

*FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT*

**COUNTY OF BANDERA,
TEXAS**

Bandera, Texas

**For the Year Ended
September 30, 2012**

COUNTY OF BANDERA, TEXAS

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2012

COUNTY OF BANDERA, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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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, Texas, as of and for the year ended September 30, 2012, 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, Texas', management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, Texas, as of September 30, 2012, 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 18, 2013, on our consideration of the County of Bandera, Texas', 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, Texas', 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, Dooss + Company, P.C.

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

March 18, 2013

**COUNTY OF BANDERA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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, 2012. 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 \$16,936.
- Total net assets are comprised of the following:
 1. Capital assets, net of related debt, of \$7,578 include property and equipment, net of accumulated depreciation.
 2. Net assets of \$3,611 are restricted by debt covenants and or grantee laws or regulations and capital projects.
 3. Unrestricted net assets of \$5,747 are available to meet obligations of creditors and citizens.
- The County was able to house prisoners from surrounding counties and started receiving revenue from outside counties in January 2010. The County received \$505, a decrease of 3.29% from 2010-2011.
- Indigent health care is an un-funded mandate from the State of Texas; the cost of that service for 2011-2012 was \$157, a decrease of approximately 31% from 2010-2011. In order to fund this operation, Bandera County assessed a tax rate of .0102.
- Revenues exceeded expenditures for governmental activities by \$1,011.
- The unreserved fund balance in the general fund as shown in the fund financial statements on page 13 is \$4,641, or 47% of general fund expenditures. This amount is 22% 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 \$17,389; this amount is net of accumulated depreciation of \$9,390. With the exception of land, total countywide assets are approximately 35% depreciated. Assets such as machinery and equipment are reported at \$7,525 and are 76% 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 \$16,936. \$11,189 of net assets is restricted for specific purposes as required by state law or by County policy. The \$5,747 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 \$16,616; approximately 77% is generated by general revenues. Total governmental expenditures were \$15,604, resulting in a net increase in net assets of \$1,011. 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	
	2012	2011
Cash and Current Investments	\$ 8,481	\$ 7,847
Receivables	1,499	1,544
Capitalized Debt Issuance Costs	196	209
Capital Assets	17,389	17,410
Total Assets	27,565	27,020
Accounts Payable	338	381
Wages and Payroll Taxes Payable	262	-
Other Liabilities and Deferred Revenue	55	57
Short-term Debt (Due Within One Year)	445	420
Long-term Debt	9,529	9,975
Total Liabilities	10,269	10,833
Net Assets:		
Invested in capital assets, net of debt	7,578	7,158
Restricted	3,611	2,620
Unrestricted	5,747	6,409
Total Net Assets	\$ 16,936	\$ 16,187

Table 2
Changes in Net Assets (in Thousands)

	Governmental Activities	
	2012	2011
Revenues:		
<u>Program Revenues</u>		
Charges For Services	\$ 3,382	\$ 4,157
Operating Grants & Contributions	317	679
Capital Grants & Contributions	211	55
<u>General Revenues</u>		
Property Taxes	11,636	11,254
Other Taxes	841	841
Grants & Contributions	60	72
Investment Earnings	25	18
Other General Revenues	144	138
Total Revenues	16,616	17,214
Expenditures:		
General Government	2,747	2,886
Administration of Justice	2,574	2,427
Law Enforcement	3,000	3,008
Corrections	1,382	1,328
Road & Bridge	2,712	2,656
Health & Human Services	1,739	1,695
Community & Economic Development	957	971
Infrastructure & Environmental Services	43	204
Interest on long-term Debt	436	456
Agent Fees	1	1
Issuance Costs	13	13
Total Expenditures	15,604	15,645
Change in Net Assets	1,011	1,569
Beginning Net Assets	16,187	14,618
Prior Period Adjustment	(262)	-
Net Assets	\$ 16,936	\$ 16,187

Table 3
Governmental Activities (in Thousands)

	Expenditures 2012	% of Total Exp	Non-Tax Program Revenue		Grants & Contributions		General Revenue	
			Amount	%	Amount	%	Amount	%
General Government	\$ 2,747	18%	\$ 892	32%	\$ 98	4%	\$ 1,757	64%
Administration of Justice	2,574	16%	288	11%	196	8%	2,090	81%
Law Enforcement	3,000	19%	137	5%	128	4%	2,735	91%
Corrections	1,382	9%	505	37%	-	-	877	63%
Road & Bridge	2,712	17%	849	31%	-	-	1,863	69%
Health & Human Services	1,739	11%	643	37%	62	4%	1,034	59%
Community & Economic Development	957	6%	68	7%	-	-	899	93%
Infrastructure & Environmental	43	-	-	-	43	100%	-	-
Interest	436	3%	-	-	-	-	-	-
Agent Fees	1	-	-	-	-	-	-	-
Issuance Costs	13	-	-	-	-	-	-	-
Total Charges For Services	\$ 15,604		\$ 3,382		\$ 527		\$ 11,245	

Capital Assets and Debt Administration

Capital Assets: The County demolished a Law Enforcement building that was no longer useful. Also, a surplus sale was conducted in an effort to sell equipment no longer being utilized for County purposes.

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

	Governmental Activities	
	2012	2011
Land	\$ 368	\$ 368
Buildings	15,953	16,562
Equipment	7,525	7,212
Infrastructure	2,934	2,622
Total	\$ 26,780	\$ 26,764

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	
	2012	2011
Texas General Obligation Bonds - Series 2007	\$ 7,840	\$ 8,190
Texas General Obligation Bonds - Series 2008	1,625	1,695
Total	\$ 9,465	\$ 9,885

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 \$8,251, an increase of \$503 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. In 2011-2012 General Fund operations had a fund balance of \$4,641. The ending fund balance of \$4,641 is 46% of total expenditures; this percentage satisfies the 25% recommended 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 represents a material percentage of the total revenue and expenditures of all governmental funds. The Road and Bridge Fund resulted in a \$189 decrease in fund balance. The ending fund balance of \$1,892 is 81% 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 \$132 to \$1,590 at 56% 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 \$246 of reserves; however, actual expenditures were under budgeted by \$1,005 and actual revenues were \$349 more than budget, so the County was able to end the year with \$1,191 more in reserves.

The original and final road and bridge budget anticipated expenditures to exceed revenues by \$572. Actual revenues exceeded budget by \$59; actual expenditures were less than budget by \$324, so the County was able to add \$351 to Road and Bridge reserves.

Budget for 2012-2013

For the 2012-2013 fiscal year, the County is able to function on the 2011-2012 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 \$1,068, an increase from \$360 in 2011-2012. Due to depreciating equipment, the County is purchasing several vehicles, road equipment, an ambulance, and security equipment. The County also budgeted to build an Animal Control Facility at the same location as the Justice Center and added \$200 to purchase a building for the Juvenile Probation Department.

On March 15, 2013, Bandera County closed on a real estate transaction for the purchase of 6.27 acres and a house for the Juvenile Probation Department.

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, 2012

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 8,480,610
Receivables (net of allowance for uncollectibles)	1,499,156
Capitalized Debt Issuance Costs	195,828
Capital Assets:	
Land	368,272
Infrastructure, net	1,460,791
Buildings, net	13,783,661
Machinery and Equipment, net	1,776,668
Total Assets	27,564,986
LIABILITIES	
Wages and Payroll Taxes Payable	600,344
Accrued Interest Payable	54,531
Noncurrent Liabilities	
Due Within One Year	445,000
Due in More Than One Year	9,529,438
Total Liabilities	10,629,313
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	7,577,698
Restricted for:	
Special Revenue	3,482,425
Debt Service	128,852
Unrestricted Net Assets	5,746,698
Total Net Assets	\$ 16,935,673

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

BANDERA COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Administration	\$ 2,746,549	\$ 892,263	\$ 26,566
Law Enforcement	2,999,813	137,041	23,918
Corrections	1,382,345	504,720	-
Road and Bridge	2,711,735	848,859	-
Health & Human Services	1,739,353	642,927	27,085
Administration of Justice	2,574,369	288,096	196,248
Community & Economic Development	956,815	68,156	-
Infrastructure & Environmental	42,751	-	42,750
Interest	436,107	-	-
Fiscal Agent's Fees	800	-	-
Issuance Costs	13,020	-	-
TOTAL PRIMARY GOVERNMENT:	<u>\$ 15,603,657</u>	<u>\$ 3,382,062</u>	<u>\$ 316,567</u>

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

Total General Revenues

Change in Net Assets

Net Assets--Beginning

Prior Period Adjustment

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
\$ 72,245	\$ (1,755,475)
103,501	(2,735,353)
-	(877,625)
-	(1,862,876)
35,040	(1,034,301)
-	(2,090,025)
-	(888,659)
-	(1)
-	(436,107)
-	(800)
-	(13,020)
<u>\$ 210,786</u>	<u>(11,694,242)</u>

10,798,829
836,853
456,951
383,711
59,738
144,203
24,853
<u>12,705,138</u>
1,010,896
16,187,256
(262,479)
<u>\$ 16,935,673</u>

BANDERA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Road & Bridge Fund	Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ 4,739,279	\$ 2,075,781	\$ 117,923
Taxes Receivable	590,963	126,898	51,117
Allowance for Uncollectible Taxes (credit)	(177,099)	(44,536)	(10,705)
Receivables (Net)	118,977	16,605	2,538
Total Assets	<u>\$ 5,272,120</u>	<u>\$ 2,174,748</u>	<u>\$ 160,873</u>
LIABILITIES			
Accounts Payable	\$ 117,883	\$ 181,320	\$ -
Wages and Payroll Taxes Payable	178,634	33,957	-
Deferred Revenues	334,946	67,416	32,021
Total Liabilities	<u>631,463</u>	<u>282,693</u>	<u>32,021</u>
Fund Balances:			
Restricted Fund Balance:			
Road & Bridge Construction & Maintenance	-	1,892,055	-
Retirement of Long-Term Debt	-	-	128,852
Special Revenue	-	-	-
Committed Fund Balance:			
Special Revenue	-	-	-
Unassigned Fund Balance	4,640,657	-	-
Total Fund Balances	<u>4,640,657</u>	<u>1,892,055</u>	<u>128,852</u>
Total Liabilities and Fund Balances	<u>\$ 5,272,120</u>	<u>\$ 2,174,748</u>	<u>\$ 160,873</u>

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

Other Funds	Total Governmental Funds
\$ 1,547,627	\$ 8,480,610
50,199	819,177
(15,044)	(247,384)
124,588	262,708
<u>\$ 1,707,370</u>	<u>\$ 9,315,111</u>
\$ 38,714	\$ 337,917
49,836	262,427
28,450	462,833
<u>117,000</u>	<u>1,063,177</u>
-	1,892,055
-	128,852
371,185	371,185
1,219,185	1,219,185
-	4,640,657
<u>1,590,370</u>	<u>8,251,934</u>
<u>\$ 1,707,370</u>	<u>\$ 9,315,111</u>

BANDERA COUNTY
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2012

Total Fund Balances - Governmental Funds	\$	8,251,934
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 \$26,764,456 and the accumulated depreciation was \$9,354,299. 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.		7,166,998
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 2012 capital outlays and debt principal payments is to increase net assets.		1,514,467
The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(1,115,232)
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.		1,117,506
Net Assets of Governmental Activities	<u>\$</u>	<u>16,935,673</u>

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, 2012

	General Fund	Road & Bridge Fund	Debt Service Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 8,516,203	\$ 1,539,545	\$ 836,382
General Sales and Use Taxes	456,951	-	-
Other Taxes	8,655	-	-
Licenses and Permits	45,920	585,928	-
Intergovernmental Revenue and Grants	274,303	-	-
Charges for Services	1,285,522	125	-
Fines	259,224	-	-
Investment Earnings	13,837	5,959	1,071
Contributions & Donations	59,737	-	-
Other Revenue	109,117	17,499	-
Total Revenues	11,029,469	2,149,056	837,453
EXPENDITURES:			
Current:			
General Government:			
General Administration	2,412,848	-	-
Public Safety:			
Law Enforcement	3,116,231	-	-
Corrections	1,380,275	-	-
Road and Bridge	216,990	2,338,023	-
Health & Human Services	289,856	-	-
Administration of Justice	2,160,095	-	-
Conservation and Development:			
Community & Economic Development	344,987	-	-
Infrastructure & Environmental	-	-	-
Debt Service:			
Principal	-	-	420,000
Interest	-	-	456,720
Fiscal Agent's Fees	-	-	800
Total Expenditures	9,921,282	2,338,023	877,520
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,108,187	(188,967)	(40,067)
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	18,694	-	-
Total Other Financing Sources (Uses)	18,694	-	-
Net Change in Fund Balances	1,126,881	(188,967)	(40,067)
Fund Balance - October 1 (Beginning)	3,695,261	2,113,433	168,919
Prior Period Adjustment	(181,485)	(32,411)	-
Fund Balance - September 30 (Ending)	\$ 4,640,657	\$ 1,892,055	\$ 128,852

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

Other Funds	Total Governmental Funds
\$ 722,414	\$ 11,614,544
-	456,951
375,056	383,711
-	631,848
253,051	527,354
1,370,564	2,656,211
-	259,224
3,986	24,853
-	59,737
1,117	127,733
<u>2,726,188</u>	<u>16,742,166</u>
109,288	2,522,136
16,240	3,132,471
-	1,380,275
227,149	2,782,162
1,495,342	1,785,198
381,300	2,541,395
586,239	931,226
42,751	42,751
-	420,000
-	456,720
-	800
<u>2,858,309</u>	<u>15,995,134</u>
<u>(132,121)</u>	<u>747,032</u>
-	18,694
-	18,694
<u>(132,121)</u>	<u>765,726</u>
1,771,074	7,748,687
(48,583)	(262,479)
<u>\$ 1,590,370</u>	<u>\$ 8,251,934</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, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	765,726
 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 2012 capital outlays and debt principal payments is to increase net assets.		1,514,467
 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.		(1,115,232)
 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 decrease net assets.		(154,065)
 Change in Net Assets of Governmental Activities	\$	1,010,896

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

BANDERA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2012

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 158,760	\$ 506,840
Investments - Current	-	176,668
Accounts Receivable-Net of Uncollectible Allowance	4,285	300
Total Assets	<u>163,045</u>	<u>\$ 683,808</u>
LIABILITIES		
Accounts Payable	2,955	\$ 50,637
Due to Other Governments	-	451,566
Due to Others	-	181,605
Total Liabilities	<u>2,955</u>	<u>\$ 683,808</u>
NET ASSETS		
Unrestricted Net Assets	<u>160,090</u>	
Total Net Assets	<u><u>\$ 160,090</u></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, 2012

	Private Purpose Trust Funds
ADDITIONS:	
Sales of Merchandise	\$ 1,440
Investment Earnings	362
Oil Production Royalties	9,406
Contributions & Donations	1,449
Total Additions	<u>12,657</u>
DEDUCTIONS:	
Distributions to Schools	2,890
Supplies	200
Publications and Notices	961
Total Deductions	<u>4,051</u>
Change in Net Assets	8,606
Total Net Assets - October 1 (Beginning)	<u>151,484</u>
Total Net Assets - September 30 (Ending)	<u>\$ 160,090</u>

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

COUNTY OF BANDERA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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 five 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.

1. E. REVENUES, EXPENDITURES AND EXPENSES

Property Taxes

The County contracted with the County of Bandera Appraisal District for the appraisal of taxes. Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. For the 2011 tax roll, the total assessed valuation was \$1,726,975,500 and the taxes assessed amounted to \$11,689,897. The total tax rate was \$0.6769 per \$100 valuation and allocated \$0.5416 to the General Fund, \$0.0864 to the Road and Bridge Fund and \$0.0489 to the Debt Service Fund. The maximum tax levy allowed by State law for the above purposes is \$.80 per \$100 valuation.

In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Due to the immaterial amount of additional property taxes receivable after the 60-day period, no additional accrual is made in the government-wide financial statements.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - by Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets, as required by state statute, are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

The County Judge and staff prepare the proposed budget, using revenue estimates furnished by the County Auditor and submit the data to Commissioners Court. A public hearing is held on the budget by Commissioners Court. Before determining the final budget, Commissioners Court may increase or decrease the amounts requested by the various departments. In the final budget, which is usually adopted in September, expenditures for current operating funds cannot exceed the estimated available cash balances in such funds on October 1, plus the estimate of revenues for the ensuing year.

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, 2012, the carrying amount of the County's deposits was \$42,606 and the bank balance was \$175,585. The County's cash deposits held at Bandera First State Bank at September 30, 2012 and during the year ended September 30, 2012 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:

<u>Name</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Days to Maturity</u>	<u>FDIC Coverage</u>	<u>Pledged Securities</u>
<u>Bandera Bank -</u>					
Certificate of Deposit	\$ 200,378	\$ 200,378	251	\$ 200,378	\$ -
<u>Liquid Asset Portfolio -</u>					
Logic	8,451,439	8,451,439	1	*	*
Total Governmental Activities	<u>\$ 8,651,817</u>	<u>\$ 8,651,817</u>		<u>\$ 200,378</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, 2012, 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, 2012, 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 market (credit) risk due to restrictions on weighted average maturity and maximum maturity of any one investment. At September 30, 2012, 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:

	General Fund	Road & Bridge Fund	Debt Service Fund	Other Governmental Funds	TOTAL
Receivables:					
Property Taxes	\$ 590,963	\$ 126,898	\$ 51,117	\$ 50,199	\$ 819,177
Other Receivables	<u>118,977</u>	<u>16,605</u>	<u>2,538</u>	<u>124,588</u>	<u>262,708</u>
Gross Receivables	\$ 709,940	\$ 143,503	\$ 53,655	\$ 174,787	\$ 1,081,885
Less: Allowance for Uncollectibles	<u>(177,099)</u>	<u>(44,536)</u>	<u>(10,705)</u>	<u>(15,044)</u>	<u>(247,384)</u>
Net Total Receivables	<u>\$ 532,841</u>	<u>\$ 98,967</u>	<u>\$ 42,950</u>	<u>\$ 159,743</u>	<u>\$ 834,501</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	\$ 334,946
Road and Bridge Fund -	
Delinquent Property Taxes Receivable	67,416
Debt Service Fund -	
Delinquent Property Taxes Receivable	32,021
Other Governmental Funds -	
Delinquent Property Taxes Receivable	<u>28,450</u>
 TOTAL DEFERRED REVENUES	 <u>\$ 462,833</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 \$3,471,598, 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 \$2,806,943, resulting in a net receivable of \$664,655.

3. D. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

Primary Government

	Balance 10/1/11	Increases	Decreases	Balance 9/30/12
<i>Governmental Activities:</i>				
Capital Assets, Not Being Depreciated:				
Land	\$ 368,272	\$ -	\$ -	\$ 368,272
Construction in Progress	-	-	-	-
Total Assets Not Being Depreciated	<u>368,272</u>	<u>-</u>	<u>-</u>	<u>368,272</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	16,562,114	16,560	(625,577)	15,953,097
Equipment and Machinery	7,211,690	768,903	(455,801)	7,524,792
Infrastructure	2,622,380	311,228	-	2,933,608
Total Capital Assets Being Depreciated	<u>26,396,184</u>	<u>1,096,691</u>	<u>(1,081,378)</u>	<u>26,411,497</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(2,350,315)	(444,698)	625,577	(2,169,436)
Equipment and Machinery	(5,707,147)	(494,554)	453,577	(5,748,124)
Infrastructure	(1,296,837)	(175,980)	-	(1,472,817)
Total Accumulated Depreciation	<u>(9,354,299)</u>	<u>(1,115,232)</u>	<u>1,079,154</u>	<u>(9,390,377)</u>
Total Capital Assets Being Depreciated, Net	<u>17,041,885</u>	<u>(18,541)</u>	<u>(2,224)</u>	<u>17,021,120</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,410,157</u>	<u>\$ (18,541)</u>	<u>(2,224)</u>	<u>\$ 17,389,392</u>

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

Governmental Activities:	
General Administration	\$ 443,161
Law Enforcement	178,945
Administration of Justice	24,218
Roads and Bridges	351,169
Community & Economic Development	25,997
Corrections	4,301
Health & Human Services	87,441
Total Depreciation Expense - Governmental Activities	<u>\$ 1,115,232</u>

3. E. LONG-TERM LIABILITIES

The following is a summary of the long-term liability transactions of the County for the year ended September 30, 2012.

	Balance 10/01/11	Issued	Retired	Balance 9/30/12	Due Within One Year
Texas General Obligation Bonds - Series 2007	\$ 8,190,000	\$ -	\$ 350,000	\$ 7,840,000	\$ 370,000
Texas General Obligation Bonds - Series 2008	1,695,000	-	70,000	1,625,000	75,000
SUBTOTAL	\$ 9,885,000	\$ -	\$ 420,000	\$ 9,465,000	\$ 445,000
Compensated Absences	220,313	32,022	14,447	237,888	-
Premium on Bonds	289,603	-	18,053	271,550	-
TOTAL	\$ 10,394,916	\$ 32,022	\$ 452,500	\$ 9,974,438	\$ 445,000

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
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	535,000	342,080	877,080
2018-2022	3,065,000	1,320,813	4,385,813
2023-2027	3,815,000	580,605	4,395,605
2028-2032	140,000	6,300	146,300
TOTAL	\$ 9,465,000	\$ 3,859,688	\$ 13,324,688

Operating Leases

Commitments under operating (non-capitalized) lease agreements for equipment provide for minimum future rental payments as of September 30, 2012, as follows:

Year Ended September 30	
2013	\$ 75,623
2014	67,282
2015	16,570
2016	10,815
2017	1,218
Total Minimum Rentals	<u>\$ 171,508</u>
Rental Expenditures in Fiscal Year 2012	<u>\$ 98,215</u>

3. F. 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. G. 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. H. 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.

3.1. 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 624 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 8.92% for the months of the accounting year in 2011, and 9.08% for the months of the accounting year in 2012. The deposit rate payable by the employee members of the plan for calendar years 2011 and 2012 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, 2012, the annual pension cost for the TCDRS plan for its employees was \$629,377, and the actual contributions were \$629,377.

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, 2010 and December 31, 2011, the basis for determining the contribution rates for calendar years 2011 and 2012. The December 31, 2011 actuarial valuation is the most recent valuation.

ACTUARIAL VALUATION INFORMATION

Actuarial valuation date	12/31/11	12/31/10	12/31/09
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	20
Asset valuation method	SAF:10-yr smoothed value	SAF:10-yr smoothed value	SAF:10-yr smoothed value
Subdivision Accumulation Fund	ESF: Fund Value	ESF: Fund Value	ESF: Fund Value
Employees Saving Fund			
Actuarial Assumptions:			
Investment return ¹	8%	8%	8%
Projected salary Increases ¹	5.4%	5.4%	5.4%
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
9/30/05	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-
9/30/12	629,377	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]
12/31/11	11,132,075	12,842,115	1,710,040	86.68%	6,758,324	25.30%

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. J. GROUP TERM LIFE FUND

Plan Description

Bandera County participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Bandera County does not provide group term life insurance coverage to retired employees.

The GTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Funding Policy

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. Bandera County contributions to the GTLF for the years ended September 30, 2012, 2011 and 2010 were \$29,933, \$31,661, and \$31,617, respectively, which equaled the contractually required contributions each year.

3. J. 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, 2012, the participants had balances of \$431,190 in Nationwide and \$482,585 in VALIC.

3. K. EXCESS OF EXPENDITURES OVER BUDGET

Expenditures in the General Fund exceeded the budget in the following departments: County Clerk's Office, Justice of the Peace Precinct 4, and the County Treasurer's Office, however, the total expenditures in the General Fund were not over budget.

3. L. PRIOR PERIOD ADJUSTMENT

The Government Wide Statement of Activities and the Governmental Funds, Statement of Revenues, Expenditures, and Changes in Fund Balance, shows a prior period adjustment of (\$262,479). This decrease in Net Assets and Governmental Fund Balance was due to a prior period adjustment made to record the prior year payroll accrual.

General Fund	\$ (181,485)
Road and Bridge Fund	(32,411)
Non Major Special Revenue Funds	(48,583)
Total Decrease to Beginning Fund Balance	\$ (262,479)

3. M. RELATED PARTY TRANSACTIONS

The spouse of the EMS Director owns an automotive repair business and carwash. Bandera County paid a total of \$31,144 to his business for repair and maintenance services on Bandera County vehicles.

3. N. SUBSEQUENT EVENTS

The County has evaluated subsequent events through March 18, 2013, the date which the financial statements were available to be issued.

For the 2012-2013 budget, the County Commissioners approved a construction project for an Animal Control Facility with a budget amount of \$220,000. On February 14, 2013, the construction documents for the above mentioned project were approved by Commissioners' Court and the Commissioners' Court authorized the architect to issue the project for bidding.

On March 15, 2013, Bandera County purchased 6.27 acres and a house for the Juvenile Probation Department.

The County is not aware of any other 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, 2012

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 8,616,409	\$ 8,616,409	\$ 8,516,203	\$ (100,206)
General Sales and Use Taxes	400,000	400,000	456,951	56,951
Other Taxes	12,500	12,500	8,655	(3,845)
Licenses and Permits	33,150	33,150	45,920	12,770
Intergovernmental Revenue and Grants	129,330	365,141	274,303	(90,838)
Charges for Services	995,335	995,335	1,285,522	290,187
Fines	183,000	183,000	259,224	76,224
Investment Earnings	5,000	5,000	13,837	8,837
Contributions & Donations	-	1,500	59,737	58,237
Other Revenue	64,950	68,280	109,117	40,837
Total Revenues	10,439,674	10,680,315	11,029,469	349,154
EXPENDITURES:				
Current:				
General Government:				
General Administration	2,746,058	2,953,848	2,412,848	541,000
Public Safety:				
Law Enforcement	3,222,575	3,351,514	3,116,231	235,283
Corrections	1,454,048	1,454,048	1,380,275	73,773
Road and Bridge	231,255	229,979	216,990	12,989
Health & Human Services	329,727	364,674	289,856	74,818
Administration of Justice	2,161,578	2,220,774	2,160,095	60,679
Conservation and Development:				
Community & Economic Development	351,074	351,413	344,987	6,426
Total Expenditures	10,496,315	10,926,250	9,921,282	1,004,968
Excess (Deficiency) of Revenues Over (Under) Expenditures	(56,641)	(245,935)	1,108,187	1,354,122
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	18,694	18,694
Total Other Financing Sources (Uses)	-	-	18,694	18,694
Net Change	(56,641)	(245,935)	1,126,881	1,372,816
Fund Balance - October 1 (Beginning)	3,695,261	3,695,261	3,695,261	-
Prior Period Adjustment	-	-	(181,485)	(181,485)
Fund Balance - September 30 (Ending)	\$ 3,638,620	\$ 3,449,326	\$ 4,640,657	\$ 1,191,331

BANDERA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

EXHIBIT G-2

	Budgeted Amounts		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final	GAAP BASIS (See Note)	
REVENUES:				
Taxes:				
Property Taxes	\$ 1,533,481	\$ 1,533,481	\$ 1,539,545	\$ 6,064
Licenses and Permits	543,000	543,000	585,928	42,928
Charges for Services	100	100	125	25
Investment Earnings	4,000	4,000	5,959	1,959
Other Revenue	9,000	9,000	17,499	8,499
Total Revenues	<u>2,089,581</u>	<u>2,089,581</u>	<u>2,149,056</u>	<u>59,475</u>
EXPENDITURES:				
Current:				
Road and Bridge	2,661,834	2,661,834	2,338,023	323,811
Total Expenditures	<u>2,661,834</u>	<u>2,661,834</u>	<u>2,338,023</u>	<u>323,811</u>
Change in Fund Balance	(572,253)	(572,253)	(188,967)	383,286
Fund Balance - October 1 (Beginning)	2,113,433	2,113,433	2,113,433	-
Prior Period Adjustment	-	-	(32,411)	(32,411)
Fund Balance - September 30 (Ending)	<u>\$ 1,541,180</u>	<u>\$ 1,541,180</u>	<u>\$ 1,892,055</u>	<u>\$ 350,875</u>

BANDERA COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
 SEPTEMBER 30, 2012

**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	9,021,590	10,189,536	1,167,946	88.54%	5,435,092	21.49%
12/31/10 ¹	10,357,944	11,742,163	1,384,219	88.21%	6,265,447	22.09%
12/31/11	11,132,075	12,842,115	1,710,040	86.68%	6,758,324	25.30%

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, 2012

	11 Hotel/Motel Tax Fund	12 Ambulance Fund	14 Mansfield Park Fund	15 Indigent Health Care Fund
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 530,976	\$ 51,535	\$ 273,115
Taxes Receivable	-	18,912	4,489	12,116
Allowance for Uncollectible Taxes (credit)	-	(5,668)	(1,345)	(3,631)
Receivables (Net)	9,954	109,977	191	623
Total Assets	<u>\$ 9,954</u>	<u>\$ 654,197</u>	<u>\$ 54,870</u>	<u>\$ 282,223</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 9,954	\$ 9,802	\$ 3,917	\$ 91
Wages and Payroll Taxes Payable	-	33,221	1,459	1,370
Deferred Revenues	-	10,718	2,544	6,867
Total Liabilities	<u>9,954</u>	<u>53,741</u>	<u>7,920</u>	<u>8,328</u>
Fund Balances:				
Restricted Fund Balance:				
Special Revenue	-	-	-	-
Committed Fund Balance:				
Special Revenue	-	600,456	46,950	273,895
Total Fund Balances	<u>-</u>	<u>600,456</u>	<u>46,950</u>	<u>273,895</u>
Total Liabilities and Fund Balances	<u>\$ 9,954</u>	<u>\$ 654,197</u>	<u>\$ 54,870</u>	<u>\$ 282,223</u>

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

16 Sanitary Landfill Fund	18 Sheriff's Tax Sale Fund	22 Child Abuse Prevention CCP 102 Fund	25 Juvenile Activities Fund	27 Sheriff Seized Asset Fund	28 Law Library Fund	29 Adult Probation Fund	30 County Clerk Records Management
\$ 243,017	\$ -	\$ 283	\$ 89,259	\$ 47,089	\$ 2,839	\$ 361	\$ 6,795
-	-	-	14,682	-	-	-	-
-	-	-	(4,400)	-	-	-	-
2,304	-	-	620	-	-	-	-
<u>\$ 245,321</u>	<u>\$ -</u>	<u>\$ 283</u>	<u>\$ 100,161</u>	<u>\$ 47,089</u>	<u>\$ 2,839</u>	<u>\$ 361</u>	<u>\$ 6,795</u>
\$ 4,921	\$ -	\$ -	\$ 2,787	\$ -	\$ -	\$ -	\$ 1,160
1,782	-	-	9,701	-	-	-	395
-	-	-	8,321	-	-	-	-
<u>6,703</u>	<u>-</u>	<u>-</u>	<u>20,809</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,555</u>
-	-	283	79,352	47,089	2,839	361	5,240
238,618	-	-	-	-	-	-	-
<u>238,618</u>	<u>-</u>	<u>283</u>	<u>79,352</u>	<u>47,089</u>	<u>2,839</u>	<u>361</u>	<u>5,240</u>
<u>\$ 245,321</u>	<u>\$ -</u>	<u>\$ 283</u>	<u>\$ 100,161</u>	<u>\$ 47,089</u>	<u>\$ 2,839</u>	<u>\$ 361</u>	<u>\$ 6,795</u>

BANDERA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

	31 Records Preservation Fund	32 Courthouse Security Fund	33 Juvenile Probation State Aid	36 Juvenile Probation Title IV E
ASSETS				
Cash and Cash Equivalents	\$ 45,765	\$ 3,049	\$ 29,737	\$ 27,167
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Receivables (Net)	-	-	-	-
Total Assets	<u>\$ 45,765</u>	<u>\$ 3,049</u>	<u>\$ 29,737</u>	<u>\$ 27,167</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,168	\$ -	\$ 45	\$ -
Wages and Payroll Taxes Payable	-	-	-	-
Deferred Revenues	-	-	-	-
Total Liabilities	<u>1,168</u>	<u>-</u>	<u>45</u>	<u>-</u>
Fund Balances:				
Restricted Fund Balance:				
Special Revenue	44,597	3,049	29,692	27,167
Committed Fund Balance:				
Special Revenue	-	-	-	-
Total Fund Balances	<u>44,597</u>	<u>3,049</u>	<u>29,692</u>	<u>27,167</u>
Total Liabilities and Fund Balances	<u>\$ 45,765</u>	<u>\$ 3,049</u>	<u>\$ 29,737</u>	<u>\$ 27,167</u>

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

37 CJD Grant Title V Fund	45 Alternative Dispute Resolution	46 Appellate Judicial System Fund	48 Guardianship Fee Fund	49 Hot Check Collection Fund	51 Family Protection Fee Fund	52 Attorney Pre-Trial Diversion	55 District Clerk Records Management
\$ 217	\$ 3,239	\$ 1,112	\$ 7,710	\$ 11,049	\$ 1,048	\$ 51,399	\$ 8,268
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 217</u>	<u>\$ 3,239</u>	<u>\$ 1,112</u>	<u>\$ 7,710</u>	<u>\$ 11,049</u>	<u>\$ 1,048</u>	<u>\$ 51,399</u>	<u>\$ 8,268</u>
\$ -	\$ -	\$ 932	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	932	-	-	-	-	-
217	3,239	180	7,710	11,049	1,048	51,399	8,268
-	-	-	-	-	-	-	-
<u>217</u>	<u>3,239</u>	<u>180</u>	<u>7,710</u>	<u>11,049</u>	<u>1,048</u>	<u>51,399</u>	<u>8,268</u>
<u>\$ 217</u>	<u>\$ 3,239</u>	<u>\$ 1,112</u>	<u>\$ 7,710</u>	<u>\$ 11,049</u>	<u>\$ 1,048</u>	<u>\$ 51,399</u>	<u>\$ 8,268</u>

BANDERA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

	56 County Clerk Records Archive Fund	57 County Attorney Forfeitures	58 Justice Court Technology Fund	60 State Funded Training-Law Enforcement
ASSETS				
Cash and Cash Equivalents	\$ 4,148	\$ 4,228	\$ 5,878	\$ 15,511
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Receivables (Net)	-	-	-	-
Total Assets	<u>\$ 4,148</u>	<u>\$ 4,228</u>	<u>\$ 5,878</u>	<u>\$ 15,511</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,508	\$ -	\$ -	\$ -
Wages and Payroll Taxes Payable	-	-	-	-
Deferred Revenues	-	-	-	-
Total Liabilities	<u>1,508</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted Fund Balance:				
Special Revenue	2,640	4,228	5,878	15,511
Committed Fund Balance:				
Special Revenue	-	-	-	-
Total Fund Balances	<u>2,640</u>	<u>4,228</u>	<u>5,878</u>	<u>15,511</u>
Total Liabilities and Fund Balances	<u>\$ 4,148</u>	<u>\$ 4,228</u>	<u>\$ 5,878</u>	<u>\$ 15,511</u>

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

63 Court Records Preservation Fund	65 District Clerk Records Archive Fund	68 Juvenile Commitment RDCTN Grant	69 Capital Credits Fund	88 TDA Grants Fund	95 Medina Lake County Park Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 8,445	\$ 3,677	\$ 2,121	\$ 7,201	\$ -	\$ 61,389	\$ 1,547,627	\$ 1,547,627
-	-	-	-	-	-	50,199	50,199
-	-	-	-	-	-	(15,044)	(15,044)
-	-	-	-	919	-	124,588	124,588
<u>\$ 8,445</u>	<u>\$ 3,677</u>	<u>\$ 2,121</u>	<u>\$ 7,201</u>	<u>\$ 919</u>	<u>\$ 61,389</u>	<u>\$ 1,707,370</u>	<u>\$ 1,707,370</u>
\$ -	\$ 1,295	\$ -	\$ -	\$ 919	\$ 215	\$ 38,714	\$ 38,714
-	-	-	-	-	1,908	49,836	49,836
-	-	-	-	-	-	28,450	28,450
-	1,295	-	-	919	2,123	117,000	117,000
8,445	2,382	2,121	7,201	-	-	371,185	371,185
-	-	-	-	-	59,266	1,219,185	1,219,185
<u>8,445</u>	<u>2,382</u>	<u>2,121</u>	<u>7,201</u>	<u>-</u>	<u>59,266</u>	<u>1,590,370</u>	<u>1,590,370</u>
<u>\$ 8,445</u>	<u>\$ 3,677</u>	<u>\$ 2,121</u>	<u>\$ 7,201</u>	<u>\$ 919</u>	<u>\$ 61,389</u>	<u>\$ 1,707,370</u>	<u>\$ 1,707,370</u>

BANDERA COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	11 Hotel/Motel Tax Fund	12 Ambulance Fund	14 Mansfield Park Fund	15 Indigent Health Care Fund
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ 271,804	\$ 64,720	\$ 173,994
Other Taxes	375,056	-	-	-
Intergovernmental Revenue and Grants	-	35,040	-	11,531
Charges for Services	-	848,474	23,341	-
Investment Earnings	-	1,609	157	663
Other Revenue	-	-	150	967
Total Revenues	375,056	1,156,927	88,368	187,155
EXPENDITURES:				
Current:				
General Government:				
General Administration	-	-	-	-
Public Safety:				
Law Enforcement	-	-	-	-
Road and Bridge	-	-	-	-
Health & Human Services	-	1,353,945	-	141,397
Administration of Justice	-	-	-	-
Conservation and Development:				
Community & Economic Development	375,056	-	96,558	-
Infrastructure & Environmental	-	-	-	-
Total Expenditures	375,056	1,353,945	96,558	141,397
Net Change in Fund Balance	-	(197,018)	(8,190)	45,758
Fund Balance - October 1 (Beginning)	-	828,076	56,563	229,493
Prior Period Adjustment	-	(30,602)	(1,423)	(1,356)
Fund Balance - September 30 (Ending)	\$ -	\$ 600,456	\$ 46,950	\$ 273,895

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

16 Sanitary Landfill Fund	18 Sheriff's Tax Sale Fund	22 Child Abuse Prevention CCP 102 Fund	25 Juvenile Activities Fund	27 Sheriff Seized Asset Fund	28 Law Library Fund	29 Adult Probation Fund	30 County Clerk Records Management
\$ -	\$ -	\$ -	\$ 211,896	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	1,269	4,447	-	-	-
262,931	49,712	83	8,852	-	12,823	-	25,130
555	-	-	272	106	3	1	10
-	-	-	-	-	-	-	-
<u>263,486</u>	<u>49,712</u>	<u>83</u>	<u>222,289</u>	<u>4,553</u>	<u>12,826</u>	<u>1</u>	<u>25,140</u>
-	49,712	-	-	-	-	-	21,493
-	-	-	-	-	-	-	-
227,149	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	204,753	-	-	-	-
-	-	-	-	-	15,402	-	-
-	-	-	-	-	-	-	-
<u>227,149</u>	<u>49,712</u>	<u>-</u>	<u>204,753</u>	<u>-</u>	<u>15,402</u>	<u>-</u>	<u>21,493</u>
36,337	-	83	17,536	4,553	(2,576)	1	3,647
204,489	-	200	71,511	42,536	5,415	360	2,353
(2,208)	-	-	(9,695)	-	-	-	(760)
<u>\$ 238,618</u>	<u>\$ -</u>	<u>\$ 283</u>	<u>\$ 79,352</u>	<u>\$ 47,089</u>	<u>\$ 2,839</u>	<u>\$ 361</u>	<u>\$ 5,240</u>

BANDERA COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	31 Records Preservation Fund	32 Courthouse Security Fund	33 Juvenile Probation State Aid	36 Juvenile Probation Title IV E
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-
Intergovernmental Revenue and Grants	-	-	144,653	-
Charges for Services	6,439	15,608	-	-
Investment Earnings	103	24	-	63
Other Revenue	-	-	-	-
Total Revenues	6,542	15,632	144,653	63
EXPENDITURES:				
Current:				
General Government:				
General Administration	4,589	-	-	-
Public Safety:				
Law Enforcement	-	15,000	-	-
Road and Bridge	-	-	-	-
Health & Human Services	-	-	-	-
Administration of Justice	-	-	139,934	-
Conservation and Development:				
Community & Economic Development	-	-	-	-
Infrastructure & Environmental	-	-	-	-
Total Expenditures	4,589	15,000	139,934	-
Net Change in Fund Balance	1,953	632	4,719	63
Fund Balance - October 1 (Beginning)	42,644	2,417	24,973	27,104
Prior Period Adjustment	-	-	-	-
Fund Balance - September 30 (Ending)	\$ 44,597	\$ 3,049	\$ 29,692	\$ 27,167

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

37 CJD Grant Title V Fund	45 Alternative Dispute Resolution	46 Appellate Judicial System Fund	48 Guardianship Fee Fund	49 Hot Check Collection Fund	51 Family Protection Fee Fund	52 Attorney Pre-Trial Diversion	55 District Clerk Records Management
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	5,867	1,828	1,480	2,340	1,290	18,799	1,845
-	7	2	-	27	1	96	18
-	-	-	-	-	-	-	-
-	5,874	1,830	1,480	2,367	1,291	18,895	1,863
-	-	-	-	-	-	-	807
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	8,000	1,863	-	2,573	1,450	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	8,000	1,863	-	2,573	1,450	-	807
-	(2,126)	(33)	1,480	(206)	(159)	18,895	1,056
217	5,365	213	6,230	11,255	1,207	32,504	7,212
-	-	-	-	-	-	-	-
\$ 217	\$ 3,239	\$ 180	\$ 7,710	\$ 11,049	\$ 1,048	\$ 51,399	\$ 8,268

BANDERA COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	56 County Clerk Records Archive Fund	57 County Attorney Forfeitures	58 Justice Court Technology Fund	60 State Funded Training-Law Enforcement
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	25,946	-	7,676	-
Investment Earnings	15	10	6	-
Other Revenue	-	-	-	-
Total Revenues	<u>25,961</u>	<u>10</u>	<u>7,682</u>	<u>-</u>
EXPENDITURES:				
Current:				
General Government:				
General Administration	29,597	-	-	-
Public Safety:				
Law Enforcement	-	619	-	621
Road and Bridge	-	-	-	-
Health & Human Services	-	-	-	-
Administration of Justice	-	-	10,000	-
Conservation and Development:				
Community & Economic Development	-	-	-	-
Infrastructure & Environmental	-	-	-	-
Total Expenditures	<u>29,597</u>	<u>619</u>	<u>10,000</u>	<u>621</u>
Net Change in Fund Balance	(3,636)	(609)	(2,318)	(621)
Fund Balance - October 1 (Beginning)	6,276	4,837	8,196	16,132
Prior Period Adjustment	-	-	-	-
Fund Balance - September 30 (Ending)	<u>\$ 2,640</u>	<u>\$ 4,228</u>	<u>\$ 5,878</u>	<u>\$ 15,511</u>

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

63 Court Records Preservation Fund	65 District Clerk Records Archive Fund	68 Juvenile Commitment RDCTN Grant	69 Capital Credits Fund	88 TDA Grants Fund	95 Medina Lake County Park Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 722,414	\$ 722,414
-	-	-	-	-	-	375,056	375,056
-	-	12,727	633	42,751	-	253,051	253,051
3,436	1,849	-	-	-	44,815	1,370,564	1,370,564
16	9	-	15	-	198	3,986	3,986
-	-	-	-	-	-	1,117	1,117
<u>3,452</u>	<u>1,858</u>	<u>12,727</u>	<u>648</u>	<u>42,751</u>	<u>45,013</u>	<u>2,726,188</u>	<u>2,726,188</u>
-	3,090	-	-	-	-	109,288	109,288
-	-	-	-	-	-	16,240	16,240
-	-	-	-	-	-	227,149	227,149
-	-	-	-	-	-	1,495,342	1,495,342
-	-	12,727	-	-	-	381,300	381,300
-	-	-	900	-	98,323	586,239	586,239
-	-	-	-	42,751	-	42,751	42,751
-	<u>3,090</u>	<u>12,727</u>	<u>900</u>	<u>42,751</u>	<u>98,323</u>	<u>2,858,309</u>	<u>2,858,309</u>
3,452	(1,232)	-	(252)	-	(53,310)	(132,121)	(132,121)
4,993	3,614	2,121	7,453	-	115,115	1,771,074	1,771,074
-	-	-	-	-	(2,539)	(48,583)	(48,583)
<u>\$ 8,445</u>	<u>\$ 2,382</u>	<u>\$ 2,121</u>	<u>\$ 7,201</u>	<u>\$ -</u>	<u>\$ 59,266</u>	<u>\$ 1,590,370</u>	<u>\$ 1,590,370</u>

BANDERA COUNTY
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

	BALANCE OCTOBER 1 2011	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2012
STATE FEE & FINE FUND				
Assets:				
Cash and Cash Equivalents	\$ 56,650	\$ 252,880	\$ 254,480	\$ 55,050
Other Receivables	288	300	288	300
Total Assets	<u>\$ 56,938</u>	<u>\$ 253,180</u>	<u>\$ 254,768</u>	<u>\$ 55,350</u>
Liabilities:				
Accounts Payable	\$ 50,016	\$ 50,637	\$ 50,016	\$ 50,637
Due to Other Governments	6,922	-	2,209	4,713
Total Liabilities	<u>\$ 56,938</u>	<u>\$ 50,637</u>	<u>\$ 52,225</u>	<u>\$ 55,350</u>
EMS MEMORIALS & DONATIONS FUND				
Assets:				
Cash and Cash Equivalents	\$ 2,609	\$ 7,507	\$ 5,179	\$ 4,937
Investments - Current	5,816	11	5,827	-
Total Assets	<u>\$ 8,425</u>	<u>\$ 7,518</u>	<u>\$ 11,006</u>	<u>\$ 4,937</u>
Liabilities:				
Due to Others	\$ 8,425	\$ 7,518	\$ 11,006	\$ 4,937
OFFICIALS' FEES & ACCOUNTS FUND				
Assets:				
Cash and Cash Equivalents	\$ 732,735	\$ 34,359,058	\$ 34,644,940	\$ 446,853
Investments - Current	150,615	58,465	32,412	176,668
Total Assets	<u>\$ 883,350</u>	<u>\$ 34,417,523</u>	<u>\$ 34,677,352</u>	<u>\$ 623,521</u>
Liabilities:				
Due to Other Governments	\$ 732,735	\$ 34,359,058	\$ 34,644,940	\$ 446,853
Due to Others	150,615	58,465	32,412	176,668
Total Liabilities	<u>\$ 883,350</u>	<u>\$ 34,417,523</u>	<u>\$ 34,677,352</u>	<u>\$ 623,521</u>
TOTAL AGENCY FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 791,994	\$ 34,619,445	\$ 34,904,599	\$ 506,840
Investments - Current	156,431	58,476	38,239	176,668
Other Receivables	288	300	288	300
Total Assets	<u>\$ 948,713</u>	<u>\$ 34,678,221</u>	<u>\$ 34,943,126</u>	<u>\$ 683,808</u>
Liabilities:				
Accounts Payable	\$ 50,016	\$ 50,637	\$ 50,016	\$ 50,637
Due to Other Governments	739,657	34,359,058	34,647,149	451,566
Due to Others	159,040	65,983	43,418	181,605
Total Liabilities	<u>\$ 948,713</u>	<u>\$ 34,475,678</u>	<u>\$ 34,740,583</u>	<u>\$ 683,808</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, 2012

	64 Ambulance Sinking Fund	89 Historical Commission Fund	91 Available School Fund	92 Permanent School Fund
ASSETS				
Cash and Cash Equivalents	\$ 1,175	\$ 2,339	\$ 391	\$ 153,445
Accounts Receivable-Net of Uncollectible Allowance	-	255	-	4,030
Total Assets	<u>1,175</u>	<u>2,594</u>	<u>391</u>	<u>157,475</u>
LIABILITIES				
Accounts Payable	-	65	365	2,525
Total Liabilities	<u>-</u>	<u>65</u>	<u>365</u>	<u>2,525</u>
NET ASSETS				
Unrestricted Net Assets	1,175	2,529	26	154,950
Total Net Assets	<u>\$ 1,175</u>	<u>\$ 2,529</u>	<u>\$ 26</u>	<u>\$ 154,950</u>

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

97 Bandera EMS Building Fund	Total Private Purpose Trust Funds
\$ 1,410	\$ 158,760
<u> -</u>	<u> 4,285</u>
<u>\$ 1,410</u>	<u>\$ 163,045</u>
<u>\$ -</u>	<u>\$ 2,955</u>
<u>\$ -</u>	<u>\$ 2,955</u>
<u> 1,410</u>	<u> 160,090</u>
<u>\$ 1,410</u>	<u>\$ 160,090</u>

BANDERA COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

Data Control Codes	64 Ambulance Sinking Fund	89 Historical Commission Fund	91 Available School Fund	92 Permanent School Fund
ADDITIONS:				
Sales of Merchandise	\$ -	\$ 1,440	\$ -	\$ -
Investment Earnings	3	2	357	-
Oil Production Royalties	-	-	-	9,406
Contributions & Donations	-	1,449	-	-
Total Additions	3	2,891	357	9,406
DEDUCTIONS:				
Distributions to Schools	-	-	365	2,525
Supplies	-	200	-	-
Publications and Notices	-	961	-	-
Total Deductions	-	1,161	365	2,525
Change in Net Assets	3	1,730	(8)	6,881
Total Net Assets - October 1 (Beginning)	1,172	799	34	148,069
Total Net Assets - September 30 (Ending)	\$ 1,175	\$ 2,529	\$ 26	\$ 154,950

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

97 Bandera EMS Building Fund	Total Private Purpose Trust Funds
\$ -	\$ 1,440
-	362
-	9,406
-	1,449
-	<u>12,657</u>
-	2,890
-	200
-	961
-	<u>4,051</u>
-	8,606
<u>1,410</u>	<u>151,484</u>
<u>\$ 1,410</u>	<u>\$ 160,090</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, Texas, as of and for the year ended September 30, 2012, which collectively comprise the County of Bandera, Texas' basic financial statements and have issued our report thereon dated March 18, 2013. 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

Management of the County of Bandera, Texas, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County of Bandera, Texas' 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, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Bandera, Texas' 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, Texas' financial statements will not be prevented, or detected and corrected on a timely basis.

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, Texas' 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*.

We noted certain matters that we reported to management of the County of Bandera, Texas, in a separate letter dated March 18, 2013.

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.

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

March 18, 2013

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

Certified Public Accountants

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March 18, 2013

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, Texas for the year ended September 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 4, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Bandera, Texas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. There were no significant accounting estimates.

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

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, a disagreement with management is 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 18, 2013

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.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statement themselves.

Recommendations

Tax Assessor Collector Bank Reconciliations

Of the four bank accounts maintained by the Tax Assessor Collector, two were not reconciled for the September 2012 period until March 2013. We recommend that all bank reconciliations are performed in a timely manner.

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, Dooss & Company, P.C.

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