

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

**WAYNE R. BEYER**  
CERTIFIED PUBLIC ACCOUNTANT

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AUSTIN COUNTY, TEXAS

Annual Financial Report

For the fiscal year ended

September 30, 2011

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

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## FINANCIAL SECTION

BEYER & CO.  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Commissioners' Court  
Austin County, Texas

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Austin County, Texas as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund, the Road and Bridge Fund, and the F/M Lateral Road Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of Austin County, Texas, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the 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 May 10, 2012, on our consideration of Austin County, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the Public Employees Retirement System, on pages 3 through 12, and 50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Austin County, Texas' financial statements as a whole. The combining and individual non-major fund financial statements and the non-major budgetary comparison information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements, the non-major budgetary comparison information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

*Beyer & Co.*

BEYER & COMPANY  
Certified Public Accountants  
Pleasanton, Texas  
May 10, 2012

## Management's Discussion and Analysis

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

### Financial Highlights

- . The assets of Austin County, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$28,127,900 (net assets). Of this amount, \$6,337,155 or 23% (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net assets increased by \$341,779. This increase is mainly attributable to the following: The charges for services decreased by \$2,210,033, ad valorem taxes increased by \$1,155,495, and miscellaneous income increased by \$188,903. Capital grants income declined by \$892,058. Expenses decreased by \$1,751,795. The major decrease occurred in the transportation and administration departments which decreased by \$879,810 and \$982,179, respectively.
- . Austin County, Texas's total restricted net assets at September 30, 2011 is \$7,390,471 or 26 of net assets.
- . Austin County, Texas's total debt decreased by \$452,582 (4 percent) during the current fiscal year. The key factor is the payment of bond, note, and capital lease principle of \$855,412.

### Overview of the Financial Statements

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

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

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

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



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

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

The government-wide financial statements can be found on pages 13-14 of this report.

***Fund financial statements:*** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Austin County, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Austin County, Texas can be divided into three categories: governmental funds, fiduciary funds, and proprietary funds.

*Governmental funds:*

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

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

Austin County, Texas maintains forty-seven (47) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the F/M and lateral fund, the TEEEX/Homeland Security fund, the Texas road bond series 2009 fund, and the road and bridge fund each of which are considered to be major funds. Data from the other forty-two (42) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Austin County, Texas adopts an annual appropriated budget for its general fund, the F/M and lateral fund, and the road and bridge fund. A budgetary comparison statement has been provided for the general fund, road and bridge fund, and all the other special revenue funds for which budgets were adopted. The basic governmental fund financial statements can be found on pages 15-22 of this report.

Proprietary funds: Austin County maintains one type of proprietary fund. The Internal Service Fund for Austin County, Texas, consists solely of the Employee Insurance Fund. This fund was created to provide coverage for employee health insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 23-26 of this report.

Austin County, Texas also has five agency funds and one expendable trust fund which is a fiduciary fund type. The fiduciary fund types can be found on page 27 of this report.

Notes to the financial statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-49 of this report.

*Other information:*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Austin County, Texas's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 50 of this report.

The combining statements referred to earlier in connection with major road and bridge funds, the non-major governmental funds, and the fiduciary funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 51-56 and on pages 57-60 of this report. The budget comparison schedules in connection with the non-major governmental funds can be found on pages 61-65 of this report.

The single audit section can be found on pages 66-75 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Austin County, Texas, assets exceeded liabilities by \$28,127,900 at the close of the most recent fiscal year.

### AUSTIN COUNTY, TEXAS NET ASSETS

	Governmental Activities		Total	
	2011	2010	2011	2010
Current and Other Assets	\$14,356,753	\$16,467,314	\$14,356,753	\$16,467,314
Capital Assets:	24,552,684	23,116,254	24,552,684	23,116,254
Total Assets	38,909,437	39,583,568	38,909,437	39,583,568
Long-Term Liabilities	10,432,283	10,884,865	10,432,283	10,884,865
Other Liabilities	349,254	912,582	349,254	912,582
Total Liabilities	10,781,537	11,797,447	10,781,537	11,797,447
Invested in Capital Assets, Net of Related Debt	14,400,274	12,413,763	14,400,274	12,413,763
Restricted	7,390,471	8,399,593	7,390,471	8,399,593
Unrestricted	6,337,155	6,972,765	6,337,155	6,972,765
Total Net Assets	\$28,127,900	\$27,786,121	\$28,127,900	\$27,786,121

A portion of Austin County, Texas's net assets (26 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$6,337,155) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Austin County, Texas is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

There was a decrease of \$1,009,122 in restricted net assets reported in connection with Austin County, Texas's governmental activities. This decrease resulted from monies being spent on the the new jail building project.

The government's total net assets increased by \$341,779. This increase is mainly attributable to the following: The charges for services decreased by \$2,210,033, ad valorem taxes increased by \$1,155,495, and miscellaneous income increased by \$188,903. Capital grants income declined by \$19,923. Expenses decreased by \$1,751,795. The major decrease occurred in the transportation and administration departments which decreased by \$879,810 and \$982,179, respectively.

**Governmental activities:** There were no business-type activities so any analysis regarding governmental activities will be the same as the analysis of the Government-wide Financial Analysis.

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

	Governmental Activities		Total	
	2011	2010	2011	2010
<b>Revenues:</b>				
<b>Program Revenues:</b>				
Charges for Services	\$3,175,883	\$5,385,916	\$3,175,883	\$5,385,916
Operating Grants and Contributions	1,064,828	1,180,303	1,064,828	1,180,303
Capital Grants and Contributions	0	19,923	0	19,923
<b>General Revenues:</b>				
Maintenance and Operations Taxes	12,502,073	11,346,578	12,502,073	11,346,578
Sales Taxes	1,183,642	1,119,936	1,183,642	1,119,936
Other Taxes	11,201	12,250	11,201	12,250
Unrestricted Investment Earnings	115,171	82,195	115,171	82,195
Miscellaneous	649,032	460,129	649,032	460,129
<b>Total Revenue</b>	<b>18,701,830</b>	<b>19,607,230</b>	<b>18,701,830</b>	<b>19,607,230</b>
<b>Expenses:</b>				
General Administration	\$3,197,886	4,180,065	3,197,886	4,180,065
Legal	337,989	397,746	337,989	397,746
Judicial	1,178,096	1,147,448	1,178,096	1,147,448
Financial Administration	499,630	503,736	499,630	503,736
Public Facilities	652,375	574,424	652,375	574,424
Public Safety	5,645,445	5,608,980	5,645,445	5,608,980
Public Transportation	5,927,976	6,807,786	5,927,976	6,807,786
Culture and Recreation	112,771	124,768	112,771	124,768
Health and Welfare	188,557	142,375	188,557	142,375
Environmental Protection	44,364	42,827	44,364	42,827
Conservation - Agriculture	143,520	127,133	143,520	127,133
Interest and Fiscal Charges	431,442	454,558	431,442	454,558
<b>Total Expenses</b>	<b>18,360,051</b>	<b>20,111,846</b>	<b>18,360,051</b>	<b>20,111,846</b>
Increase in Net Assets Before Transfers and Special Items	341,779	(504,616)	341,779	(504,616)
Transfers	0	0	0	0
Increase in Net Assets	341,779	(504,616)	341,779	(504,616)
Net Assets at 9/30/2010	27,786,121	28,290,737	27,786,121	28,290,737
Net Assets at 9/30/2011	\$28,127,900	\$27,786,121	\$28,127,900	\$27,786,121

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Government Activities:</b>				
General Administration	\$3,197,886	\$307,207	\$106,629	\$0
Legal	337,989			
Judicial	1,178,096	627,051	21,078	
Financial Administration	499,630	248,672		
Public Facilities	652,375			
Public Safety	5,645,445	714,327	854,337	
Public Transportation	5,927,976	939,421	46,343	
Culture and Recreation	112,771		4,777	
Health and Welfare	188,557	275,616	31,664	
Environmental Protection	44,364	63,589		
Conservation - Agriculture	143,520			
Interest and Fiscal Charges	431,442			
<b>Total Government Activities</b>	<b>18,360,051</b>	<b>3,175,883</b>	<b>1,064,828</b>	<b>0</b>
<b>Total Primary Government</b>	<b>\$18,360,051</b>	<b>\$3,175,883</b>	<b>\$1,064,828</b>	<b>\$0</b>

Revenues by Source - Governmental Activities

	REVENUES	%
Charges for Services	\$3,175,883	17%
Operating Grants and Contributions	1,064,828	6%
Capital Grants and Contributions	0	0%
Maintenance and Operations Taxes	12,502,073	67%
Sales Taxes	1,183,642	6%
Other Taxes	11,201	0%
Unrestricted Investment Earnings	115,171	1%
Miscellaneous	649,032	3%
	<b>\$18,701,830</b>	<b>100%</b>

For the most part, the increases and decreases in expenses closely paralleled inflation and growth in the demand for services.

## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, Austin County, Texas's governmental funds reported combined ending fund balances of \$9,141,979, a decrease of \$1,430,465 in comparison with the prior year. Approximately 19% of this total amount (\$1,720,971) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved or committed*.

The general fund is the chief operating fund of Austin County, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,935,375, while total fund balance reached a balance of \$1,935,375. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total fund balance represents 18 percent of total general fund expenditures, while total fund balance represents 18 percent of that same amount.

The fund balance of the general fund decreased by \$365,552 during the current fiscal year. The main reason for this decrease was a jail expansion.

At the end of the current fiscal year, restricted fund balance of the road and bridge fund was \$1,622,031, while total fund balance reached a balance of \$1,622,031. As a measure of the road and bridge fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Restricted fund balance represents 72 percent of total road and bridge fund expenditures, while total fund balance represents 72 percent of that same amount.

The fund balance of the road and bridge fund increased by \$217,538 during the current fiscal year. Key factors in this increase are as follows:

- Property taxes increased by \$143,772.

At the end of the current fiscal year, restricted fund balance of the F/M and Lateral fund was \$2,240,842, while total fund balance reached a balance of \$2,240,842. As a measure of the F/M and Lateral fund fund's liquidity, it may be useful to compare both restricted fund balance and total fund balance to total fund expenditures. Unrestricted balance represents 161 percent of total F/M and Lateral fund expenditures, while total fund balance represents 161 percent of that same amount.

The fund balance of the F/M and Lateral Fund increased by \$508,868 during the current fiscal year. Key factors in this increase are as follows:

- . This increase is consistent with the previous year increase of \$479,133. Property taxes increased by \$170,515 and expenditures increased by \$149,193.

The TEEX/Homeland Security fund balance decreased by \$318,511. The TEEX/Homeland Security fund is a grant and thus is imprest in nature and therefore no further analysis is necessary. The Texas Road Bond series 2009 fund balance declined by \$1,640,476 during the year. This is a result of monies being spent of road construction and maintenance. This fund is a capital projects fund and therefore no further analysis is necessary.

#### Budgetary Highlights:

Differences between the original budget and the final amended budget in the general fund were an increase of \$301,039 in appropriations. This increase is ratable amongst the departments.

Differences between the original budget and the final amended budget in the road and bridge fund were an increase of \$1,090,356 in appropriations. This increase is a result of an increase in road expenditures.

Differences between the original budget and the final amended budget in the F/M and Lateral fund were an increase of \$1,753,141 in appropriations. This increase is a result of an increase in road expenditures.

## Capital Asset and Debt Administration

### *Capital assets:*

Austin County, Texas's investment in capital assets for its governmental activities as of September 30, 2011, amounts to \$24,552,684 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and park facilities. The total increase in Austin County, Texas's investment in capital assets for the current fiscal year was 6 percent.

The County had a jail expansion project and several bridge projects during the current fiscal year.

#### **AUSTIN COUNTY, TEXAS CAPITAL ASSETS (Net of Depreciation)**

	Governmental Activities		Total	
	2011	2010	2011	2010
Land	\$225,462	\$225,462	\$225,462	\$225,462
Construction in Progress	4,759,902	2,967,749	4,759,902	2,967,749
Building and Improvements	1,083,570	1,180,415	1,083,570	1,180,415
Machinery and Equipment	4,240,513	4,580,859	4,240,513	4,580,859
Infrastructure	14,243,237	14,161,769	14,243,237	14,161,769
Total	<u>\$24,552,684</u>	<u>\$23,116,254</u>	<u>\$24,552,684</u>	<u>\$23,116,254</u>

Additional information on Austin County, Texas's capital assets can be found in note IV C on page 40 of this report.



*Long-term debt:*

At the end of the current fiscal year, Austin County, Texas had the following bonded debt.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds	\$10,140,000	\$0	\$470,000	\$9,670,000	\$495,000	\$9,175,000
	<u>10,140,000</u>	<u>0</u>	<u>470,000</u>	<u>9,670,000</u>	<u>495,000</u>	<u>9,175,000</u>
 Grand Total	 \$10,140,000	 \$0	 \$470,000	 \$9,670,000	 \$495,000	 \$9,175,000

Austin County, Texas's total bonded debt decreased by \$470,000 (5 percent) during the current fiscal year. The key factor in this decrease was the payment of bonds of \$470,000.

Additional information on Austin County, Texas's long-term debt can be found in note IV F on pages 42-44 of this report.

Requests for Information

This financial report is designed to provide our citizen's taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If questions are encountered regarding this report; contact the Austin County Judge's Office, Austin County Courthouse, One East Main Street, Bellville, Texas 77418-1521, or (979) 865-5911.

## BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

	Primary Government	
	Governmental	
	Activities	Total
<b>ASSETS</b>		
Cash and Cash Equivalents	\$10,558,285	\$10,558,285
Receivables (net of allowance for uncollectibles)	3,798,468	3,798,468
Capital assets not being depreciated:		
Land	225,462	225,462
Construction in Progress	4,759,902	4,759,902
Total Capital assets being depreciated, net		
Building and Improvements	1,083,570	1,083,570
Machinery and Equipment	4,240,513	4,240,513
Infrastructure	14,243,237	14,243,237
<b>Total Assets</b>	<b>\$38,909,437</b>	<b>\$38,909,437</b>
<b>LIABILITIES:</b>		
Accounts Payable	\$299,068	\$299,068
Accrued Interest Payable	50,186	50,186
Noncurrent Liabilities:		
Due within one year	851,077	851,077
Due in more than one year	9,581,206	9,581,206
<b>Total Liabilities</b>	<b>10,781,537</b>	<b>10,781,537</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	14,400,274	14,400,274
Restricted	7,390,471	7,390,471
Unrestricted	6,337,155	6,337,155
<b>Total Net Assets</b>	<b>\$28,127,900</b>	<b>\$28,127,900</b>

The accompanying notes are an integral part of this statement.

AUSTIN COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and	Revenue and
					Changes in Net Assets	Changes in Net Assets
				Governmental Activities	Total	
<b>Primary Government</b>						
<b>Government Activities:</b>						
General Administration	\$3,197,886	\$307,207	\$106,629	\$0	(\$2,784,050)	(\$2,784,050)
Legal	337,989				(337,989)	(337,989)
Judicial	1,178,096	627,051	21,078		(529,967)	(529,967)
Financial Administration	499,630	248,672			(250,958)	(250,958)
Public Facilities	652,375				(652,375)	(652,375)
Public Safety	5,645,445	714,327	854,337		(4,076,781)	(4,076,781)
Public Transportation	5,927,976	939,421	46,343		(4,942,212)	(4,942,212)
Culture and Recreation	112,771		4,777		(107,994)	(107,994)
Health and Welfare	188,557	275,616	31,664		118,723	118,723
Environmental Protection	44,364	63,589			19,225	19,225
Conservation - Agriculture	143,520				(143,520)	(143,520)
Interest and Fiscal Charges	431,442				(431,442)	(431,442)
<b>Total Government Activities</b>	<b>18,360,051</b>	<b>3,175,883</b>	<b>1,064,828</b>	<b>0</b>	<b>(14,119,340)</b>	<b>(14,119,340)</b>
<b>Total Primary Government</b>	<b>\$18,360,051</b>	<b>\$3,175,883</b>	<b>\$1,064,828</b>	<b>\$0</b>	<b>(14,119,340)</b>	<b>(14,119,340)</b>
<b>General Revenues</b>						
Property Taxes, Levies for General Purposes					12,502,073	12,502,073
Sales Taxes					1,183,642	1,183,642
Other Taxes					11,201	11,201
Unrestricted Investment Earnings					115,171	115,171
Miscellaneous					649,032	649,032
<b>Total General Revenues and Transfers</b>					<b>14,461,119</b>	<b>14,461,119</b>
Change in Net assets					341,779	341,779
Net Assets - Beginning					27,786,121	27,786,121
<b>Net Assets - Ending</b>					<b>\$28,127,900</b>	<b>\$28,127,900</b>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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

	General Fund	Road and Bridge	F/M and Lateral Fund	TEEX/ Homeland Security	Tax Road Bond Ser. 2009	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and Cash Equivalents	\$2,102,466	\$1,617,519	\$2,340,562	\$0	\$2,121,401	\$1,243,312	\$9,425,260
Receivables (net of allowance for uncollectibles)	317,524	69,531	72,577			285,331	744,963
Due from Other Funds					2,740		2,740
<b>Total Assets</b>	<b>\$2,419,990</b>	<b>\$1,687,050</b>	<b>\$2,413,139</b>	<b>\$0</b>	<b>\$2,124,141</b>	<b>\$1,528,643</b>	<b>\$10,172,963</b>
<b>LIABILITIES AND FUND BALANCES:</b>							
<b>Liabilities</b>							
Accounts Payable	\$167,091	\$5,011	\$99,720		\$4,959	\$22,287	\$299,088
Due to Other Funds						2,740	2,740
Bank Overdraft				187,525		91,542	279,067
Unearned Revenues	317,524	60,008	72,577				450,109
<b>Total Liabilities</b>	<b>484,615</b>	<b>65,019</b>	<b>172,297</b>	<b>187,525</b>	<b>4,959</b>	<b>116,569</b>	<b>1,030,984</b>
<b>Fund Balances:</b>							
<b>Restricted</b>							
Administrative						61,404	61,404
Archives						87,091	87,091
Construction					2,119,182	92,353	2,211,535
Debt Service						431,564	431,564
Environmental Protection						3,421	3,421
Health						143,841	143,841
Judicial						89,861	89,861
Public Safety						498,881	498,881
Public Transportation		1,622,031	2,240,842				3,862,873
<b>Committed</b>							
Culture and Recreation						30,537	30,537
Unassigned	1,935,375			(187,525)		(26,879)	1,720,971
<b>Total Fund Balance</b>	<b>1,935,375</b>	<b>1,622,031</b>	<b>2,240,842</b>	<b>(187,525)</b>	<b>2,119,182</b>	<b>1,412,074</b>	<b>9,141,979</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$2,419,990</b>	<b>\$1,687,050</b>	<b>\$2,413,139</b>	<b>\$0</b>	<b>\$2,124,141</b>	<b>\$1,528,643</b>	<b>\$10,172,963</b>

The accompanying notes are an integral part of this statement.

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

Total Fund Balances - governmental funds balance sheet	\$9,141,979
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	24,552,684
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,053,505
Internal Service funds are used by management to account for funds for Self-Insurance. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets.	1,412,092
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	450,109
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(10,482,469)
Net assets of governmental activities - statement of net assets	<u>\$28,127,900</u>

The accompanying notes are an integral part of this statement.



AUSTIN COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Road and Bridge	F/M and Lateral Fund	TEEX/ Homeland Security	Tax Road Bond Ser. 2009	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes							
Property	\$8,060,173	\$1,537,340	\$1,856,895			\$1,048,774	\$12,503,182
Sales	1,183,642						1,183,642
Other	11,201						11,201
Intergovernmental	147,583		18,792	297,075		601,378	1,064,828
Licenses and Permits	43,785	748,358					792,143
Charges for Services	653,947					296,821	950,768
Fines and Forfeitures	1,051,663	147,278					1,198,941
Interest	31,000	6,081	4,147		67,274	1,907	110,409
Miscellaneous	448,482	57,790	22,403			120,357	649,032
<b>Total Revenues</b>	<b>11,631,476</b>	<b>2,496,847</b>	<b>1,902,237</b>	<b>297,075</b>	<b>67,274</b>	<b>2,069,237</b>	<b>18,464,146</b>
<b>EXPENDITURES</b>							
Current:							
General Administration	1,480,982					39,281	1,520,263
Legal	241,700					96,289	337,989
Judicial	1,112,889					61,995	1,174,884
Financial Administration	458,325						458,325
Public Facilities	668,595						668,595
Public Safety	4,886,317			584,484		487,399	5,958,200
Public Transportation		2,095,565	1,333,706		1,701,177	27,551	5,157,999
Culture and Recreation	101,049					7,425	108,474
Health and Welfare	40,278					148,279	188,557
Environmental Protection						44,364	44,364
Conservation - Agriculture	142,509						142,509
Capital Projects -							
Capital Outlay and Other	1,782,302					66,596	1,848,898
Debt Service							
Principal Retirement	23,102	143,245	54,065			635,000	855,412
Interest Retirement	2,611	6,633	5,598			422,417	437,259
<b>Total Expenditures</b>	<b>10,940,659</b>	<b>2,245,443</b>	<b>1,393,369</b>	<b>584,484</b>	<b>1,701,177</b>	<b>2,036,596</b>	<b>18,901,728</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>690,817</b>	<b>251,404</b>	<b>508,868</b>	<b>(287,409)</b>	<b>(1,633,903)</b>	<b>32,641</b>	<b>(437,582)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Other Financing Sources - Capital lease	40,983	266,134					307,117
Operating Transfers In	50,648					379,416	430,064
Operating Transfers Out	(1,148,000)	(300,000)		(31,102)	(6,573)	(244,389)	(1,730,064)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,056,369)</b>	<b>(33,866)</b>	<b>0</b>	<b>(31,102)</b>	<b>(6,573)</b>	<b>135,027</b>	<b>(992,883)</b>
<b>Net Changes in Fund Balances</b>	<b>(365,552)</b>	<b>217,538</b>	<b>508,868</b>	<b>(318,511)</b>	<b>(1,640,476)</b>	<b>167,668</b>	<b>(1,430,465)</b>
Fund Balances - Beginning	2,300,927	1,404,493	1,731,974	130,986	3,759,658	1,244,406	10,572,444
<b>Fund Balances - Ending</b>	<b>1,935,375</b>	<b>1,622,031</b>	<b>2,240,842</b>	<b>(187,525)</b>	<b>2,119,182</b>	<b>1,412,074</b>	<b>9,141,979</b>

The accompanying notes are an integral part of this statement.

AUSTIN COUNTY, TEXAS  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 SEPTEMBER 30, 2011

Net Changes in Fund Balances - total governmental funds	(\$1,430,465)
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,436,430
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	(41,585)
(Increase) decrease in Compensated absences from beginning of period to end of period.	(97,499)
(Increase) decrease in Accrued Interest Payable from beginning of period to end of period.	4,031
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(1,109)
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(307,117)
Internal Service funds are used by management to account for funds for Self-Insurance. The net revenue of certain activities of Internal service funds is reported with governmental activities.	(78,105)
Amortization of and Premiums is an income in the SOA but not an expense in the funds.	1,786
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	<u>855,412</u>
Change in net assets of governmental activities - statement of activities	<u><u>\$341,779</u></u>

The accompanying notes are an integral part of this statement.

AUSTIN COUNTY, TEXAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - (BUDGETARY BASIS) - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Budgetary Basis	Variance with Final Budget -
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property	\$7,955,613	\$7,955,613	\$8,060,173	\$104,560
Sales	900,000	900,000	1,183,642	283,642
Other	6,000	6,000	11,201	5,201
Intergovernmental	138,181	184,015	147,583	(36,432)
License and Permits	40,000	40,000	43,785	3,785
Charges for Services	723,500	723,500	653,947	(69,553)
Fines and Forfeitures	1,262,450	1,295,980	1,051,663	(244,317)
Interest	30,600	30,600	31,000	400
Miscellaneous	274,233	444,053	448,482	4,429
Total Revenues	11,330,577	11,579,761	11,631,476	51,715
<b>EXPENDITURES</b>				
Current:				
General Administration				
County Clerk	294,650	417,369	288,952	128,417
County Judge	352,785	353,005	244,193	108,812
Human Resources	45,144	45,144	43,240	1,904
Other	1,069,489	1,162,755	774,018	388,737
System Tech.	146,757	123,293	122,496	797
Veterans Service	8,906	8,906	8,083	823
Legal				
County/ District Attorney	250,009	250,009	241,700	8,309
Judicial				
County Court at Law	202,251	202,252	195,451	6,801
County, District, Justice, Juvenile Courts	733,520	733,520	412,694	320,826
District Clerk	144,868	156,200	124,244	31,956
District Judge	20,611	20,611	20,321	290
Justice of the Peace No. 1	83,544	85,044	81,079	3,965
Justice of the Peace No. 2	25,640	25,640	24,463	1,177
Justice of the Peace No. 3	127,040	127,040	116,244	10,796
Justice of the Peace No. 4	103,963	103,963	97,410	6,553
Financial Administration				
County Auditor	185,946	185,946	155,890	30,056
County Treasurer	63,875	64,207	61,438	2,769
Tax Assessor-Collector	278,200	281,381	240,997	40,384
Public Facilities				
Buildings and Yards	361,985	299,092	282,940	16,152
Capital Repairs	339,857	352,024	352,023	1
Wendt Street Building	37,480	38,093	33,632	4,461
Public Safety				
Constable No. 1	11,355	11,355	9,257	2,098
Constable No. 2	17,440	17,745	17,296	449
Constable No. 3	15,800	16,125	15,675	450
Constable No. 4	16,030	17,240	16,435	805
County Jail Expansion				0
Emergency Management	60,761	89,761	60,692	29,069
EMS	1,361,711	1,364,711	1,249,072	115,639
Jail	1,214,877	1,406,192	1,271,971	134,221
Juvenile Probation	121,258	123,103	114,096	9,007
Sheriff	2,191,932	2,199,697	2,131,823	67,874

(continued)

(continued)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Culture and Recreation				
Knox Library	\$66,884	\$66,883	\$62,434	\$4,449
West End Sanitarian	37,288	37,288	34,790	2,498
History and Visitor Information Center	6,222	6,222	3,825	2,397
Health and Welfare				
County Health Department	4,250	4,250	4,000	250
Other Health and Child Care	55,000	55,000	36,278	18,722
Conservation - Agriculture				
Agriculture Extension Service	155,114	155,115	142,509	12,606
Capital Projects -				
Capital Outlay and Other	2,065,000	1,972,300	1,782,302	189,998
Debt Service				
Principal Retirement	23,102	23,102	23,102	0
Interest Retirement	2,611	2,611	2,611	0
Total Expenditures	<u>12,303,155</u>	<u>12,604,194</u>	<u>10,899,676</u>	<u>1,704,518</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(972,578)</u>	<u>(1,024,433)</u>	<u>731,800</u>	<u>1,756,233</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers in	52,451	52,451	50,648	(1,803)
Operating Transfers Out	(1,000,000)	(1,148,000)	(1,148,000)	0
Total Other Financing Sources (Uses)	<u>(947,549)</u>	<u>(1,095,549)</u>	<u>(1,097,352)</u>	<u>(1,803)</u>
Net Changes in Fund Balances - Budgetary Basis	<u>(\$1,920,127)</u>	<u>(\$2,119,982)</u>	<u>(365,552)</u>	<u>\$1,754,430</u>
Reconciliation from budgetary basis to modified accrual basis:				
Other Financing Sources - Capital Lease			40,983	
Equipment Purchase - Judicial			(40,983)	
Net Changes in Fund Balances - Modified Accrual Basis			<u>(365,552)</u>	
Fund Balances - Beginning			2,300,927	
Fund Balances - Ending			<u>\$1,935,375</u>	

The accompanying notes are an integral part of this statement.

AUSTIN COUNTY, TEXAS  
ROAD AND BRIDGE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - (BUDGETARY BASIS) - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Budgetary Basis	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property	\$1,517,968	\$1,517,968	\$1,537,340	\$19,372
Licenses and Permits	760,000	762,486	748,358	(14,128)
Fines and Forfeitures	135,000	135,000	147,278	12,278
Interest	5,500	5,500	6,081	581
Miscellaneous	15,500	15,500	57,790	42,290
Total Revenues	<u>2,433,968</u>	<u>2,436,454</u>	<u>2,496,847</u>	<u>60,393</u>
<b>EXPENDITURES</b>				
Current				
Public Transportation				
Road and Bridge	2,059,710	3,074,446	1,829,431	1,245,015
Debt Service				
Principal Retirement	74,258	143,245	143,245	0
Interest Retirement	0	6,633	6,633	0
Total Expenditures	<u>2,133,968</u>	<u>3,224,324</u>	<u>1,979,309</u>	<u>1,245,015</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	300,000	(787,870)	517,538	1,305,408
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In				0
Operating Transfers Out	(300,000)	(300,000)	(300,000)	0
Total Other Financing Sources (Uses)	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>0</u>
Net Changes in Fund Balances - Budgetary Basis	<u>\$0</u>	<u>(\$1,087,870)</u>	<u>217,538</u>	<u>\$1,305,408</u>
Reconciliation from cash basis to modified accrual basis:				
Other Financing Sources - Capital Lease			266,134	
Equipment Purchase - Public Transportation			(266,134)	
Net Changes in Fund Balances - Modified Accrual Basis			<u>217,538</u>	
Fund Balances - Beginning			<u>1,404,493</u>	
Fund Balances - Ending			<u>\$1,622,031</u>	

The accompanying notes are an integral part of this statement.

AUSTIN COUNTY, TEXAS  
 F/M LATERAL ROAD FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property	\$1,833,449	\$1,833,449	\$1,856,895	\$23,446
Intergovernmental	0	18,792	18,792	0
Interest	5,000	5,000	4,147	(853)
Miscellaneous	10,000	17,500	22,403	4,903
<b>Total Revenues</b>	<b>1,848,449</b>	<b>1,874,741</b>	<b>1,902,237</b>	<b>27,496</b>
<b>EXPENDITURES</b>				
Current				
Public Transportation				
Road and Bridge	1,788,786	3,541,927	1,333,706	2,208,221
Debt Service				
Principal Retirement	54,065	54,065	54,065	0
Interest Retirement	5,598	5,598	5,598	0
<b>Total Expenditures</b>	<b>1,848,449</b>	<b>3,601,590</b>	<b>1,393,369</b>	<b>2,208,221</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(1,726,849)	508,868	2,235,717
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In				0
Operating Transfers Out				0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Changes in Fund Balances</b>	<b>0</b>	<b>(1,726,849)</b>	<b>508,868</b>	<b>2,235,717</b>
Fund Balances - Beginning	1,731,974	1,731,974	1,731,974	
<b>Fund Balances - Ending</b>	<b>\$1,731,974</b>	<b>\$5,125</b>	<b>\$2,240,842</b>	<b>\$2,235,717</b>

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

AUSTIN COUNTY, TEXAS  
 COMBINING STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Internal Service Self Insurance Current Year	Internal Service Self Insurance Prior Year	Total Proprietary Funds Current Year
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$1,412,092	\$1,490,197	\$1,412,092
Receivables (net of allowance for uncollectibles)	0	0	0
<b>Total Current Assets</b>	<u>1,412,092</u>	<u>1,490,197</u>	<u>1,412,092</u>
<b>TOTAL ASSETS</b>	<u>\$1,412,092</u>	<u>\$1,490,197</u>	<u>\$1,412,092</u>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>			
<b>Liabilities</b>			
Current Liabilities (Payable from Current Assets)	\$0	\$0	\$0
<b>Total Current Liabilities</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET ASSETS</b>			
Restricted - Expendable	1,412,092	1,490,197	1,412,092
<b>TOTAL NET ASSETS</b>	<u>\$1,412,092</u>	<u>\$1,490,197</u>	<u>\$1,412,092</u>

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

AUSTIN COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Internal Service Self Insurance Current Year	Internal Service Self Insurance Prior Year	Total Proprietary Funds Current Year
<b>OPERATING REVENUES:</b>			
Charges for Services	\$181,196	\$174,857	\$181,196
Reinsurance	94,420	323,687	94,420
<b>TOTAL OPERATING REVENUES</b>	<b>275,616</b>	<b>498,544</b>	<b>275,616</b>
<b>OPERATING EXPENSES</b>			
Administrative Fees	50,628	611,807	50,628
Claims paid	118,613	843,287	118,613
Other	7,649	2,797	7,649
Prescriptions	1,113,266	286,018	1,113,266
Reinsurrer	368,327	119,962	368,327
<b>TOTAL OPERATING EXPENSES</b>	<b>1,658,483</b>	<b>1,863,871</b>	<b>1,658,483</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,382,867)</b>	<b>(1,365,327)</b>	<b>(1,382,867)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest Income	4,762	2,373	4,762
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>4,762</b>	<b>2,373</b>	<b>4,762</b>
Income Before Transfers	(1,378,105)	(1,362,954)	(1,378,105)
Transfers In	1,300,000	1,300,000	1,300,000
<b>Change in Net Assets</b>	<b>(78,105)</b>	<b>(62,954)</b>	<b>(78,105)</b>
<b>Total Net Assets - Beginning</b>	<b>1,490,197</b>	<b>1,553,151</b>	<b>1,490,197</b>
<b>Total Net Assets - Ending</b>	<b>\$1,412,092</b>	<b>\$1,490,197</b>	<b>\$1,412,092</b>

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



AUSTIN COUNTY, TEXAS  
 COMBINING STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Internal Service Self Insurance Current Year	Internal Service Self Insurance Prior Year	Total Proprietary Funds Current Year
Cash flows from Operating Activities			
Receipts from Customers and Users	\$275,616	\$846,451	\$275,616
Payments to Suppliers	(1,658,483)	(2,463,183)	(1,658,483)
Net Cash Provided(Used) By Operating Activities:	<u>(1,382,867)</u>	<u>(1,616,732)</u>	<u>(1,382,867)</u>
Cash Flows from Non-Capital and Related Financing Activities			
Transfers Out	1,300,000	1,300,000	1,300,000
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,300,000</u>
Cash Flows from Investing Activities			
Interest Received	4,762	2,373	4,762
Net Cash Provided(Used) By Investing Activities	<u>4,762</u>	<u>2,373</u>	<u>4,762</u>
Net Increase (Decrease) in Cash Equivalents	(78,105)	(314,359)	(78,105)
Cash and Cash Equivalents at Beginning of Year	<u>1,490,197</u>	<u>1,804,556</u>	<u>1,490,197</u>
Cash and Cash Equivalents at End of Year	<u>\$1,412,092</u>	<u>\$1,490,197</u>	<u>\$1,412,092</u>

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

(continued)

(continued)

	<u>Internal Service Self Insurance Current Year</u>	<u>Internal Service Self Insurance Prior Year</u>	<u>Total Proprietary Funds Current Year</u>
Reconciliation of Operating Income to net cash provided(Used) By Operating Activities			
Operating Income (Loss)	(\$1,382,867)	(\$1,365,327)	(\$1,382,867)
Changes in Current Items			
Decrease(Increase) in Accounts Receivable	0	347,907	0
Increase(Decrease) in Accounts Payable	0	(599,312)	0
Net Cash Provided(Used) by Operating Activities	<u>(\$1,382,867)</u>	<u>(\$1,616,732)</u>	<u>(\$1,382,867)</u>
Noncash Investing, Capital, and Financing Activities:			
Borrowing from capital debt	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Note: The above funds are all Enterprise Funds.

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

AUSTIN COUNTY, TEXAS  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$1,377,680</u>
Receivables (net of allowance for uncollectibles)	30,674
Due from Others	<u>0</u>
Total Assets	<u>\$1,408,354</u>
 <b>LIABILITIES</b>	
Accounts Payable	\$0
Due from Other Funds	0
Due to Others	<u>1,408,354</u>
Total Liabilities	<u>\$1,408,354</u>

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

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

I. Summary of Significant Accounting Policies

A. Reporting entity

Austin County operates under a County Judge – Commissioners’ Court type of government and provides the following services throughout the County: public safety (fire, ambulance, and law enforcement), environmental protection (sanitation), public transportation (highways and roads), health and welfare, culture and recreation, conservation (agriculture), public facilities, judicial and legal, election functions, and general and financial administrative services.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Unlimited Tax Road Bonds, Series 2009 Capital Projects Fund* accounts for construction projects and capital acquisition from the proceeds of this bond issue.

The *Road and Bridge Special Revenue Fund* and the F/M and Lateral Fund account for certain revenues and expenditures related to the construction and maintenance of roads and bridges within all County precincts.

The *TEEX/Homeland Security Grant Fund* accounts for a grant provided to improve security within the County.

Additionally, the County reports the following fund types:

The Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

Debt Service Funds account for the accumulation of resources to be used for the payment of principal and interest.

The *Capital Projects Fund* accounts for the construction of capital projects.

The *Internal Service Fund* accounts for the administration of the County's health insurance program.

Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other funds. These assets include collections of fines which are remitted to the state, investments held for trusts established by court order for individuals, and collections of various sources for certain other governments.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Government and the District to invest in obligations of the U.S. Treasury. Investments for the Government are reported at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

D. Assets, Liabilities, and Net Assets or Equity (continued)

2. Receivables and Payables (continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectible. The property tax receivable allowance is equal to a total of 1 percent of the current outstanding property taxes at September 30, 2011 and 10 percent of the delinquent outstanding property taxes at September 30, 2011.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the County bills the taxpayers. The County begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and Prepaid Items

Inventories of materials and supplies held by the General Fund are considered immaterial and thus are not accounted for in the Balance Sheet. In the General Fund, disbursements for supplies and materials are considered to be expenditures at the time of purchase. There were no inventory items at September 30, 2011.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. There were no prepaid items at September 30, 2011.

4. Restricted Assets

There were no restricted assets at September 30, 2011.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure items such as roads, highways, and bridges are not included.

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The County had a jail expansion project and several bridge projects during the current fiscal year.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	20
System Infrastructure	30
Heavy Equipment	7
Vehicles	5
Office Equipment	5
Computer Equipment	5

#### 6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in government-wide financial statements.

#### 7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



8. Fund Balances – Governmental Funds

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

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

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

**Unassigned**— all other spendable amounts.

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

Fund Balances:	
Restricted	
Administrative	\$61,404
Archives	87,091
Construction	2,211,535
Debt Service	431,564
Environmental Protection	3,421
Health	143,841
Judicial	89,861
Public Safety	498,881
Public Transportation	3,862,873
Committed	
Culture and Recreation	30,537
Unassigned	<u>1,720,971</u>
Total Fund Balance	<u>\$9,141,979</u>

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

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

## II. Reconciliation of Government-Wide and Fund Financial Statements

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$10,482,469 difference are as follows:

Bonds Payable	\$9,670,000
Unamortized Bond Premium	64,644
Capital Lease Payable	417,766
Accrued Interest Payable	50,186
Compensated Absences	279,873
	<u>\$10,482,469</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds" report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$24,552,684 difference are as follows:

Capital Assets Not Being Depreciated	\$4,985,364
Capital Assets Being Depreciated	91,417,596
Depreciation Expense	(71,850,276)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$24,552,684</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles)." The details of this \$450,109 difference are as follows:

Property Taxes Receivable	\$477,893
Allowance for Doubtful Accounts	<u>(27,784)</u>
Net	<u>\$450,109</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of this \$3,053,505 difference are as follows:

Fines and Fees Receivable	\$7,120,411
Allowance for Doubtful Accounts	<u>(4,066,906)</u>
Net	<u>\$3,053,505</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$1,436,430 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$1,792,153
Capital Outlay - Additions - Being Depreciated	3,060,317
Capital Outlay - Deletions - Net	0
Depreciation Expense	(3,416,040)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$1,436,430</u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

The original budget is adopted by the Commissioners' Court and filed with the County Clerk. Amendments are made during the year on approval by the Commissioners' Court.

The final amended budget is used in this report.

The budget should not be exceeded in any expenditure category under State law. Unused appropriations lapse at the end of each year.

The County Judge is, by statute, the Budget Officer of the County. She usually requests and relies on the assistance of the County Auditor to prepare the annual budget. After being furnished budget guidelines by the Commissioners' Court, the County Auditor prepares an estimate of revenues and a compilation of requested departmental expenditures and submits this data to the Commissioners' Court.

The Commissioners' Court invites various department heads to appear for a hearing concerning the departments' budget requests. Before determining the final budget, the Commissioners' Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the County Auditor's estimate of revenues and available cash. The final budget can be legally amended by the Commissioners' Court to whatever extent the Court desires as long as the amended figures do not exceed the County Auditor's estimate of revenues and available cash.

When the Budget has been adopted by the Commissioners' Court, the County Auditor is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the Commissioners' Court advised of the condition of the various funds and accounts. The level of control for each legally adopted annual operating budget is the fund.

Budgets for all budgeted General and Special Revenue Funds are adopted on a budgetary basis which is in conformity with generally accepted accounting principles (GAAP). Budgets for the 2011 fiscal year were adopted for the General Fund, the F/M and Lateral Fund, and the Road and Bridge Fund and other applicable non-major governmental funds.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2011, expenditures did not exceed appropriations in any fund.

C. Deficit fund equity

The county had no deficit fund balances as of September 30, 2011 except for the E Waste Collection Event fund which had a deficit fund balance of \$1,960, the Indigent Health Care fund which had a deficit fund balance of \$16,847, the TEEX/Homeland Security fund which had a deficit fund balance of \$187,525, and the law library fund which had a deficit fund balance of \$8,072. These deficits are expected to be liquidated by future resources of the funds.

IV. Detailed Notes on All Funds

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

Policies Governing Deposits and Investments

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

Cash

At year end, the carrying amount of the County's cash on hand and deposits was \$13,719,790, and the bank balance was \$11,931,160. All of the bank balance was covered by federal deposit insurance and collateralized by the pledging financial institution with marketable securities held by an agent in the County's name.

Investments

As of September 30, 2011, the County had the following investments:

Investment type	Rating*	Fair Value	Days to Maturity
Government sponsored investment pool (TexPool)	AAAm	<u>\$ 4,805</u>	1
Total Fair Value		<u>\$ 4,805</u>	

\* Standard and Poors

*Interest Rate Risk.* In accordance with its investment policy, the County manages its exposure to declines in fair value by limiting the weighted average maturity of its portfolio to less than three years.

*Credit Risk.* State law limits investments as described previously in Note I D.

*Concentration of Credit Risk.* The County's investment policy does not allow for an investment in any one issuer (other than investment pools) that is in excess of five percent of the fair value of the County's total investments.

*Custodial Credit Risk - Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County requires all deposits to be covered by Federal Depository Insurance Corporation (FDIC) insurance and/or collateralized by qualified securities pledged by the County's depository in the County's name and held by the depository's agent.

*Custodial Credit Risk - Investments.* For an investment, 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. The County's policy for investments does not restrict the amount which can be invested with an external investment pool created under the Texas Public Funds Investment Act. TexPool is an external investment pool and is not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Funds Investment Act provide for creation of public funds investments pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The fair value of investments in the pool is independently reviewed monthly. At September 30, 2011 the fair value of the position in TexPool approximates the fair value of the shares.

IV. Detailed Notes on All Funds (continued)

B. Receivables

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

	General Fund	Road and Bridge	F/M and Lateral Fund	Other Govern- mental	Total
<u>Receivables</u>					
Taxes	\$336,592	\$63,948	\$77,353		\$477,893
Fees and Fines	7,120,411				7,120,411
Accounts					0
Other		9,523		285,331	294,854
Gross Receivables	7,457,003	73,471	77,353	285,331	7,893,158
Less: Allowance for Uncollectibles	4,085,974	3,940	4,776		4,094,690
Net Total Receivables	<u>\$3,371,029</u>	<u>\$69,531</u>	<u>\$72,577</u>	<u>\$285,331</u>	<u>\$3,798,468</u>

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

	<u>Unavailable</u>
Delinquent Property Taxes	<u>\$ 450,109</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 450,109</u>

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

## C. Capital Assets

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

Governmental Activities:	Beginning			Ending
Capital Assets Not Being Depreciated:	Balances	Increases	Decreases	Balances
Land	\$225,462	\$0	\$0	\$225,462
Construction in Progress	2,967,749	1,792,153	0	4,759,902
<b>Total Capital Assets Not Being Depreciated:</b>	<b>3,193,211</b>	<b>1,792,153</b>	<b>0</b>	<b>4,985,364</b>
Capital Assets Being Depreciated:				
Building and Improvements	5,875,652	0	0	5,875,652
Machinery and Equipment	10,586,940	1,358,737	21,381	11,924,296
Infrastructure	71,916,068	1,701,580	0	73,617,648
<b>Total Capital Assets Being Depreciated:</b>	<b>88,378,660</b>	<b>3,060,317</b>	<b>21,381</b>	<b>91,417,596</b>
Less: Accumulated Depreciation for:				
Building and Improvements	4,695,237	96,845	0	4,792,082
Machinery and Equipment	6,006,081	1,699,083	21,381	7,683,783
Infrastructure	57,754,299	1,620,112	0	59,374,411
<b>Total Accumulated Depreciation</b>	<b>68,455,617</b>	<b>3,416,040</b>	<b>21,381</b>	<b>71,850,276</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>19,923,043</b>	<b>(355,723)</b>	<b>0</b>	<b>19,567,320</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$23,116,254</b>	<b>\$1,436,430</b>	<b>\$0</b>	<b>\$24,552,684</b>

The 2010-2011 depreciation is as follows:

Governmental Activities	
General Administration	17,044
Judicial	3,862
Financial Administration	32,960
Public Facilities	33,420
Public Safety	643,887
Public Transportation	2,679,794
Culture and Recreation	4,044
Conservation - Agriculture	1,029
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$3,416,040</b>

The infrastructure capital assets were not fully depreciated at September 30, 2011.

### Construction commitments

The major capital asset construction events during the 2010-2011 year were the jail expansion project and several bridge projects during the current fiscal year.



D. Interfund Receivables, Payables, and Transfers

There was a \$2,740 amount due from the Tax Road bond fund Series 2009 – Debt Service to the Tax Road bond fund Series 2009 – Construction at year’s end. This amount is expected to be liquidated in the 2012 year.

There were no interfund balances as of September 30, 2011. There were no advances at September 30, 2011. The following transfers to the insurance fund were recurring. The transfers to and from the non-major funds were non-recurrent and were for operating capital. The transfer to the insurance fund was for self-insurance.

<u>INTERFUND</u>	<u>ACCOUNT</u>	<u>AMOUNT</u>	<u>REASON</u>
<u>GENERAL FUND</u>			
	TRANSFER TO SELF INSURANCE FUND	\$1,000,000	HEALTH CARE
	TRANSFER TO INDIGENT HEALTH CARE FUNDS	148,000	HEALTH CARE
<u>ROAD AND BRIDGE FUND</u>			
	TRANSFER TO SELF INSURANCE FUND	300,000	HEALTH CARE
<u>TEEX/HOMELAND SECURITY FUND</u>			
	TRANSFER TO NON-MAJOR FUNDS	31,102	PUBLIC SAFETY
<u>TAX ROAD BOND SERIES 2009</u>			
	TRANSFER TO NON-MAJOR FUNDS	6,573	DEBT SERVICE
<u>NON-MAJOR FUNDS</u>			
	TRANSFER TO OTHER NON-MAJOR FUNDS	244,389	VARIOUS GOVERNMENT
		<u>\$1,730,064</u>	

E. Leases

Operating Leases

The government leases equipment under noncancelable operating leases. Total costs for such leases were \$36,893 for the year ended September 30, 2011. The future minimum lease payments for these leases are as follows:

Year Ending Sep. 30	<u>Amount</u>
2012	\$26,679
2013	18,889
2014	6,598
2015	294
Total	<u>\$ 52,460</u>

F. Long-Term Debt

Capital Leases: The government has entered into five capital lease agreements as lessee for financing the acquisition of one (1) skid steer loader, two (2) excavators, and three (3) Tahoes. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of its future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

Asset:	TWO	CAT		SKID	CHEVY	TOTAL
	TAHOES	EXCAVATOR	EXCAVATOR	STEER LOADER	TAHOE	
Cost	\$72,302	\$183,600	\$248,268	\$82,534	\$40,983	\$627,687
Less: Accumulated Depreciation	28,921	26,229	101,376	11,791	8,197	176,514
Total	<u>\$43,381</u>	<u>\$157,371</u>	<u>\$146,892</u>	<u>\$70,743</u>	<u>\$32,786</u>	<u>\$451,173</u>

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

YEAR	Governmental	
	Activities	Total
2012	\$96,047	\$96,047
2013	70,334	70,334
2014	70,334	70,334
2015	55,265	55,265
2016	55,265	55,265
2017	40,413	40,413
2018	51,462	51,462
2019	24,125	24,125
2020	24,125	24,125
2021	24,125	24,125
TOTAL MINIMUM LEASE PAYMENTS	<u>511,495</u>	<u>511,495</u>
LESS: AMOUNT REPRESENTING INTEREST	93,729	93,729
PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	<u>\$417,766</u>	<u>\$417,766</u>

The above debt is to be serviced by the General Fund and the Road and Bridge fund.

## Bonds

The government issues Bonds to provide funds for various County projects. The original amount of the bonds issued is \$5,000,000 and \$6,000,000, respectively. The bonds are direct obligations and pledge the full faith and credit of the government.

Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Certificate of Obligation - Series 2007	4.25%	\$4,015,000
Unlimited Tax Road Bonds - Series 2009	4.625%	5,655,000

The following is a summary of debt service requirements to maturity.

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2012	\$495,000	\$397,752
2013	515,000	376,652
2014	540,000	354,614
2015	560,000	331,722
2016	590,000	308,309
2017 to 2021	3,385,000	1,159,444
2022 to 2026	2,260,000	524,743
2027 to 2029	1,325,000	93,740
TOTALS	<u>\$9,670,000</u>	<u>\$3,546,976</u>

The above debt is to be serviced by the Debt Service funds.

The changes in long-term liabilities are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds	\$10,140,000	\$0	\$470,000	\$9,670,000	\$495,000	\$9,175,000
Bond Premium	66,430	0	1,786	64,644	0	64,644
Net Bonds	10,206,430	0	471,786	9,734,644	495,000	9,239,644
Notes Payable	165,000	0	165,000	0	0	0
Capital Leases	331,061	307,117	220,412	417,766	76,204	341,562
Compensated Absences	182,374	279,873	182,374	279,873	279,873	0
	<u>10,884,865</u>	<u>586,990</u>	<u>1,039,572</u>	<u>10,432,283</u>	<u>851,077</u>	<u>9,581,206</u>
Grand Total	<u>\$10,884,865</u>	<u>\$586,990</u>	<u>\$1,039,572</u>	<u>\$10,432,283</u>	<u>\$851,077</u>	<u>\$9,581,206</u>

The general fund and the road and bridge fund are used to service the compensated absences. The estimated amount due in the 2011-12 year is \$279,873. The compensated absences are deemed to be current liabilities.

The government-wide statement of activities includes \$851,077 as "non-current liabilities, due within one year".

The total amount of interest expensed in 2010-2011 is \$431,442.

V. Other Information

A. Risk Management

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

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

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

B. Related Party Transaction

There were no related party transactions during the year.

C. Subsequent Events

There were no subsequent events requiring disclosure.

D. Contingent Liabilities

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

The County was a defendant in the following cases:

***Leonides Ramos v DPS*** – alleges two DPS troopers arrested him and searched his car without probable cause after misidentifying him as a person with a warrant. It was a County Deputy that relayed the dispatcher's information about warrant to DPS troopers. Dismissed on October 11, 2011 for \$750.

***Cheryl Denise Brown v. Austin County***: alleged they were wrongfully arrested and detained by City of Sealy Police. County filed a motion to dismiss and motion was granted.

***Golden v. Austin County Sheriffs Dept***: claims against all defendants except 2 deputies were dismissed. The Insurance Pool has negotiated a settlement of the claims against deputies which are pending.

***Arthur Ray Harris v. Austin County***: injury/premises liability case brought by former inmate at county jail. Inmate was a trusty assisting in jail renovations. He alleges he was instructed to go to attic and retrieve a work light, while doing so he fell through roof and sustained injuries. County denies allegations and says Plaintiff was specifically instructed not to leave his work area. Parties have exchanged written discovery requests, but no dispositions have yet been taken.

***Michael Krumrey v. Austin County and County Sheriff's Office***: former Sheriff Deputy was terminated for refusing to follow an order to give a written statement regarding violations of the law by other Sheriff's Office personnel, which he had previously reported verbally. He said he was fired in retaliation for making the initial report, in violation of the Texas Whistleblower Act. The county admits the plaintiff was fired for refusing to provide a written statement, but denies he was wrongfully terminated. The parties have exchanged written discovery requests. No depositions have yet been taken. The County may pursue a settlement, depending on what discovery shows. The Country considers an unfavorable outcome unlikely.

E. Retirement Plan

Plan Description

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

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

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

## Funding Policy

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

The governing body elected to pay a rate of 7.24% for the 2010 and 8.09% for the 2011 year that did not exceed the actuarially determined rate as allowed by the provisions of the TCDRS Act.

The contribution rate payable by the employee members for calendar years 2010 and 2011 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

## Actuarial Valuation Information

	12/31/2008	12/31/2009	12/31/2010
Actuarial valuation date	12/31/2008	12/31/2009	12/31/2010
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	20.0	20.0	20.0
Asset valuation method	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value
Actuarial Assumptions			
Investment return	8.00%	8.00%	8.00%
Projected salary increases	5.3%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.00%	0.00%	0.00%



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

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09-30-2009	457,812	100%	-0-
09-30-2010	497,179	100%	-0-
09-30-2011	503,243	100%	-0-

**ANALYSIS OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Payroll ((b-a)/c)</u>
2010	\$16,224,321	\$18,203,533	\$1,979,212	89.1%	\$6,273,738	31.6%

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

F. Other Post employment Benefits

There are no post employment benefits.

REQUIRED SUPPLEMENTARY INFORMATION

AUSTIN COUNTY, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SEPTEMBER 30, 2011

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
 ANALYSIS OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
2008	\$13,391,368	\$15,855,667	\$1,884,299	88.1%	\$5,698,550	33.1%
2009	\$15,641,220	\$17,155,788	\$1,814,568	89.4%	\$6,027,493	30.1%
2010	\$16,224,321	\$18,203,533	\$1,979,212	89.1%	\$6,273,738	31.6%

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

AUSTIN COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2011

COUNTY	SPECIAL REVENUE														
	ARRA	ABANDONED VEHICLES	JAG GRANT FUND	CERT GRANT FUND	COLLECTION FEE/ESTRAY	ESTRAY	COURT HOUSE SECURITY	COURT REPORTER SERVICE FUND	CRIMINAL DA - HOT CHECK	DISTRICT ATTORNEY FOR-FUTURE	DONATIONS - LEPC AND CERT	COLLECTION EVENT	EMS/SPECIAL FUNDS	ENVIRO-MENTAL FUND CARE	INDIGENT HEALTH CARE
\$0	\$0	\$1,015	\$320	\$0	\$1,115	\$10,685	\$165,106	\$24,634	\$14,607	\$4,135	\$2,010	\$0	\$29,329	\$3,421	\$0
\$0	\$308	\$1,015	\$320	\$0	\$1,115	\$10,685	\$165,246	\$24,727	\$14,608	\$4,135	\$2,010	\$0	\$29,329	\$3,421	\$0
							140	93	1						

ASSETS  
 Cash and Cash Equivalents  
 Receivables (net of allowance for uncollectibles)  
 TOTAL ASSETS

LIABILITIES AND FUND BALANCES

Liabilities																
Accounts Payable	\$5,108							\$506								\$16,094
Due to Other Funds	3,272											1,960				753
Bank Overdraft	0	8,380	0	0	0	0	0	0	506	0	0	1,960	0	0	0	16,847
Total Liabilities																

Fund Balances  
 Restricted  
 Administrative  
 Archives  
 Construction  
 Debt Service  
 Environmental Protection  
 Health  
 Judicial  
 Public Safety  
 Committed  
 Culture and Recreation  
 Unassigned  
 Total Fund Balances

		1,015	320		1,115	10,685	165,246	24,727	14,102	4,135	2,010		29,329	3,421		
	(8,072)	1,015	320	0	1,115	10,685	165,246	24,727	14,102	4,135	2,010	(1,960)	29,329	3,421	(16,847)	(16,847)
	\$0	\$308	\$320	\$0	\$1,115	\$10,685	\$165,246	\$24,727	\$14,608	\$4,135	\$2,010	\$0	\$29,329	\$3,421	\$0	\$0

TOTAL LIABILITIES AND FUND BALANCES

(continued)

SPECIAL REVENUE

JUSTICE COURT BUILDING SECURITY	JUSTICE COURT TECH-NOLOGY	JUVENILE PROBATION SUPPORT	JUVENILE CASE MGMT	JUVENILE LONE STAR LIBRARIES	ICBP REGIONAL GRANT	POD GRANT	RECORDS MGMT COUNTY	RECORDS MGMT COUNTY	RECORDS MGMT COUNTY	PUBLIC PROPERTY FINANCIAL OBLIGATION	SHERIFFS FORFEITURE	DONATIONS/ SHERIFF LIBRARY	SPECIAL LIBRARY/ KNOX LIBRARY	SPECIAL LIBRARY/ W.E. FINANCE ZONE NO.1	TAX INCREMENT	TEXAS CAPITAL FUND GRANT	TEXAS VINE GRANT	
\$17,751	\$29,146	\$14,992	\$70,993	\$0	\$0	\$6,897	\$8,595	\$77,942	\$0	\$34,923	\$6,937	\$22,294	\$8,243	\$0	\$0	\$0	\$0	
			10				172	382	4,507						214,907	64,788		
\$17,751	\$29,146	\$14,992	\$71,003	\$0	\$0	\$6,897	\$8,767	\$78,324	\$4,507	\$34,923	\$6,937	\$22,294	\$8,243	\$0	\$214,907	\$64,788	\$0	
0	0	404	0	0	0	0	0	0	0	0	175	0	0	0	70,769	14,788	0	
						6,897	8,767	78,324	4,507								50,000	
17,751	29,146	14,588	71,003							34,923	6,762	22,294	8,243		144,138			
17,751	29,146	14,588	71,003	0	0	6,897	8,767	78,324	4,507	34,923	6,762	22,294	8,243	0	144,138	50,000	0	
\$17,751	\$29,146	\$14,992	\$71,003	\$0	\$0	\$6,897	\$8,767	\$78,324	\$4,507	\$34,923	\$6,937	\$22,294	\$8,243	\$0	\$214,907	\$64,788	\$0	

AUSTIN COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2011  
 (continued)

	CAPITAL PROJECTS				DEBT SERVICE				NON-MAJOR GOVERNMENTAL FUNDS
	TOBACCO LITIGATION SETTLEMENT	TRAFFIC FEES/ JUSTICE COURT	VIDEO/ COURT COSTS	CERTIFICATE OF OBLIGATION SER. 2007	TAX NOTE SER. 2004	CERTIFICATE OF OBLIGATION SER. 2007	TAX ROAD BONDS SER. 2009		
ASSETS									
Cash and Cash Equivalents	\$143,841	\$12,650	\$5,074	\$0	\$92,353	\$333,817	\$87,981	\$12,506	\$1,243,312
Receivables (net of allowance for uncollectibles)		3	20						285,331
<b>TOTAL ASSETS</b>	<b>\$143,841</b>	<b>\$12,653</b>	<b>\$5,094</b>	<b>\$0</b>	<b>\$92,353</b>	<b>\$333,817</b>	<b>\$87,981</b>	<b>\$12,506</b>	<b>\$1,528,643</b>

LIABILITIES AND FUND BALANCES

Liabilities									
Accounts Payable									\$22,287
Due to Other Funds								2,740	2,740
Bank Overdraft									91,542
Total Liabilities	0	0	0	0	0	0	0	2,740	116,569

Fund Balances									
Restricted									
Administrative									61,404
Archives									87,091
Construction					92,353				92,353
Debt Service						333,817	87,981	9,766	431,564
Environmental Protection									3,421
Health	143,841								143,841
Judicial									89,861
Public Safety		12,653	5,094						498,881
Committed									
Culture and Recreation									30,537
Unassigned									(26,879)
Total Fund Balances	143,841	12,653	5,094	0	92,353	333,817	87,981	9,766	1,412,074

<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$143,841</b>	<b>\$12,653</b>	<b>\$5,094</b>	<b>\$0</b>	<b>\$92,353</b>	<b>\$333,817</b>	<b>\$87,981</b>	<b>\$12,506</b>	<b>\$1,528,643</b>
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The notes to the financial statements are an integral part of this statement.

AUSTIN COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	SPECIAL REVENUE															
	COUNTY AND LATERAL ROAD	ARRA ABANDONED VEHICLES	JAG GRANT FUND	CERT GRANT FUND	COLLECTION FEE/ESTRAY	ESTRAY	COURT HOUSE SECURITY	COURT REPORTER SERVICE FUND	CRIMINAL DA-HOT CHECK	DISTRICT ATTORNEY FORFEITURE	DONATIONS - LEPC AND CERT	E WASTE COLLECTION EVENT	EMS/SPECIAL FUNDS	ENVIROMENTAL FUND	INDIGENT HEALTH CARE	
REVENUES																
Taxes																
Property																
Intergovernmental																
Charges for Services	27,551	21,707	114,898		14,532	22,957	5,010	88,068		7,373	0	61,053		2,536		
Interest							29			8						
Miscellaneous													12,911			
Total Revenues	27,551	21,707	0	114,898	0	14,532	22,957	5,010	88,097	7,381	0	61,053	12,911	2,536		4,418
EXPENDITURES																
Current:																
General Administration									88,908	7,381						
Legal																
Judicial							925									
Public Safety	34,395												19,908			
Culture and Recreation						12,188	14,364									
Health and Welfare																
Environmental Protection												32,500		11,864		137,564
Capital Projects -																
Capital Outlay and Other																
Debt Service																
Principal Retirement																
Interest Retirement																
Total Expenditures	27,551	34,395	0	115,255	0	12,188	14,364	925	88,908	7,381	0	32,500	19,908	11,864		137,564
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(12,688)	0	(357)	0	2,344	8,593	4,085	(811)	0	0	28,553	(6,997)	(9,328)		(133,146)
OTHER FINANCING SOURCES (USES):																
Operating Transfers In																
Operating Transfers Out																
Total Other Financing Sources (Uses)	0	0	0	31,102	0	0	0	0	0	0	0	0	0	0	0	148,000
Net Changes in Fund Balances	0	(12,688)	0	(357)	0	2,344	8,593	4,085	(811)	0	0	28,553	(6,997)	(9,328)		14,854
Fund Balances - Beginning	0	4,616	1,015	677	(31,102)	1,115	158,653	20,642	14,913	4,135	2,010	(30,513)	36,326	12,749		(31,701)
Fund Balances - Ending	\$0	(\$8,072)	\$1,015	\$320	\$0	\$1,115	\$165,246	\$24,727	\$14,102	\$4,135	\$2,010	(\$1,960)	\$29,329	\$3,421		(\$16,847)

(continued)



SPECIAL REVENUE

JUSTICE COURT BUILDING SECURITY	JUSTICE COURT TECH-NOLOGY	JUVENILE PROBATION SUPPORT	JUVENILE CASE MANAGEMENT	LONE STAR LIBRARIES GRANT	ICBP REGIONAL X GRANT	POD GRANT	RECORDS MANAGEMENT COUNTY	MANAGEMENT FEES	PROPERTY FINANCIAL OBLIGATION	SHERIFFS FORFEITURE	SPECIAL DONATIONS/ SHERIFF LIBRARY	SPECIAL LIBRARY/ KNOX LIBRARY	SPECIAL LIBRARY/ W. E. LIBRARY	TAX INCREMENT FINANCE ZONE NO.1	2007 PSIC GRANT	TEXAS CAPITAL FUND GRANT
4,061	16,892	11,325	19,248	4,777	9,617	15,000	13,663	30,243	4,507	45	3,404	40	0	244	366,920	6,874
		27					156			95,641						
4,061	16,892	11,352	19,248	4,777	9,617	15,000	13,663	30,399	4,507	95,686	3,404	40	14	244	366,920	6,874
1,923	10,904	15,607				4,150	0	18,229			7,658			16,902		
				4,777	10,715					75,681	7,658	2,648			222,488	6,874
									4,507	20,005	(4,254)	(2,608)	14	(16,658)	144,432	0
1,923	10,904	15,607	0	4,777	10,715	4,150	0	18,229	0	75,681	7,658	2,648	0	16,902	222,488	0
2,138	5,988	(4,255)	19,248	0	(1,098)	10,850	13,663	12,170	4,507	20,005	(4,254)	(2,608)	14	(16,658)	144,432	0
0	0	0	(11,232)	0	0	0	(6,000)	(23,416)								
2,138	5,988	(4,255)	8,016	0	(1,098)	10,850	7,663	(11,246)	4,507	20,005	(4,254)	(2,608)	14	(16,658)	144,432	0
15,613	23,158	18,843	62,987	0	1,098	(3,953)	1,104	89,570	0	14,918	11,016	24,902	8,229	16,658	(294)	50,000
\$17,751	\$29,146	\$14,588	\$71,003	\$0	\$0	\$6,897	\$8,767	\$78,324	\$4,507	\$34,923	\$6,762	\$22,294	\$8,243	\$0	\$144,138	\$50,000

AUSTIN COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011  
 (continued)

	CAPITAL PROJECTS				DEBT SERVICE			
	TOBACCO LITIGATION SETTLEMENT	TRAFFIC FEES/ JUSTICE COURT	VIDEO/ COURT COSTS	CERTIFICATE OF OBLIGATION SER. 2007	TAX NOTE SER. 2004	CERTIFICATE OF OBLIGATION SER. 2007	TAX ROAD BONDS SER. 2009	NON-MAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>								
Taxes								
Property				\$450,973	\$157,442		\$440,359	\$1,048,774
Intergovernmental	20,661							601,378
Charges for Services		11,036	1,659					296,821
Interest	238			370	137		352	1,907
Miscellaneous								120,357
Total Revenues	20,899	11,036	1,659	106	155	451,343	157,579	440,711
								2,069,237
<b>EXPENDITURES</b>								
Current:								
General Administration								39,281
Legal								96,289
Judicial			164					61,995
Public Safety								487,399
Public Transportation		11,060						27,551
Culture and Recreation								7,425
Health and Welfare								148,279
Environmental Protection								44,364
Capital Projects -								
Capital Outlay and Other				66,596				66,596
Debt Service								
Principal Retirement				280,000	165,000		190,000	635,000
Interest Retirement				169,295	3,503		249,619	422,417
Total Expenditures	0	11,060	164	66,596	0	449,295	168,503	439,619
								2,036,596
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,899	(24)	1,495	(66,490)	155	2,048	(10,924)	1,092
								32,641
<b>OTHER FINANCING SOURCES (USES):</b>								
Operating Transfers In	(10,000)					193,741		379,416
Operating Transfers Out	(10,000)	0	0	(193,741)	0	193,741	0	(244,389)
Total Other Financing Sources (Uses)	10,899	(24)	1,495	(260,231)	155	195,789	(10,924)	135,027
Net Changes in Fund Balances	132,942	12,677	3,599	260,231	92,198	138,028	98,905	167,668
Fund Balances - Beginning	\$143,841	\$12,653	\$5,094	\$0	\$92,353	\$333,817	\$87,981	1,244,406
Fund Balances - Ending								\$9,766
								\$1,412,074

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

AGENCY

AUSTIN COUNTY, TEXAS  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Juvenile Probation State	Drainage District No. 1	Court Costs	Bellville ISD Truancy	Sealy ISD Truancy	County Officer Monies	Total
<b>ASSETS</b>							
Cash and Cash Equivalents	\$75,909	\$61,517	\$142,979	\$1,146	\$111	\$1,096,018	\$1,377,680
Receivables (net of allowance for uncollectibles)	28,396		2,278				30,674
Due from Other Funds		0					0
Due from Others							0
<b>Total Assets</b>	<b>\$104,305</b>	<b>\$61,517</b>	<b>\$145,257</b>	<b>\$1,146</b>	<b>\$111</b>	<b>\$1,096,018</b>	<b>\$1,408,354</b>
<b>LIABILITIES</b>							
Accounts Payable							\$0
Due to Other Funds						\$0	0
Due to Others	104,305	61,517	145,257	1,146	111	1,096,018	1,408,354
<b>Total Liabilities</b>	<b>\$104,305</b>	<b>\$61,517</b>	<b>\$145,257</b>	<b>\$1,146</b>	<b>\$111</b>	<b>\$1,096,018</b>	<b>\$1,408,354</b>

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

<u>JUVENILE PROBATION STATE</u>	BALANCE 9/30/2011	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2011
<b>ASSETS</b>				
Cash and Cash Equivalents	\$71,268	\$4,641		\$75,909
Receivables (net of allowance for uncollectibles)	12,737	15,659		28,396
Due from Other Funds				0
Due from Others				0
Total Assets	<u>\$84,005</u>	<u>\$20,300</u>	<u>\$0</u>	<u>\$104,305</u>
<b>LIABILITIES:</b>				
Accounts Payable		\$2,393		\$2,393
Due to Other Funds				0
Due to Others	84,005	17,907	0	101,912
Total Liabilities	<u>84,005</u>	<u>20,300</u>	<u>0</u>	<u>104,305</u>

<u>DRAINAGE DISTRICT NO. 1</u>	BALANCE 9/30/2011	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2011
<b>ASSETS</b>				
Cash and Cash Equivalents	\$61,683	\$112	\$278	\$61,517
Receivables (net of allowance for uncollectibles)				0
Due from Other Funds				0
Due from Others				0
Total Assets	<u>\$61,683</u>	<u>\$112</u>	<u>\$278</u>	<u>\$61,517</u>
<b>LIABILITIES:</b>				
Accounts Payable				\$0
Due to Other Funds				0
Due to Others	61,683	112	278	61,517
Total Liabilities	<u>\$61,683</u>	<u>\$112</u>	<u>\$278</u>	<u>\$61,517</u>

	<u>COURT COSTS</u>			
	BALANCE 9/30/2011	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2011
<b>ASSETS</b>				
Cash and Cash Equivalents	\$165,080	\$489,954	\$512,055	\$142,979
Receivables (net of allowance for uncollectibles)	5,123	2,278	5,123	2,278
Due from Other Funds	0			0
Due from Others				0
Total Assets	<u>\$170,203</u>	<u>\$492,232</u>	<u>\$517,178</u>	<u>\$145,257</u>
<b>LIABILITIES:</b>				
Accounts Payable				\$0
Due to Other Funds				0
Due to Others	170,203	492,232	517,178	145,257
Total Liabilities	<u>\$170,203</u>	<u>\$492,232</u>	<u>\$517,178</u>	<u>\$145,257</u>

	<u>BELLVILLE ISD TRUANCY</u>			
	BALANCE 9/30/2011	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2011
<b>ASSETS</b>				
Cash and Cash Equivalents	\$504	\$642		\$1,146
Receivables (net of allowance for uncollectibles)				0
Due from Other Funds				0
Due from Others				0
Total Assets	<u>\$504</u>	<u>\$642</u>	<u>\$0</u>	<u>\$1,146</u>
<b>LIABILITIES:</b>				
Accounts Payable				\$0
Due to Other Funds				0
Due to Others	504	642	0	1,146
Total Liabilities	<u>\$504</u>	<u>\$642</u>	<u>\$0</u>	<u>\$1,146</u>

	<u>SEALY ISD TRUANCY</u>			
	BALANCE 9/30/2011	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2011
<b>ASSETS</b>				
Cash and Cash Equivalents	\$660	\$1,549	\$2,098	\$111
Receivables (net of allowance for uncollectibles)				0
Due from Other Funds				0
Due from Others				0
Total Assets	<u>\$660</u>	<u>\$1,549</u>	<u>\$2,098</u>	<u>\$111</u>
<b>LIABILITIES:</b>				
Accounts Payable				\$0
Due to Other Funds				0
Due to Others	660	1,549	2,098	111
Total Liabilities	<u>\$660</u>	<u>\$1,549</u>	<u>\$2,098</u>	<u>\$111</u>

<u>COUNTY OFFICER MONIES</u>	BALANCE 9/30/2011	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2011
<b>ASSETS</b>				
Cash and Cash Equivalents	\$868,451	\$227,567		\$1,096,018
Receivables (net of allowance for uncollectibles)				0
Due from Other Funds				0
Due from Others				0
Total Assets	<u>\$868,451</u>	<u>\$227,567</u>	<u>\$0</u>	<u>\$1,096,018</u>

<b>LIABILITIES:</b>				
Accounts Payable	\$0			\$0
Due to Other Funds	0		2,531	(2,531)
Due to Others	868,451	227,567	(2,531)	1,098,549
Total Liabilities	<u>\$868,451</u>	<u>\$227,567</u>	<u>\$0</u>	<u>\$1,096,018</u>

<u>TOTAL</u>	BALANCE 9/30/2011	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2011
<b>ASSETS</b>				
Cash and Cash Equivalents	\$1,167,646	\$724,465	\$514,431	\$1,377,680
Receivables (net of allowance for uncollectibles)	17,860	17,937	5,123	30,674
Due from Other Funds	0	0	0	0
Due from Others	0	0	0	0
Total Assets	<u>\$1,185,506</u>	<u>\$742,402</u>	<u>\$519,554</u>	<u>\$1,408,354</u>

<b>LIABILITIES:</b>				
Accounts Payable	\$0	\$2,393	\$0	\$2,393
Due to Other Funds	0	0	2,531	(2,531)
Due to Others	1,185,506	740,009	517,023	1,408,492
Total Liabilities	<u>\$1,185,506</u>	<u>\$742,402</u>	<u>\$519,554</u>	<u>\$1,408,354</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
- BUDGET AND ACTUAL



AUSTIN COUNTY, TEXAS  
 INDIGENT HEALTH CARE  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Miscellaneous	\$0	\$5,417	\$4,418	(\$999)
Total Revenues	0	5,417	4,418	(999)
<b>EXPENDITURES</b>				
Current:				
Public Safety				
Sheriff	26,000	137,564	137,564	0
Total Expenditures	26,000	137,564	137,564	0
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(26,000)	(132,147)	(133,146)	(999)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	384,299	384,299	148,000	(236,299)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	384,299	384,299	148,000	(236,299)
Net Changes in Fund Balances	358,299	252,152	14,854	(237,298)
Fund Balances - Beginning	(31,701)	(31,701)	(31,701)	
Fund Balances - Ending	\$326,598	\$220,451	(\$16,847)	(\$237,298)

AUSTIN COUNTY, TEXAS  
 CERTIFICATE OF OBLIGATION SREIES 2007  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property	\$448,075	\$448,075	\$450,973	\$2,898
Interest	1,220	1,220	370	(850)
Total Revenues	449,295	449,295	451,343	2,048
<b>EXPENDITURES</b>				
Current:				
Debt Service				
Principal Retirement	280,000	280,000	280,000	0
Interest Retirement	169,295	169,295	169,295	0
Total Expenditures	449,295	449,295	449,295	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	2,048	2,048
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	0	193,741	193,741	0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	193,741	193,741	0
Net Changes in Fund Balances	0	193,741	195,789	2,048
Fund Balances - Beginning	138,028	138,028	138,028	
Fund Balances - Ending	\$138,028	\$331,769	\$333,817	\$2,048

AUSTIN COUNTY, TEXAS  
TAX NOTE SERIES 2004  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property	\$150,882	\$157,442	\$157,442	\$0
Interest	100	138	137	(1)
Total Revenues	150,982	157,580	157,579	(1)
<b>EXPENDITURES</b>				
Current:				
Debt Service				
Principal Retirement	165,000	165,000	165,000	0
Interest Retirement	3,503	3,503	3,503	0
Total Expenditures	168,503	168,503	168,503	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,521)	(10,923)	(10,924)	(1)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(17,521)	(10,923)	(10,924)	(1)
Fund Balances - Beginning	98,905	98,905	98,905	
Fund Balances - Ending	\$81,384	\$87,982	\$87,981	(\$1)

AUSTIN COUNTY, TEXAS  
TAX ROAD BOND SERIES 2009  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property	\$438,930	\$440,359	\$440,359	\$0
Interest	689	689	352	(337)
Total Revenues	439,619	441,048	440,711	(337)
<b>EXPENDITURES</b>				
Current:				
Debt Service				
Principal Retirement	190,000	190,000	190,000	0
Interest Retirement	249,619	249,619	249,619	0
Total Expenditures	439,619	439,619	439,619	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	1,429	1,092	(337)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	0	6,573	6,573	0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	6,573	6,573	0
Net Changes in Fund Balances	0	8,002	7,665	(337)
Fund Balances - Beginning	2,101	2,101	2,101	
Fund Balances - Ending	\$2,101	\$10,103	\$9,766	(\$337)

AUSTIN COUNTY, TEXAS  
COUNTY AND LATERAL ROAD FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$26,000	\$27,551	\$27,551	\$0
Total Revenues	26,000	27,551	27,551	0
<b>EXPENDITURES</b>				
Current				
Public Transportation				
Road and Bridge	26,000	27,552	27,551	1
Total Expenditures	26,000	27,552	27,551	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(1)	0	1
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	0	(1)	0	1
Fund Balances - Beginning	0	0	0	
Fund Balances - Ending	\$0	(\$1)	\$0	\$1

**SINGLE AUDIT SECTION**

AUSTIN COUNTY, TEXAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

SOURCE AND TITLE OF GRANT	FEDERAL CFDA NUMBER	GRANTOR'S/ PASS-THROUGH GRANTOR'S NUMBER	PROGRAM EXPENDI- TURES
<b>FEDERAL ASSISTANCE</b>			
<b>NON-STIMULUS PROGRAMS</b>			
<b>U.S. Department of Health and Human Services</b>			
Passed Through			
Office of the Attorney General			
Child Support Enforcement-Title IV-D (NM) Fiscal Year 2008	93.563	NONE	19,364
Total U.S. Department of Health and Human Services			<u>19,364</u>
<b>Election Assistance Commission</b>			
Passed Through			
Texas Secretary of State			
Help America Vote Act Requirements Payments (NM)	90.401	NONE	10,778
Total Election Assistance Commission			<u>10,778</u>
<b>U.S. Department of Commerce</b>			
Passed Through			
Texas Department of Public Safety			
Public Safety Interoperable Communications Grant Program (PSIC) (M)	11.555	NONE	222,488
Total U.S. Department of Commerce			<u>222,488</u>
<b>U.S. Department of Homeland Security</b>			
Passed Through			
Texas Department of Public Safety			
Homeland Security Preparedness Technical Assistance Program (M)	97.073		573,207
CERT (NM)	97.053		11,277
Total U.S. Department of Homeland Security			<u>584,484</u>
<b>U.S. Department of Justice</b>			
Office of the Governor - Criminal Justice Division			
Crime Victim Assistance (NM)	16.575	1955704	37,997
Total U.S. Department of Justice			<u>37,997</u>
<b>TOTAL NON-STIMULUS PROGRAMS</b>			<u>875,111</u>
<b>STIMULUS PROGRAMS</b>			
<b>U.S. Department of Justice</b>			
Office of the Governor - Criminal Justice Division			
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories (M)	16.803	2,260,702	115,255
Total U.S. Department of Justice			<u>115,255</u>
<b>TOTAL STIMULUS PROGRAMS</b>			<u>115,255</u>
Total Federal Assistance			<u>\$990,366</u>

CFDA=CATALOGUE OF FEDERAL DOMESTIC ASSISTANCE NUMBER  
 M=MAJOR PROGRAM  
 NM=NONMAJOR PROGRAM  
 See Accompanying Notes to Schedule of Federal Financial Assistance

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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

To the Commissioners' Court  
Austin County, Texas

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Austin County, Texas as of and for the year ended September 30, 2011, which collectively comprise Austin County, Texas' basic financial statements and issued our report thereon dated May 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Austin County, Texas' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood of a misstatement of Austin County, Texas' financial statements that is more than inconsequential will not be prevented or detected by Austin County, Texas' internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting as described in the accompanying schedule of findings and questioned costs as 2011-1 and 2011-2.



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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We considered that some of the significant deficiencies are material weaknesses as described in the accompanying schedule of findings and questioned costs as 2011-3, 2011-4, and 2011-5.

### Compliance and Other Matters

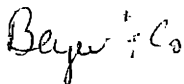
As part of obtaining reasonable assurance about whether Austin County, Texas' financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amount. 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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Austin County, Texas in a separate letter dated May 10, 2012.

Austin County, Texas' response to the findings identified in our audit (if any) is described in the accompanying schedule of findings and questioned costs. We did not audit Austin County, Texas' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, Commissioners' Court, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Beyer & Co.  
Certified Public Accountants  
May 10, 2012

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133

**Compliance**

We have audited the compliance of Austin County, Texas with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2011. Austin County, Texas' major federal program is identified in the summary of auditor's results section of the accompanying schedule of finds and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Austin County, Texas' management. Our responsibility is to express an opinion on Austin County, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Austin County, Texas' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Austin County, Texas' compliance with those requirements.

In our opinion, Austin County, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the ended September 30, 2011.

## Internal Control over Compliance

The management of Austin County, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Austin County, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of Austin County, Texas' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We considered that some of the control deficiencies to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2011-1 and 2011-2.

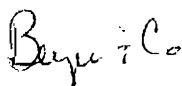
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We considered that some of the significant deficiencies to be material weaknesses as described in the accompanying schedule of findings and questioned costs as item 2011-3, 2011-4, and 2011-5.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section, and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed above, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

Austin County, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Austin County, Texas' response and, accordingly, we express no opinion on it.

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

Sincerely,



Beyer & Co.  
Certified Public Accountants  
May 10, 2012

AUSTIN COUNTY, TEXAS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

General

The accompanying Schedule of Expenditure of Federal Awards presents the activity of all Austin County, Texas's federal grants for the year ended September 30, 2011. This report is intended for the information of Austin County, Texas, state and federal awarding agencies, and is not intended to be used and should not be used by anyone other than these specified parties.

Basis of Accounting

The Schedule of Expenditure of Federal Awards is presented using the modified accrual basis of accounting.

Non Cash Grants

Austin County received no non-cash grants for the year ended September 30, 2011.

AUSTIN COUNTY, TEXAS  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Federal

There were no prior audit findings for Federal Awards.

AUSTIN COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Austin County, Texas.
2. There were two significant deficiencies disclosed during the audit listed below as findings 2011-1 and 2011-2. There were three material weakness disclosed during the audit listed below as findings 2011-3 and 2011-4.
3. There were no instances of noncompliance material to the financial statements of Austin County, Texas, which would be required to be reported in accordance with Government Auditing Standards.
4. There was one significant deficiency over major federal award programs disclosed during the audit listed below as finding 2011-1. There was one material weakness over major federal award programs disclosed during the audit listed below as finding 2011-3.
5. The auditor's report on compliance for the major federal award programs for Austin County, Texas expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs: Public Safety Interoperable Communications Grant Program (PSIC) CFDA No. 11.555 and Homeland Security Preparedness Technical Assistance Program CFDA No. 97.073.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Austin County did not qualify as a low-risk auditee.
10. Material Weaknesses
  - a. There were three material weakness disclosed during the audit listed below as findings 2011-3, 2011-4, and 2011-5.

Findings relating to the Financial Statements

2011-1 Segregation of Duties/ Review and Initialing

Condition: Due to the limited number of people working in the county offices, many critical duties are combined and given to the available employees.

Criteria: Internal controls should be in place that provides reasonable assurance that to the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible.

Effect: Because the County does not have proper segregation of duties the possibility exists that the financial statements can be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because it would be impracticable and expensive for the County to have a proper segregation of duties.

Recommendation: We recommend that the County look into the possibility of dividing up the accounting, bookkeeping/cash duties and/or to institute more oversight by management so as to avoid the possibility of financial statements being materially misstated either through mistake, error, or fraud.

Response: The County will make the necessary corrective action.

2011-2 Justice of the Peace No. 4

Condition: We noted that Justice of the Peace office No. 4 is submitting monthly reports that are not being signed off on by the Justice of the Peace before being submitted to the Treasurer.

Criteria: Internal controls should be in place that provides reasonable assurance that to the extent possible, duties are performed within the Justices' of the Peace offices to ensure the best control system as possible.

Effect: Because internal controls are lacking the possibility exists that the monthly reports and deposits and collections can be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because proper controls are lacking within the Justices' of the Peace offices; and because there is not proper oversight of the Justices' of the Peace offices.

Recommendation: We recommend the monthly reports be reviewed by the Treasurer or Auditor to verify there are no missing receipts, that deposits be made daily or weekly, and that monthly reports be reviewed, approved and signed by the respective Justices of the Peace before being submitted to the Treasurer. We also recommend that the County be more diligent in its oversight of the Justices' of the Peace offices.

Response: The County will make the necessary corrective action.

### 2011-3 Financial Statement Preparation

Condition: Recently issued auditing standards have clarified that the components of internal controls are the same for all entities, regardless of their size or other challenges that are present accordingly, auditors should be allowed to give exemptions or special relief to smaller entities when evaluating effective internal control. Certain internal controls that have often been overlooked by small governmental units relate to the annual financial reporting process. Annual financial reporting control objectives address the preparation of accurate annual financial statements and related note disclosures in accordance with generally accepted accounting principles. That is to say, the system of internal control over financial reporting does not stop at the County's general ledger. It includes controls over the actual financial statement preparation, including note disclosures.

We have drafted the financial statements and related note disclosures at the County's request. This was done because, due to its limited resources, the County decided to focus their financial accounting resources in other areas and utilize auditors to provide the draft financial statements in accordance with the highly technical pronouncements and requirements of generally accepted accounting principles. While we are not questioning the County's abilities to understand, analyze and accept the final financial statements, we cannot be considered part of the County's internal controls. Consequently, the initial preparation of the financial statements and related notes by the auditors is considered a control deficiency. The fact that we prepare the financial statements may give users more confidence that the financial statements are correct; however, it does not eliminate the control deficiency.

It is our responsibility to report this deficiency to increase your awareness of the accounting and auditing regulations; however, management can continue to make a conscious decision to continue to allow the auditors to assist in the drafting of the financial statements. To remedy the control deficiency related to the preparation of the annual financial statements, the County needs to ensure that appropriate personnel are in place and that they have the appropriate knowledge and tools to be an effective element of the internal control process either through training or addition of in-house personnel or through the use of outside consultants other than your auditors.

Criteria: Internal controls should be in place that provides reasonable assurance that the County has an individual on staff that is familiar with GAAP and who can apply Generally Accepted Accounting Principles to the County's financial statements.

Effect: Because the County does not have an individual on staff that is familiar with GAAP the County's governing body cannot adequately evaluate the County's financial position and results of operations on an ongoing basis.

Cause of Condition: This condition exists because it would be impractical and expensive for the County to have someone on staff who is familiar with Generally Accepted Accounting Principles because that individual would have to be a Certified Public Accountant at a minimum.

Recommendation: We recommend that the County look into the possibility of obtaining someone who is familiar with Generally Accepted Accounting Principles.

Response: The County will make the necessary corrective action.

#### 2011-4 Justices of the Peace

Condition: We noted that some voided receipts were not accounted for with written explanations for Justice of the Peace No. 4, that of fourteen (14) jackets tested at the Justice of the Peace No. 4 office three (3) were missing and unaccounted for, one receipt of those tested was backdated, the total amount of collections reflected on the reports was \$146.00 more than the deposits, Justice of the Peace No. 4 was making deposits only once per month during the test period, and Justice of the Peace No. 4 postings did not tie to the general ledger.

Criteria: Internal controls should be in place that provides reasonable assurance that to the extent possible, duties are performed within the Justices of the Peace's office to ensure the best control system as possible.

Effect: Because internal controls are lacking the possibility exists that the monthly reports and deposits and collections can be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because proper controls are lacking within the Justices' of the Peace offices; and that there is not proper oversight of the Justices' of the Peace offices.

Recommendation: We recommend that voided receipts be backed up with written explanations listing the reason(s) they were voided, that the monthly reports list receipt numbers in sequential order and that the reports be reviewed by the Treasurer to verify there are no missing receipts, that receipts be kept in respective jackets at all times, and that jackets be kept for all citations / cases. We also recommend that the County be more diligent in its oversight of the Justices' of the Peace offices.

Response: The County will make the necessary corrective action.



## 2011-5 Justices of the Peace

Condition: We noted that the minutes of the Commissioner's Court meetings are not presented to the Commissioner's Court for review, for approval and signed by the County Judge.

Criteria: Internal controls require that the independent auditors review the official minutes of the governing body of the audited organization.

Effect: Because the minutes are not authenticated by the governing body of the County they are not official thus their audit scope is being limited which may cause their audit report opinion to be qualified.

Cause of Condition: This condition exists because the minutes of the Commissioner's Court meetings are not presented for review, for approval and signed by the County Judge.

Recommendation: We recommend that the minutes of the Commissioner's Court meetings be presented for review, for approval and signed by the County Judge.

Response: The County

### Findings and Questioned Costs for Federal Awards

See 2011-1 above.

See 2011-3 above.

