for uncollectable accounts. Historical collection data for property taxes shows an average annual collection rate of 98 percent. Total capital assets as reported in the *Statement of Net Assets* are \$17,410; this amount is net of accumulated depreciation of \$9,354. With the exception of land, total countywide assets are approximately 35% depreciated. Assets such as machinery and equipment are reported at \$7,212 and are 79% depreciated. We have to conclude that many assets exist with limited useful life that must be replaced in the near future. Liabilities are all payable within one year. Net assets at year-end are \$16,187. \$9,778 of net assets is restricted for specific purposes as required by state law or by County policy. The \$6,409 in unrestricted net assets is available for funding general operations.

The Changes in Net Assets (Table 2) itemizes the basic sources of revenue and expenditures as to the services provided. Total revenue for governmental activities was \$17,214; approximately 72% is generated by general revenues. Total governmental expenditures were \$15,645, resulting in a net increase in net assets of \$1,568. More detail about the increase is discussed in the *Financial Analysis of the County Funds*.

Revenues and expenditures for governmental activities are compared in Table 3 showing the relation between the cost of services and the revenue generated from users of the service. This table also shows how much general revenue (property and sales taxes) and grants are needed to provide each service. For the past several years the County has relied on the steady growth of property values and rate increases to meet the demand for services.

Table 1
Net Assets (in Thousands)

	Governmental Activities	
	2011	2010
Cash and Current Investments	\$ 7,847	\$ 6,870
Receivables	1,544	1,406
Capitalized Debt Issuance Costs	209	222
Capital Assets	17,410	17,346
Total Assets	27,020	25,844
Accounts Payable	381	375
Other Liabilities and Deferred Revenue	57	60
Short-term Debt (Due Within One Year)	420	405
Long-term Debt	9,975	10,386
Total Liabilities	10,833	11,226
Net Assets:		
Invested in capital assets, net of debt	7,158	6,668
Restricted	2,620	4,006
Unrestricted	6,409	3,944
Total Net Assets	\$ 16,187	\$ 14,618

Table 2
Changes in Net Assets (in Thousands)

	Governmental	
	Activities	
	<u>2011</u>	<u>2010</u>
Revenues:		
<u>Program Revenues</u>		
Charges For Services	\$ 4,157	\$ 3,684
Operating Grants & Contributions	679	640
Capital Grants & Contributions	55	33
<u>General Revenues</u>		
Property Taxes	11,254	10,789
Other Taxes	841	763
Grants & Contributions	72	46
Investment Earnings	18	18
Other General Revenues	138	194
Total Revenues	<u>17,214</u>	<u>16,167</u>
Expenditures:		
General Government	2,886	2,429
Administration of Justice	2,427	2,220
Public Safety	3,008	2,737
Corrections	1,328	1,136
Road & Bridge	2,656	2,526
Health & Human Services	1,695	1,623
Community & Economic Development	971	1,034
Infrastructure & Environmental Services	204	-
Interest on long-term Debt	456	476
Agent Fees	1	1
Issuance Costs	13	13
Total Expenditures	<u>15,645</u>	<u>14,195</u>
Change in Net Assets	1,569	1,972
Beginning Net Assets	14,618	12,646
Net Assets	<u>\$ 16,187</u>	<u>\$ 14,618</u>

Table 3
Governmental Activities (in Thousands)

	Expenditures 2011	% of Total Exp	Non-Tax Program Revenue		Grants & Contributions		General Revenue	
			Amount	%	Amount	%	Amount	%
General Government	\$ 2,886	18%	\$ 904	31%	\$ 61	2%	\$ 1,921	67%
Administration of Justice	2,427	16%	347	14%	191	8%	1,889	78%
Public Safety	3,008	19%	245	8%	29	1%	2,734	91%
Corrections	1,328	8%	521	39%	-	-	807	61%
Road & Bridge	2,656	17%	916	34%	207	8%	1,533	58%
Health & Human Services	1,695	11%	1,059	62%	42	2%	594	35%
Community & Economic Development	971	6%	165	17%	204	21%	602	62%
Infrastructure & Environmental	204	1%	-	-	-	-	-	-
Interest	456	3%	-	-	-	-	-	-
Agent Fees	1	-	-	-	-	-	-	-
Issuance Costs	13	-	-	-	-	-	-	-
Total Charges For Services	\$ 15,645		\$ 4,157		\$ 734		\$ 10,080	

Capital Assets and Debt Administration

Capital Assets: The County completed the “Hackberry Annex” project, increasing the value of Buildings.

Table 4
Capital Assets at Year-end
(in Thousands)

	Governmental Activities	
	2011	2010
Land	\$ 368	\$ 368
Buildings	16,562	16,292
Equipment	7,212	6,857
Infrastructure	2,622	2,137
Total	\$ 26,764	\$ 25,654

Debt Administration: Bandera County has one type of debt. It includes \$9,425 (Series 2007) and \$1,875 (Series 2008) in General Obligation Funds for the construction of a new Jail/Justice Center. This debt will be retired in the year 2027 and 2028.

Table 5
Outstanding Debt at Year-end
(in Thousands)

	Governmental Activities	
	2011	2010
Texas General Obligation Bonds - Series 2007	\$ 8,190	\$ 8,525
Texas General Obligation Bonds - Series 2008	1,695	1,765
Total	\$ 9,885	\$ 10,290

Financial Analysis of the County Funds (in thousands)

Governmental Funds

The governmental funds statements presented on pages 13 through 18 include the General Fund, Road and Bridge Fund, Jail/Justice Center Fund, and all other governmental funds combined. These statements focus on short-term transactions and the impact they have on financial resources for future financial requirements. The total of fund balances at year-end for all governmental funds are \$7,749, an increase of \$971 from the prior year.

The General Fund is the primary day-to-day operating fund that finances services such as the courts and law enforcement. According to Governmental Accounting Standards Board (GASB) Statement No. 54, because Commissioners Court did not commit or assign any funds specific to any purpose, several funds were included in the General Fund that had not been included in previous fiscal years. They include Indigent Healthcare, Ambulance, Sanitary Landfill, Medina Lake County Park, and Mansfield Park. General fund operations resulted in an increase in fund balance of \$1,242. The final budget exceeded total general fund revenues by \$1,046. The ending fund balance of \$5,129 is 44% of total expenditures; this percentage satisfies the 25% recommendation by the State Comptroller and the County’s policy to have a minimum operating reserve of 25%.

The Road and Bridge Fund is reported as a single major governmental fund because it represent a material percentage of the total revenue and expenditures of all governmental funds.

The Road and Bridge Fund resulted in a \$247 increase in fund balance. The ending fund balance of \$2,113 is 88% of total expenditures; this percentage satisfies the recommended reserve.

All other governmental funds are combined to form the non-major governmental fund category; the funds included in this combination are itemized in the combining statements on pages 41 through 52 of the report. Combined fund balances decreased by \$49 to \$337 at 27% of total expenditures; this percentage satisfies the recommended reserve.

Budgetary Highlights

Budgetary statements of revenues and expenditures for the general fund and road and bridge fund are on pages 38 and 39. The statements report the original and final budget with actual amounts for each category. The variance is the difference between the actual and the final budget. The original budget was adopted by the County's Commissioners' Court prior to the beginning of the fiscal year and amendments to the budget are approved by the court throughout the fiscal year. The plan for the general fund budget was to spend \$480 of reserves; however, actual expenditures were under budgeted by \$662 and actual revenues were \$1,046 more than budget, so the County was able to end the year with \$1,712 more in reserves.

The original and final road and bridge budget anticipated expenditures to exceed revenues by \$301. Actual revenues exceeded budget by \$64; actual expenditures were less than budget by \$333.

Budget for 2011-2012

For the 2011-2012 fiscal year, the County is able to function on the 2010-2011 adopted property tax rate of .6769 per hundred dollars of taxable value. The County distributed the Ad Valorem tax rate differently internally in order to operate using the same tax rate as the previous three years.

The total budget for capital expenditures and capital improvements is \$707, an increase from \$179 in 2010-2011. Due to depreciating equipment, the County is purchasing several vehicles, a dump truck, an ambulance, and software. The County also budgeted to build an Animal Control Facility at the same location as the Justice Center.

Future Financial Issues

Bandera County has grown significantly in the last several years. Bandera County Commissioners' Court will continue to anticipate growth and remain fiscally conservative in order to maintain a healthy fund balance.

As in the previous years, the maintenance of county roads is and will be one of the most critical challenges. Until the State of Texas allows counties to participate in fuel tax revenues there is no hope for small rural counties to maintain and improve a failing road system. Ad Valorem property taxes will not provide adequate revenue to allow county government to function effectively.

The State of Texas continues to mandate that counties provide services with no financial support. If this trend continues, counties either raise taxes to support the unfunded mandates or discontinue service that they might otherwise provide.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Bandera County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Office of Bandera County Auditor or the Commissioners' Court of Bandera County.

BASIC FINANCIAL STATEMENTS

BANDERA COUNTY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 7,697,369
Investments - Current	150,000
Receivables (net of allowance for uncollectibles)	1,553,882
Capitalized Debt Issuance Costs	208,848
Capital Assets:	
Land	368,272
Infrastructure, net	1,325,543
Buildings, net	14,211,799
Machinery and Equipment, net	1,504,543
Total Assets	27,020,256
LIABILITIES	
Accounts Payable	380,993
Accrued Interest Payable	57,091
Noncurrent Liabilities	
Due Within One Year	420,000
Due in More Than One Year	9,974,916
Total Liabilities	10,833,000
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	7,157,950
Restricted for:	
Debt Service	168,919
Special Revenue	2,450,771
Unrestricted Net Assets	6,409,616
Total Net Assets	\$ 16,187,256

The notes to the Financial Statements are an integral part of this statement.

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

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Administration	\$ 2,886,111	\$ 903,673	\$ 33,066
Law Enforcement	3,008,273	245,408	7,187
Corrections	1,327,875	521,285	-
Road and Bridge	2,656,301	916,384	202,041
Health & Human Services	1,694,518	1,058,809	41,535
Administration of Justice	2,427,053	346,579	191,184
Community & Economic Development	971,443	164,657	203,926
Infrastructure & Environmental	203,926	-	-
Interest	455,894	-	-
Fiscal Agent's Fees	800	-	-
Issuance Costs	13,020	-	-
TOTAL PRIMARY GOVERNMENT:	\$ 15,645,214	\$ 4,156,795	\$ 678,939

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Other Taxes

Grants and Contributions Not Restricted

Miscellaneous Revenue

Investment Earnings

Transfers In (Out):

Total General Revenues and Transfers

Change in Net Assets

Net Assets--Beginning

Net Assets--Ending

The notes to the Financial Statements are an integral part of this statement.

		Net (Expense) Revenue and Changes in Net Assets	
		Capital Grants and Contributions	Primary Government Governmental
\$	28,243	\$	(1,921,129)
	21,469		(2,734,209)
	-		(806,590)
	-		(1,537,876)
	5,106		(589,068)
	-		(1,889,290)
	-		(602,860)
	-		(203,926)
	-		(455,894)
	-		(800)
	-		(13,020)
<u>\$</u>	<u>54,818</u>	<u>\$</u>	<u>(10,754,662)</u>

10,331,484
922,949
463,853
376,819
71,835
135,109
17,808
3,648
<u>12,323,505</u>
1,568,843
14,618,413
<u>\$ 16,187,256</u>

BANDERA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	General Fund	Road & Bridge Fund	Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ 4,996,410	\$ 2,206,737	\$ 151,016
Investments - Current	150,000	-	-
Taxes Receivable	591,399	126,059	49,282
Allowance for Uncollectible Taxes (credit)	(184,782)	(44,695)	(8,603)
Receivables (Net)	125,527	35,995	8,637
Total Assets	<u>\$ 5,678,554</u>	<u>\$ 2,324,096</u>	<u>\$ 200,332</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 212,906	\$ 143,203	\$ -
Deferred Revenues	336,651	67,460	31,413
Total Liabilities	<u>549,557</u>	<u>210,663</u>	<u>31,413</u>
Fund Balances:			
Restricted Fund Balance:			
Road and Bridge	-	2,113,433	-
Debt Service	-	-	168,919
Special Revenue	-	-	-
Unassigned Fund Balance	5,128,997	-	-
Total Fund Balances	<u>5,128,997</u>	<u>2,113,433</u>	<u>168,919</u>
Total Liabilities and Fund Balances	<u>\$ 5,678,554</u>	<u>\$ 2,324,096</u>	<u>\$ 200,332</u>

The notes to the Financial Statements are an integral part of this statement.

	Other Funds	Total Governmental Funds
\$	343,206	\$ 7,697,369
	-	150,000
	10,840	777,580
	(3,387)	(241,467)
	17,734	187,893
\$	<u>368,393</u>	<u>\$ 8,571,375</u>
\$	24,884	\$ 380,993
	6,171	441,695
	<u>31,055</u>	<u>822,688</u>
	-	2,113,433
	-	168,919
	337,338	337,338
	-	5,128,997
	<u>337,338</u>	<u>7,748,687</u>
\$	<u>368,393</u>	<u>\$ 8,571,375</u>

BANDERA COUNTY
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2011

Total Fund Balances - Governmental Funds	\$	7,748,687
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$25,653,461 and the accumulated depreciation was \$8,307,259. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.		6,717,530
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to increase net assets.		1,515,995
The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(1,047,040)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		1,252,084
Net Assets of Governmental Activities	\$	16,187,256

The notes to the Financial Statements are an integral part of this statement.

BANDERA COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Road & Bridge Fund	Debt Service Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 8,685,331	\$ 1,498,215	\$ 918,263
General Sales and Use Taxes	463,853	-	-
Other Taxes	15,463	-	-
Licenses and Permits	40,290	585,524	-
Intergovernmental Revenue and Grants	333,733	27,318	-
Charges for Services	2,817,990	816	-
Fines	279,520	-	-
Forfeits	-	-	-
Investment Earnings	11,494	4,877	841
Contributions & Donations	17,856	27,000	-
Other Revenue	123,767	11,242	-
Total Revenues	12,789,297	2,154,992	919,104
EXPENDITURES:			
Current:			
General Government:			
General Administration	2,551,451	-	-
Public Safety:			
Law Enforcement	2,933,100	-	-
Corrections	1,322,877	-	-
Road and Bridge	505,839	2,402,483	-
Health & Human Services	1,668,197	-	-
Administration of Justice	2,023,449	-	-
Conservation and Development:			
Community & Economic Development	555,984	-	-
Infrastructure & Environmental	-	-	-
Debt Service:			
Principal	-	-	405,000
Interest	-	-	476,407
Fiscal Agent's Fees	-	-	800
Total Expenditures	11,560,897	2,402,483	882,207
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,228,400	(247,491)	36,897
OTHER FINANCING SOURCES (USES):			
Transfers In	3,648	-	-
Total Other Financing Sources (Uses)	3,648	-	-
Net Change in Fund Balances	1,232,048	(247,491)	36,897
Fund Balance - October 1 (Beginning)	3,896,949	2,360,924	132,022
Fund Balance - September 30 (Ending)	\$ 5,128,997	\$ 2,113,433	\$ 168,919

The notes to the Financial Statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 159,012	\$ 11,260,821
-	463,853
361,356	376,819
-	625,814
398,935	759,986
266,602	3,085,408
-	279,520
12,449	12,449
596	17,808
750	45,606
100	135,109
<u>1,199,800</u>	<u>17,063,193</u>
205,297	2,756,748
75,238	3,008,338
-	1,322,877
-	2,908,322
-	1,668,197
376,914	2,400,363
387,720	943,704
203,926	203,926
-	405,000
-	476,407
-	800
<u>1,249,095</u>	<u>16,094,682</u>
<u>(49,295)</u>	<u>968,511</u>
-	3,648
-	3,648
<u>(49,295)</u>	<u>972,159</u>
<u>386,633</u>	<u>6,776,528</u>
<u>\$ 337,338</u>	<u>\$ 7,748,687</u>

BANDERA COUNTY
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	972,159
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays and debt principal payments is to increase net assets.		1,515,995
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(1,047,040)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.		127,729
Change in Net Assets of Governmental Activities	\$	1,568,843

The notes to the Financial Statements are an integral part of this statement.

BANDERA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2011

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 156,049	\$ 791,994
Investments - Current	-	156,431
Accounts Receivable-Net of Uncollectible Allowance	225	288
Total Assets	<u>156,274</u>	<u>\$ 948,713</u>
LIABILITIES		
Accounts Payable	4,790	\$ 50,016
Due to Other Governments	-	739,657
Due to Others	-	159,040
Total Liabilities	<u>4,790</u>	<u>\$ 948,713</u>
NET ASSETS		
Unrestricted Net Assets	<u>151,484</u>	
Total Net Assets	<u>\$ 151,484</u>	

The accompanying notes are an integral part of this statement.

BANDERA COUNTY
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Private Purpose Trust Funds
ADDITIONS:	
Sales of Merchandise	\$ 1,262
Investment Earnings	272
Oil Production Royalties	9,026
Contributions & Donations	1,304
Other Revenue	917
Total Additions	<u>12,781</u>
DEDUCTIONS:	
Distributions to Schools	5,707
Supplies	2,282
Publications and Notices	322
Transfers Out	3,648
Total Deductions	<u>11,959</u>
Change in Net Assets	822
Total Net Assets - October 1 (Beginning)	<u>150,662</u>
Total Net Assets - September 30 (Ending)	<u>\$ 151,484</u>

The notes to the Financial Statements are an integral part of this statement.

COUNTY OF BANDERA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Bandera have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

1.A. REPORTING ENTITY

The County is an independent unit and is managed by a governing body of elected officials. The accompanying financial statements present the County's primary government.

In evaluating how to define the government, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report. Also, the County is not included as a part of any other reporting entity.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria.

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund, the primary operating fund of the County, is always classified as a major fund. It is the basic fund of the County and covers all activities for which a separate fund has not been established.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Funds

The Debt Service Fund accounts for the accumulation of financial resources for and the payment of principal and interest on general long-term debt of the County other than debt service payments made by enterprise funds. Ad valorem taxes and interest earnings are used for the payment of principal and interest on the County's debt.

Capital Projects Fund - To account for financial resources to be used for the acquisition and construction of major capital facilities.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the County in a purely custodial capacity. The reporting entity includes three agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations.

Private Purpose Trust Funds

Private Purpose Trust Funds report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The reporting entity includes six private purpose trust funds.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor. The major funds are as follows:

Major Fund	Brief Description
General	See above for description.
Special Revenue Fund: Road and Bridge	Accounts for all road and bridge construction and maintenance activity.
Debt Service Fund: Jail/Justice Center I&S Fund	Accounts for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

Nonmajor funds consist of special revenue funds and are detailed in the Combining and Individual Fund Statements - Nonmajor Funds.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. Agency and Permanent Trust Funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statement, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized revenues when both "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectable within the current period or within 60 days after year end. Also under the modified accrual basis of accounting, expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

1.D. ASSETS, LIABILITIES AND EQUITY

Cash and Cash Investments

For the purpose of the Statement of Net Assets, "Cash and Cash Equivalents" includes demand deposit accounts and government investment pools. All amounts are considered available upon demand and are considered to be "cash equivalents."

Several funds may be invested in an investment account and each fund has an equity interest therein. Interest earned on the Investment of these monies is allocated based upon relative equity at month end.

Receivables and Payables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances of uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The major receivable balances for the governmental activities relate to property taxes and court fines and fees.

All trade and property tax receivables are shown net of an allowance for uncollectable. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectable.

Ad valorem property taxes attach as enforceable liens as of January 1. Taxes are levied prior to September 30, payable on October 1, and are delinquent on February 1. The majority of the County's property tax collections occur during December and early January each year. To the extent that County property tax revenue results in current receivables as defined by the Governmental Accounting Standards Board (GASB), they are recognized when levied.

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 noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure, are reported in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Infrastructure assets include County owned roads, bridges, signs, and improvements to land. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets and infrastructure is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20 - 50
Vehicles	3 - 10
Machinery and Equipment	5 - 15
Infrastructure	5 - 50

Compensated Absences

Full time employees who work 40 hours per week average are granted vacation benefits in varying amounts to specified maximums depending on tenure with the County. Accumulated vacation time may be taken in pay upon termination or retirement up to a maximum of twenty (20) days. Non-exempt full time employees who work over 40 hours per week may choose to accrue comp time in lieu of overtime payments. Accumulated comp time may be taken in pay upon termination or retirement up to a maximum of thirty (30) days. Sick leave accrues to full time employees to specified maximums; however neither the vacation or comp time accrual policy applies to accumulated sick leave. The liability for accrued compensated absences is not accrued in governmental funds using the modified accrual basis of accounting, but is reflected in the Government-Wide Statement of Net Assets.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. 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.

Fund Equity

Beginning with fiscal year end September 30, 2011, the County implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are in non-spendable form (such as inventory and prepaids) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority (i.e. County Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the County takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the County intends to use for a specific purpose. Intent can be expressed by the County Commissioners or by an official or body to which the County Commissioners delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the County’s governmental funds have been restated to reflect the above classifications.

The County Commissioners establish (and modify or rescind) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the County Commissioners through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

For each budgeted fund, budgetary control is maintained at the expenditure line item level. This is the level at which expenditures cannot legally exceed appropriated amounts. The County Auditor is required to monitor the expenditures of the various funds. Any expenditures in excess of the total budgeted amount of a fund must be approved by the Commissioners' Court and the budget appropriately amended. It is the amended budget that is presented in the budget versus actual financial statement disclosure.

Encumbrance accounting, under which funds are reserved for purchase orders, contracts, and other commitments, is not utilized by County of Bandera.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

3.A. DEPOSITS AND INVESTMENTS

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2011, the carrying amount of the County's deposits was \$154,391 and the bank balance was \$292,459. The County's cash deposits held at Bandera First State Bank at September 30, 2011 and during the year ended September 30, 2011 were entirely covered by FDIC insurance.

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.

Temporary investments consisted of certificates of deposits and government pool investments as follows:

Name	Carrying Amount	Fair Value	Days to Maturity	FDIC Coverage	Pledged Securities
<u>Wells Fargo -</u>					
Certificate of Deposit	\$ 150,000	\$ 150,000	65	\$ 150,000	\$ -
<u>Liquid Asset Portfolio -</u>					
Logic	<u>7,755,680</u>	<u>7,755,680</u>	1	<u>*</u>	<u>*</u>
Total Governmental Activities	<u>\$ 7,905,680</u>	<u>\$ 7,905,680</u>		<u>\$ 150,000</u>	<u>\$ -</u>

*The County invests in Logic (a Local Government Investment Pool) to provide its primary liquidity needs. Logic is established in conformity with the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code and the Public Investment Act, Chapter 2256 of the Code. Logic is a 2(a)7 like fund, meaning that it is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are adjusted daily and the fund seeks to maintain a constant net asset value of \$1.00, although this cannot be guaranteed. Logic is rated AAAM and must maintain a weighted average maturity not to exceed 60 days. At September 30, 2011, Logic had a weighted average maturity of 49 days. The County considers the holdings in these funds to have a one-day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, short of a significant change in value.

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

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County 's policy regarding types of deposits allowed and collateral requirements is to deposit funds in FDIC insurance banks which have sufficient pledged collateral if needed. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2011, was covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, Logic Investment Pool invests only in investments authorized under the Public Funds Investment Act. Logic's portfolio has low marker (credit) risk due to restrictions on weighted average maturity and maximum maturity of any one investment. At September 30, 2011, the County was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

3.B. RECEIVABLES

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Jail/Justice Center I&S</u>	<u>Other Governmental Funds</u>	<u>TOTAL</u>
Receivables:					
Property Taxes	\$ 591,399	\$ 126,059	\$ 49,282	\$ 10,840	\$ 777,580
Other Receivables	<u>125,527</u>	<u>35,995</u>	<u>8,637</u>	<u>17,734</u>	<u>187,893</u>
Gross Receivables	\$ 716,926	\$ 162,054	\$ 57,919	\$ 28,574	\$ 965,473
Less: Allowance for Uncollectibles	<u>(184,782)</u>	<u>(44,695)</u>	<u>(8,603)</u>	<u>(3,387)</u>	<u>(241,467)</u>
Net Total Receivables	<u>\$ 532,144</u>	<u>\$ 117,359</u>	<u>\$ 49,316</u>	<u>\$ 25,187</u>	<u>\$ 724,006</u>

Governmental funds report *deferred revenue* in connection with receivables for revenue that is 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, *deferred revenues* reported in the governmental funds were as follows:

General Fund -	
Delinquent Property Taxes Receivable	\$ 336,651
Special Road and Bridge Fund -	
Delinquent Property Taxes Receivable	67,460
Jail/Justice Center I&S -	
Delinquent Property Taxes Receivable	31,413
Other Governmental Funds -	
Delinquent Property Taxes Receivable	<u>6,171</u>
 TOTAL DEFERRED REVENUES	 <u>\$ 441,695</u>

3.C. COURT FINES, FEES AND EMS BILLINGS RECEIVABLE

With the implementation of GASB Statement Number 34, the County has determined the amount of court fines, fees and EMS billings receivable to be \$3,582,819, which represents amounts owed and outstanding for the last 10 years. Based on historical collection rates for the various courts and the EMS Department, the County has booked an allowance for uncollectible accounts of \$2,752,943, resulting in a net receivable of \$829,876.

3.D. CAPITAL ASSETS

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

Primary Government

	Balance 10/1/10	Increases	Decreases	Balance 9/30/11
<i>Governmental Activities:</i>				
Capital Assets, Not Being Depreciated:				
Land	\$ 368,272	\$ -	\$ -	\$ 368,272
Construction in Progress	-	-	-	-
Total Assets Not Being Depreciated	<u>368,772</u>	<u>-</u>	<u>-</u>	<u>368,272</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	16,291,693	270,421	-	16,562,114
Equipment and Machinery	6,856,586	355,104	-	7,211,690
Infrastructure	2,136,910	485,470	-	2,622,380
Total Capital Assets Being Depreciated	<u>25,285,189</u>	<u>1,110,995</u>	<u>-</u>	<u>26,396,184</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(1,901,494)	(448,821)	-	(2,350,315)
Equipment and Machinery	(5,246,986)	(460,161)	-	(5,707,147)
Infrastructure	(1,158,779)	(138,058)	-	(1,296,837)
Total Accumulated Depreciation	<u>(8,307,259)</u>	<u>(1,047,040)</u>	<u>-</u>	<u>(9,354,299)</u>
Total Capital Assets Being Depreciated, Net	<u>16,977,930</u>	<u>63,955</u>	<u>-</u>	<u>17,041,885</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,346,202</u>	<u>\$ 63,955</u>	<u>-</u>	<u>\$ 17,410,157</u>

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

<i>Governmental Activities:</i>	
General Administration	\$ 430,043
Law Enforcement	155,595
Administration of Justice	25,274
Roads and Bridges	325,289
Community & Economic Development	25,998
Corrections	4,475
Health & Human Services	<u>80,366</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,047,040</u>

3.E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund transfers as of September 30, 2011, is as follows:

Interfund transfers

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 3,648	\$ -
Fiduciary Funds	-	3,648
TOTAL TRANSFERS	<u>\$ 3,648</u>	<u>\$ 3,648</u>

3.F. LONG-TERM LIABILITIES

The following is a summary of the long-term liability transactions of the County for the year ended September 30, 2011.

	<u>Balance 10/01/10</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 9/30/11</u>	<u>Due Within One Year</u>
Texas General Obligation Bonds - Series 2007	\$ 8,525,000	\$ -	\$ 335,000	\$ 8,190,000	\$ 350,000
Texas General Obligation Bonds - Series 2008	1,765,000	-	70,000	1,695,000	70,000
Capital Leases	-	-	-	-	-
SUBTOTAL	<u>\$ 10,290,000</u>	<u>\$ -</u>	<u>\$ 405,000</u>	<u>\$ 9,885,000</u>	<u>\$ 420,000</u>
Compensated Absences	193,333	26,980	-	220,313	-
Premium on Bonds	307,656	-	18,053	289,603	-
TOTAL	<u>\$ 10,790,989</u>	<u>\$ 26,980</u>	<u>\$ 423,053</u>	<u>\$ 10,394,916</u>	<u>\$ 420,000</u>

Certificates of Obligation

The County issued Texas General Obligation Bonds - Series 2007 for \$9,425,000 at interest rates from 4.25% to 5.25% with a final maturity date of August 17, 2027. The bonds are payable from the collection of an ad valorem tax levied on all taxable property. Proceeds from the sale of the bonds will be used for the construction and equipping of a new County Jail and Justice Center to house a county jail, sheriff's office and judicial facilities.

The County issued Texas General Obligation Bonds - Series 2008 for \$1,875,000 at interest rates from 3% to 5% with a final maturity date of August 15, 2028. The bonds are payable from the collection of an ad valorem tax levied on all taxable property. Proceeds from the sale of the bonds will be used for the construction and equipping of a new County Jail and Justice Center to house a county jail, sheriff's office and judicial facilities.

Debt service requirements for the Texas General Obligation Bonds - Series 2007 and 2008 are as follows:

Year Ending September 30,	Principal	Interest	Annual Requirements
2012	\$ 420,000	\$ 456,720	\$ 876,720
2013	445,000	436,245	881,245
2014	465,000	414,570	879,570
2015	490,000	391,620	881,620
2016	510,000	367,455	877,455
2017-2021	2,935,000	1,452,225	4,387,225
2022-2026	3,645,000	745,648	4,390,648
2027-2031	975,000	51,925	1,026,925
TOTAL	<u>\$ 9,885,000</u>	<u>\$ 4,316,408</u>	<u>\$ 14,201,408</u>

Operating Leases

Commitments under operating (non-capitalized) lease agreements for equipment provide for minimum future rental payments as of September 30, 2011, as follows:

Year Ended September 30	
2012	\$ 75,639
2013	70,643
2014	61,198
2015	10,884
2016	5,943
Total Minimum Rentals	<u>\$ 224,307</u>
Rental Expenditures in Fiscal Year 2011	<u>\$ 90,064</u>

3.G. CONTINGENT LIABILITIES

The County is currently involved in several pending litigation suits and is subject to other various litigation and claims arising out of the normal course of operations. Although the outcome of these claims is not presently determinable, in the opinion of the government's management, the resolution of these matters will not have a material adverse effect on the accompanying financial statements. Therefore, no provision for any liability, if any, has been made in the accompanying financial statements.

Amounts received or receivable from grantor 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 which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

3.H. RISK MANAGEMENT

County of Bandera is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property, damage to County assets, error and omissions and personnel risks which relate to workers' compensation. The County contracts in the form of interlocal agreements with the Texas Association of Counties (TAC) to provide the aforementioned types of insurance coverage through an intergovernmental risk pool. These multi-employer accounts provide for a combination of modified self-insurance and stop loss coverage. Contributions are set annually by Texas Association of Counties. Liability by the County is generally limited to the amounts calculated by the County interlocal agreements.

3.I. HEALTH INSURANCE

The County provides group health, dental and life insurance coverage for regular, full-time employees through TAC, Ameritas, and TCDRS. The County pays the premium for eligible employees. Employees, at their option, may authorize payroll withholdings to pay premiums for eligible family members.

3.J. EMPLOYEE RETIREMENT PLAN

Plan Description

Bandera 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 Bandera County, 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 Bandera County 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

Bandera County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and Bandera County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of Bandera County is actuarially determined annually. Bandera County contributed using the actuarially determined rate of 8.79% for the months of the accounting year in 2010, and 8.92% for the months of the accounting year in 2011. The deposit rate payable by the employee members of the plan for calendar years 2010 and 2011 was the rate of 7% as adopted by the governing body of Bandera County. The employee deposit rate and the employer contribution rate may be changed by the governing body of Bandera County within the options available in the TCDRS Act.

Annual Pension Cost

For the County’s accounting year ending September 30, 2011, the annual pension cost for the TCDRS plan for its employees was \$592,730, and the actual contributions were \$592,730.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2009 and December 31, 2010, the basis for determining the contribution rates for calendar years 2010 and 2011. The December 31, 2010 actuarial valuation is the most recent valuation.

ACTUARIAL VALUATION INFORMATION

Actuarial valuation date	12/31/10	12/31/09	12/31/08
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 in years	20	20	15
Asset valuation method	SAF:10-yr smoothed value	SAF:10-yr smoothed value	SAF:10-yr smoothed value
Subdivision Accumulation Fund			
Employees Saving Fund	ESF: Fund Value	ESF: Fund Value	ESF: Fund Value
Actuarial Assumptions:			
Investment return ¹	8%	8%	8%
Projected salary Increases ¹	5.4%	5.4%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

¹Includes inflation at the stated rate

Trend Information for the Retirement Plan for the Employees of County of Bandera

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/04	271,038	100%	-0-
9/30/05	289,670	100%	-0-
9/30/06	345,634	100%	-0-
9/30/07	379,618	100%	-0-
9/30/08	378,822	100%	-0-
9/30/09	416,728	100%	-0-
9/30/10	525,084	100%	-0-
9/30/11	592,730	100%	-0-

**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN
FOR THE EMPLOYEES OF COUNTY OF BANDERA**

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 Actuarial (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/10	10,357,944	11,710,826	1,352,882	88.45%	6,265,447	21.59%

The schedule of funding progress, presented as Required Supplementary Information 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 actuarial accrued liability for benefits.

3.K. DEFERRED COMPENSATION PLAN

The County offers all its employees deferred compensation programs through Nationwide Retirement Solutions, Inc. and the Variable Annuity Life Insurance Company (VALIC). The plans, created in accordance with Internal Revenue Code Section 457, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County, subject only to the claims of the County's general creditors. Participants' rights under the plan are equal to those of general creditors of the County in an amount equal to the fair market value of the deferred account for each participant.

The County has no liability for losses under the plans, but does have the duty of due care that would be required of an ordinary prudent investor. The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

At September 30, 2011, the participants had balances of \$355,321 in Nationwide and \$370,354 in VALIC.

3.L. SUBSEQUENT EVENTS

The County has evaluated subsequent events through March 9, 2012, the date which the financial statements were available to be issued. The County is not aware of any subsequent events that materially impact the financial statements

REQUIRED SUPPLEMENTARY INFORMATION

BANDERA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 8,720,778	\$ 8,720,778	\$ 8,685,331	\$ (35,447)
General Sales and Use Taxes	380,000	380,000	463,853	83,853
Other Taxes	12,000	12,000	15,463	3,463
Licenses and Permits	34,250	34,250	40,290	6,040
Intergovernmental Revenue and Grants	115,987	391,386	333,733	(57,653)
Charges for Services	1,889,205	1,924,365	2,817,990	893,625
Fines	185,000	185,000	279,520	94,520
Investment Earnings	6,600	6,600	11,494	4,894
Contributions & Donations	-	17,056	17,856	800
Other Revenue	67,900	71,673	123,767	52,094
Total Revenues	11,411,720	11,743,108	12,789,297	1,046,189
EXPENDITURES:				
Current:				
General Government:				
General Administration	2,284,944	2,731,935	2,551,451	180,484
Public Safety:				
Law Enforcement	2,958,186	3,027,568	2,933,100	94,468
Corrections	1,365,484	1,365,484	1,322,877	42,607
Road and Bridge	570,233	570,233	505,839	64,394
Health & Human Services	1,847,507	1,870,982	1,668,197	202,785
Administration of Justice	2,051,304	2,084,196	2,023,449	60,747
Conservation and Development:				
Community & Economic Development	569,218	572,711	555,984	16,727
Total Expenditures	11,646,876	12,223,109	11,560,897	662,212
Excess (Deficiency) of Revenues Over (Under) Expenditures	(235,156)	(480,001)	1,228,400	1,708,401
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	3,648	3,648
Total Other Financing Sources (Uses)	-	-	3,648	3,648
Net Change	(235,156)	(480,001)	1,232,048	1,712,049
Fund Balance - October 1 (Beginning)	3,896,949	3,896,949	3,896,949	-
Fund Balance - September 30 (Ending)	\$ 3,661,793	\$ 3,416,948	\$ 5,128,997	\$ 1,712,049

BANDERA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD & BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT G-2

	Budgeted Amounts		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final	GAAP BASIS (See Note)	
REVENUES:				
Taxes:				
Property Taxes	\$ 1,498,142	\$ 1,498,142	\$ 1,498,215	\$ 73
Licenses and Permits	538,000	538,000	585,524	47,524
Intergovernmental Revenue and Grants	27,000	27,000	27,318	318
Charges for Services	50	50	816	766
Investment Earnings	4,000	4,000	4,877	877
Contributions & Donations	-	27,000	27,000	-
Other Revenue	8,000	8,000	11,242	3,242
Total Revenues	<u>2,075,192</u>	<u>2,102,192</u>	<u>2,154,992</u>	<u>52,800</u>
EXPENDITURES:				
Current:				
Road and Bridge	2,640,820	2,640,820	2,402,483	238,337
Total Expenditures	<u>2,640,820</u>	<u>2,640,820</u>	<u>2,402,483</u>	<u>238,337</u>
Change in Fund Balance	(565,628)	(538,628)	(247,491)	291,137
Fund Balance - October 1 (Beginning)	<u>2,360,924</u>	<u>2,360,924</u>	<u>2,360,924</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,795,296</u>	<u>\$ 1,822,296</u>	<u>\$ 2,113,433</u>	<u>\$ 291,137</u>

BANDERA COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
 SEPTEMBER 30, 2011

**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN
 FOR THE EMPLOYEES OF COUNTY OF BANDERA
 (unaudited)**

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 Actuarial (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/98	\$ 2,586,793	\$ 3,313,609	\$ 726,816	78.07%	\$ 2,026,967	35.86%
12/31/99	2,860,070	3,592,562	732,492	79.61%	2,511,881	29.16%
12/31/00	3,154,158	3,845,870	691,712	82.01%	2,580,663	26.80%
12/31/01	3,550,229	4,236,390	686,161	83.30%	2,728,167	25.15%
12/31/02	4,069,353	4,833,129	763,776	84.20%	2,988,146	25.56%
12/31/03	4,754,274	5,418,847	664,573	87.74%	2,973,557	22.35%
12/31/04	5,283,618	6,043,375	759,757	87.43%	3,177,661	23.91%
12/31/05	5,948,970	6,691,893	742,923	88.90%	3,570,164	20.81%
12/31/06	6,854,227	7,286,144	431,917	94.07%	4,205,994	10.27%
12/31/07	7,565,799	7,999,737	433,938	94.58%	4,517,064	9.61%
12/31/08	7,907,486	8,990,424	1,082,938	87.95%	4,813,428	22.50%
12/31/09 ¹	9,021,590	10,189,536	1,167,766	88.54%	5,435,092	21.49%
12/31/10	10,357,944	11,710,826	1,352,882	88.45%	6,265,447	21.59%

¹Funding information may differ from prior year compliance data due to plan changes effective 1/1/2011.

SUPPLEMENTARY INFORMATION

BANDERA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011

	11 Hotel/Motel Tax Fund	18 Sheriff's Tax Sale Fund	22 Child Abuse Prevention CCP 102 Fund	25 Juvenile Activities Fund
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ 200	\$ 71,150
Taxes Receivable	-	-	-	10,840
Allowance for Uncollectible Taxes (credit)	-	-	-	(3,387)
Receivables (Net)	6,101	-	-	833
Total Assets	<u>\$ 6,101</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 79,436</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 6,101	\$ -	\$ -	\$ 1,754
Deferred Revenues	-	-	-	6,171
Total Liabilities	<u>6,101</u>	<u>-</u>	<u>-</u>	<u>7,925</u>
Fund Balances:				
Restricted Fund Balance:				
Special Revenue	-	-	200	71,511
Total Fund Balances	<u>-</u>	<u>-</u>	<u>200</u>	<u>71,511</u>
Total Liabilities and Fund Balances	<u>\$ 6,101</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 79,436</u>

The notes to the Financial Statements are an integral part of this statement.

27 Sheriff Seized Asset Fund	28 Law Library Fund	29 Adult Probation Fund	30 County Clerk Records Mgmt. Fund	31 Records Preservation Fund	32 Courthouse Security Fund	33 Juvenile Probation State Aid	34 Juvenile Probation Corrections
\$ 42,536	\$ 8,178	\$ 464	\$ 2,641	\$ 42,708	\$ 2,417	\$ 24,973	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 42,536</u>	<u>\$ 8,178</u>	<u>\$ 464</u>	<u>\$ 2,641</u>	<u>\$ 42,708</u>	<u>\$ 2,417</u>	<u>\$ 24,973</u>	<u>\$ -</u>
\$ -	\$ 2,763	\$ 104	\$ 288	\$ 64	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	2,763	104	288	64	-	-	-
42,536	5,415	360	2,353	42,644	2,417	24,973	-
42,536	5,415	360	2,353	42,644	2,417	24,973	-
<u>\$ 42,536</u>	<u>\$ 8,178</u>	<u>\$ 464</u>	<u>\$ 2,641</u>	<u>\$ 42,708</u>	<u>\$ 2,417</u>	<u>\$ 24,973</u>	<u>\$ -</u>

BANDERA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011

	35 Grant Z Salary Supplement	36 Juvenile Probation Title IV E	37 CJD Grant Title V Fund	45 Alternative Dispute Resolution
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 27,104	\$ 217	\$ 5,365
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Receivables (Net)	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 27,104</u>	<u>\$ 217</u>	<u>\$ 5,365</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Deferred Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted Fund Balance:				
Special Revenue	-	27,104	217	5,365
Total Fund Balances	<u>-</u>	<u>27,104</u>	<u>217</u>	<u>5,365</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 27,104</u>	<u>\$ 217</u>	<u>\$ 5,365</u>

The notes to the Financial Statements are an integral part of this statement.

46 Appellate Judicial System Fund	48 Guardianship Fee Fund	49 Hot Check Collection Fund	50 Grant H Diversionary Placement	51 Family Protection Fee Fund	52 Attorney Pre-Trial Diversion	53 Grant F Progressive Sanctions	54 Grant G Progressive Sanctions
\$ 1,110	\$ 6,230	\$ 11,255	\$ 1,350	\$ 1,207	\$ 32,504	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,110</u>	<u>\$ 6,230</u>	<u>\$ 11,255</u>	<u>\$ 1,350</u>	<u>\$ 1,207</u>	<u>\$ 32,504</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 897	\$ -	\$ -	\$ 1,350	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
<u>897</u>	<u>-</u>	<u>-</u>	<u>1,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
213	6,230	11,255	-	1,207	32,504	-	-
<u>213</u>	<u>6,230</u>	<u>11,255</u>	<u>-</u>	<u>1,207</u>	<u>32,504</u>	<u>-</u>	<u>-</u>
<u>\$ 1,110</u>	<u>\$ 6,230</u>	<u>\$ 11,255</u>	<u>\$ 1,350</u>	<u>\$ 1,207</u>	<u>\$ 32,504</u>	<u>\$ -</u>	<u>\$ -</u>

BANDERA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2011

	55 District Clerk Records Management	56 County Clerk Records Archive Fund	57 County Attorney Forfeitures	58 Justice Court Technology Fund
ASSETS				
Cash and Cash Equivalents	\$ 7,212	\$ 7,009	\$ 4,867	\$ 8,196
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Receivables (Net)	-	-	-	-
Total Assets	<u>\$ 7,212</u>	<u>\$ 7,009</u>	<u>\$ 4,867</u>	<u>\$ 8,196</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ 733	\$ 30	\$ -
Deferred Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>733</u>	<u>30</u>	<u>-</u>
Fund Balances:				
Restricted Fund Balance:				
Special Revenue	7,212	6,276	4,837	8,196
Total Fund Balances	<u>7,212</u>	<u>6,276</u>	<u>4,837</u>	<u>8,196</u>
Total Liabilities and Fund Balances	<u>\$ 7,212</u>	<u>\$ 7,009</u>	<u>\$ 4,867</u>	<u>\$ 8,196</u>

The notes to the Financial Statements are an integral part of this statement.

60 State Funded Training-Law Enforcement	63 Court Records Preservation Fund	65 District Clerk Records Archive Fund	68 Juvenile Commitment RDCTN Grant	69 Capital Credits Fund	88 TDA Grants Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 16,132	\$ 4,993	\$ 3,614	\$ 2,121	\$ 7,453	\$ -	\$ 343,206	\$ 343,206
-	-	-	-	-	-	10,840	10,840
-	-	-	-	-	-	(3,387)	(3,387)
-	-	-	-	-	10,800	17,734	17,734
<u>\$ 16,132</u>	<u>\$ 4,993</u>	<u>\$ 3,614</u>	<u>\$ 2,121</u>	<u>\$ 7,453</u>	<u>\$ 10,800</u>	<u>\$ 368,393</u>	<u>\$ 368,393</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,800	\$ 24,884	\$ 24,884
-	-	-	-	-	-	6,171	6,171
-	-	-	-	-	10,800	31,055	31,055
16,132	4,993	3,614	2,121	7,453	-	337,338	337,338
<u>16,132</u>	<u>4,993</u>	<u>3,614</u>	<u>2,121</u>	<u>7,453</u>	<u>-</u>	<u>337,338</u>	<u>337,338</u>
<u>\$ 16,132</u>	<u>\$ 4,993</u>	<u>\$ 3,614</u>	<u>\$ 2,121</u>	<u>\$ 7,453</u>	<u>\$ 10,800</u>	<u>\$ 368,393</u>	<u>\$ 368,393</u>

BANDERA COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	11 Hotel/Motel Tax Fund	18 Sheriff's Tax Sale Fund	22 Child Abuse Prevention CCP 102 Fund	25 Juvenile Activities Fund
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ 159,012
Other Taxes	361,356	-	-	-
Intergovernmental Revenue and Grants	-	-	-	30,000
Charges for Services	-	119,636	100	11,339
Forfeits	-	-	-	-
Investment Earnings	-	-	-	172
Contributions & Donations	-	-	-	750
Other Revenue	-	-	-	-
Total Revenues	361,356	119,636	100	201,273
EXPENDITURES:				
Current:				
General Government:				
General Administration	-	119,636	-	-
Public Safety:				
Law Enforcement	-	-	-	-
Administration of Justice	-	-	-	200,475
Conservation and Development:				
Community & Economic Development	361,356	-	-	-
Infrastructure & Environmental	-	-	-	-
Total Expenditures	361,356	119,636	-	200,475
Net Change in Fund Balance	-	-	100	798
Fund Balance - October 1 (Beginning)	-	-	100	70,713
Fund Balance - September 30 (Ending)	\$ -	\$ -	\$ 200	\$ 71,511

The notes to the Financial Statements are an integral part of this statement.

27 Sheriff Seized Asset Fund	28 Law Library Fund	29 Adult Probation Fund	30 County Clerk Records Mgmt. Fund	31 Records Preservation Fund	32 Courthouse Security Fund	33 Juvenile Probation State Aid	34 Juvenile Probation Corrections
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
1,038	-	-	-	-	-	59,240	37,167
-	11,824	-	25,745	7,003	16,361	-	-
-	-	-	-	-	-	-	-
84	27	-	20	86	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,122</u>	<u>11,851</u>	<u>-</u>	<u>25,765</u>	<u>7,089</u>	<u>16,361</u>	<u>59,240</u>	<u>37,167</u>
-	-	-	42,001	10,114	-	-	-
16,429	-	-	-	-	16,000	-	-
-	-	-	-	-	-	42,184	44,601
-	25,464	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>16,429</u>	<u>25,464</u>	<u>-</u>	<u>42,001</u>	<u>10,114</u>	<u>16,000</u>	<u>42,184</u>	<u>44,601</u>
(15,307)	(13,613)	-	(16,236)	(3,025)	361	17,056	(7,434)
<u>57,843</u>	<u>19,028</u>	<u>360</u>	<u>18,589</u>	<u>45,669</u>	<u>2,056</u>	<u>7,917</u>	<u>7,434</u>
<u>\$ 42,536</u>	<u>\$ 5,415</u>	<u>\$ 360</u>	<u>\$ 2,353</u>	<u>\$ 42,644</u>	<u>\$ 2,417</u>	<u>\$ 24,973</u>	<u>\$ -</u>

BANDERA COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	35 Grant Z Salary Supplement	36 Juvenile Probation Title IV E	37 CJD Grant Title V Fund	45 Alternative Dispute Resolution
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-
Intergovernmental Revenue and Grants	4,750	889	1,949	-
Charges for Services	-	-	-	5,395
Forfeits	-	-	-	-
Investment Earnings	-	58	-	11
Contributions & Donations	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	4,750	947	1,949	5,406
EXPENDITURES:				
Current:				
General Government:				
General Administration	-	-	-	-
Public Safety:				
Law Enforcement	-	-	-	-
Administration of Justice	5,700	13,200	2,238	8,000
Conservation and Development:				
Community & Economic Development	-	-	-	-
Infrastructure & Environmental	-	-	-	-
Total Expenditures	5,700	13,200	2,238	8,000
Net Change in Fund Balance	(950)	(12,253)	(289)	(2,594)
Fund Balance - October 1 (Beginning)	950	39,357	506	7,959
Fund Balance - September 30 (Ending)	\$ -	\$ 27,104	\$ 217	\$ 5,365

The notes to the Financial Statements are an integral part of this statement.

46 Appellate Judicial System Fund	48 Guardianship Fee Fund	49 Hot Check Collection Fund	50 Grant H Diversionary Placement	51 Family Protection Fee Fund	52 Attorney Pre-Trial Diversion	53 Grant F Progressive Sanctions	54 Grant G Progressive Sanctions
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	15,490	-	-	18,482	-
1,694	1,760	3,245	-	1,489	19,300	-	-
-	-	-	-	-	-	-	-
1	-	18	-	-	42	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,695</u>	<u>1,760</u>	<u>3,263</u>	<u>15,490</u>	<u>1,489</u>	<u>19,342</u>	<u>18,482</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,634	-	369	18,584	1,250	-	22,179	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,634</u>	<u>-</u>	<u>369</u>	<u>18,584</u>	<u>1,250</u>	<u>-</u>	<u>22,179</u>	<u>-</u>
61	1,760	2,894	(3,094)	239	19,342	(3,697)	-
152	4,470	8,361	3,094	968	13,162	3,697	-
<u>\$ 213</u>	<u>\$ 6,230</u>	<u>\$ 11,255</u>	<u>\$ -</u>	<u>\$ 1,207</u>	<u>\$ 32,504</u>	<u>\$ -</u>	<u>\$ -</u>

BANDERA COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	55 District Clerk Records Management	56 County Clerk Records Archive Fund	57 County Attorney Forfeitures	58 Justice Court Technology Fund
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	1,890	26,712	-	8,128
Forfeits	-	-	12,449	-
Investment Earnings	12	23	22	8
Contributions & Donations	-	-	-	-
Other Revenue	-	-	100	-
Total Revenues	1,902	26,735	12,571	8,136
EXPENDITURES:				
Current:				
General Government:				
General Administration	284	33,055	-	-
Public Safety:				
Law Enforcement	-	-	37,817	-
Administration of Justice	-	-	-	4,000
Conservation and Development:				
Community & Economic Development	-	-	-	-
Infrastructure & Environmental	-	-	-	-
Total Expenditures	284	33,055	37,817	4,000
Net Change in Fund Balance	1,618	(6,320)	(25,246)	4,136
Fund Balance - October 1 (Beginning)	5,594	12,596	30,083	4,060
Fund Balance - September 30 (Ending)	\$ 7,212	\$ 6,276	\$ 4,837	\$ 8,196

The notes to the Financial Statements are an integral part of this statement.

60 State Funded Training-Law Enforcement	63 Court Records Preservation Fund	65 District Clerk Records Archive Fund	68 Juvenile Commitment RDCTN Grant	69 Capital Credits Fund	88 TDA Grants Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 159,012	\$ 159,012
-	-	-	-	-	-	361,356	361,356
6,149	-	-	12,538	7,317	203,926	398,935	398,935
-	2,883	2,098	-	-	-	266,602	266,602
-	-	-	-	-	-	12,449	12,449
-	6	5	-	1	-	596	596
-	-	-	-	-	-	750	750
-	-	-	-	-	-	100	100
<u>6,149</u>	<u>2,889</u>	<u>2,103</u>	<u>12,538</u>	<u>7,318</u>	<u>203,926</u>	<u>1,199,800</u>	<u>1,199,800</u>
-	-	207	-	-	-	205,297	205,297
4,992	-	-	-	-	-	75,238	75,238
-	-	-	12,500	-	-	376,914	376,914
-	-	-	-	900	-	387,720	387,720
-	-	-	-	-	203,926	203,926	203,926
<u>4,992</u>	<u>-</u>	<u>207</u>	<u>12,500</u>	<u>900</u>	<u>203,926</u>	<u>1,249,095</u>	<u>1,249,095</u>
1,157	2,889	1,896	38	6,418	-	(49,295)	(49,295)
<u>14,975</u>	<u>2,104</u>	<u>1,718</u>	<u>2,083</u>	<u>1,035</u>	<u>-</u>	<u>386,633</u>	<u>386,633</u>
<u>\$ 16,132</u>	<u>\$ 4,993</u>	<u>\$ 3,614</u>	<u>\$ 2,121</u>	<u>\$ 7,453</u>	<u>\$ -</u>	<u>\$ 337,338</u>	<u>\$ 337,338</u>

BANDERA COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	BALANCE OCTOBER 1 2010	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2011
STATE FEE & FINE FUND				
Assets:				
Cash and Cash Equivalents	\$ 60,622	\$ 260,000	\$ 263,972	\$ 56,650
Other Receivables	-	288	-	288
Total Assets	<u>\$ 60,622</u>	<u>\$ 260,288</u>	<u>\$ 263,972</u>	<u>\$ 56,938</u>
Liabilities:				
Accounts Payable	\$ 51,425	\$ 50,016	\$ 51,425	\$ 50,016
Due to Other Governments	9,197	6,922	9,197	6,922
Total Liabilities	<u>\$ 60,622</u>	<u>\$ 56,938</u>	<u>\$ 60,622</u>	<u>\$ 56,938</u>
EMS MEMORIALS & DONATIONS FUND				
Assets:				
Cash and Cash Equivalents	\$ 4,091	\$ 1,644	\$ 3,126	\$ 2,609
Investments - Current	5,762	54	-	5,816
Total Assets	<u>\$ 9,853</u>	<u>\$ 1,698</u>	<u>\$ 3,126</u>	<u>\$ 8,425</u>
Liabilities:				
Due to Others	\$ 9,853	\$ 1,698	\$ 3,126	\$ 8,425
OFFICIALS' FEES & ACCOUNTS FUND				
Assets:				
Cash and Cash Equivalents	\$ 646,864	\$ 34,626,527	\$ 34,540,656	\$ 732,735
Investments - Current	140,633	71,506	61,524	150,615
Total Assets	<u>\$ 787,497</u>	<u>\$ 34,698,033</u>	<u>\$ 34,602,180</u>	<u>\$ 883,350</u>
Liabilities:				
Due to Other Governments	\$ 646,864	\$ 34,626,527	\$ 34,540,656	\$ 732,735
Due to Others	140,633	71,506	61,524	150,615
Total Liabilities	<u>\$ 787,497</u>	<u>\$ 34,698,033</u>	<u>\$ 34,602,180</u>	<u>\$ 883,350</u>
TOTAL AGENCY FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 711,577	\$ 34,888,171	\$ 34,807,754	\$ 791,994
Investments - Current	146,395	71,560	61,524	156,431
Other Receivables	-	288	-	288
Total Assets	<u>\$ 857,972</u>	<u>\$ 34,960,019</u>	<u>\$ 34,869,278</u>	<u>\$ 948,713</u>
Liabilities:				
Accounts Payable	\$ 51,425	\$ 50,016	\$ 51,425	\$ 50,016
Due to Other Governments	656,061	34,633,449	34,549,853	739,657
Due to Others	150,486	73,204	64,650	159,040
Total Liabilities	<u>\$ 857,972</u>	<u>\$ 34,756,669</u>	<u>\$ 34,665,928</u>	<u>\$ 948,713</u>

The notes to the Financial Statements are an integral part of this statement.

BANDERA COUNTY
 COMBINING STATEMENT OF NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 SEPTEMBER 30, 2011

	64 Ambulance Sinking Fund	85 GNADE Fund	89 Historical Commission Fund	91 Available School Fund
ASSETS				
Cash and Cash Equivalents	\$ 1,172	\$ -	\$ 574	\$ 757
Accounts Receivable-Net of Uncollectible Allowance	-	-	225	-
Total Assets	<u>\$ 1,172</u>	<u>\$ -</u>	<u>\$ 799</u>	<u>\$ 757</u>
LIABILITIES				
Accounts Payable	-	-	-	723
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>723</u>
NET ASSETS				
Unrestricted Net Assets	1,172	-	799	34
Total Net Assets	<u>\$ 1,172</u>	<u>\$ -</u>	<u>\$ 799</u>	<u>\$ 34</u>

The notes to the Financial Statements are an integral part of this statement.

92 Permanent School Fund	97 Bandera EMS Building Fund	Private Purpose Trust Funds
\$ 152,136	\$ 1,410	\$ 156,049
-	-	225
<u>\$ 152,136</u>	<u>\$ 1,410</u>	<u>\$ 156,274</u>
\$ 4,067	\$ -	\$ 4,790
\$ 4,067	\$ -	\$ 4,790
<u>148,069</u>	<u>1,410</u>	<u>151,484</u>
<u>\$ 148,069</u>	<u>\$ 1,410</u>	<u>\$ 151,484</u>

BANDERA COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

Data Control Codes	64 Ambulance Sinking Fund	85 GNADE Fund	89 Historical Commission Fund	91 Available School Fund
ADDITIONS:				
Sales of Merchandise	\$ -	\$ -	\$ 1,262	\$ -
Investment Earnings	2	-	-	270
Oil Production Royalties	-	-	-	-
Contributions & Donations	-	-	1,304	-
Other Revenue	-	-	-	-
Total Additions	2	-	2,566	270
DEDUCTIONS:				
Distributions to Schools	-	-	-	5,707
Supplies	-	-	2,282	-
Publications and Notices	-	-	322	-
Transfers Out	-	3,648	-	-
Total Deductions	-	3,648	2,604	5,707
Change in Net Assets	2	(3,648)	(38)	(5,437)
Total Net Assets - October 1 (Beginning)	1,170	3,648	837	5,471
Total Net Assets - September 30 (Ending)	\$ 1,172	\$ -	\$ 799	\$ 34

The notes to the Financial Statements are an integral part of this statement.

92 Permanent School Fund	97 Bandera EMS Building Fund	Total Private Purpose Trust Funds
\$ -	\$ -	\$ 1,262
-	-	272
9,026	-	9,026
-	-	1,304
917	-	917
<u>9,943</u>	<u>-</u>	<u>12,781</u>
-	-	5,707
-	-	2,282
-	-	322
-	-	3,648
<u>-</u>	<u>-</u>	<u>11,959</u>
9,943	-	822
<u>138,126</u>	<u>1,410</u>	<u>150,662</u>
<u>\$ 148,069</u>	<u>\$ 1,410</u>	<u>\$ 151,484</u>

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.

Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

Honorable Judge and Commissioners
County of Bandera, Texas
Bandera, TX 78003

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Bandera, as of and for the year ended September 30, 2011, which collectively comprise the County of Bandera's basic financial statements and have issued our report thereon dated March 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Bandera's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Bandera's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Bandera's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County of Bandera's financial statements will not be prevented, or detected and corrected on a timely basis.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Bandera's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Bandera's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the County Commissioners and County Judge, federal awarding agencies, pass-through entities and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.
Fredericksburg, Texas

March 9, 2012

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.

Certified Public Accountants

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March 9, 2012

Honorable Judge and Commissioners
County of Bandera, Texas
Bandera, TX 78003

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Bandera for the year ended September 30, 2011, and have issued our report thereon dated March 9, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Bandera are described in Note 1 to the financial statements. In fiscal year 2011 the County of Bandera adopted and implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The application of existing policies was not changed during 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 9, 2012

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Commissioner's Court and management of County of Bandera and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.
Fredericksburg, Texas