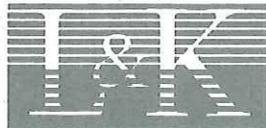


MC MULLEN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2014



Lovvorn & Kieschnick
CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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**MC MULLEN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2014**

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INTRODUCTORY SECTION

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MC MULLEN COUNTY, TEXAS

DIRECTORY OF OFFICIALS

DECEMBER 31, 2014

COMMISSIONERS COURT

James E. Teal
Larry Garcia
Murray Swaim
Scotty McClaugherty
Max Quintanilla

County Judge
Commissioner, Precinct No. 1
Commissioner, Precinct No. 2
Commissioner, Precinct No. 3
Commissioner, Precinct No. 4

OTHER COUNTY OFFICIALS

Mattie Sadovsky
Bessie Guerrero
Judy Wyatt
Debora Garza
Emmett Shelton
Kimberly Kreider-Dusek
Craig Franklin

District/County Clerk
Tax Assessor/Collector
Treasurer
Justice of the Peace
Sheriff
County Attorney
Constable

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FINANCIAL SECTION

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Lovvorn & Kieschnick, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge
and County Commissioners
McMullen County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McMullen County as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McMullen County as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and funding progress for the retirement plan and other post-employment benefits on pages 4-11 and 40-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McMullen County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by the provisions of the State of Texas, *Uniform Grant and Contract Management Standards* (UGCMS), and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2015, on our consideration of McMullen County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McMullen County's internal control over financial reporting and compliance.



Lovvorn & Kieschnick, LLP
August 31, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MC MULLEN COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

This discussion and analysis of McMullen County's (County) financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2014. The MD&A should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

Net Position The assets of McMullen County exceeded its liabilities and deferred inflows of resources at December 31, 2014 by \$12,598,121 (presented as "net position"). Of this amount \$6,863,482 was reported as "unrestricted net position." Unrestricted net position represents the amount not restricted by parties outside the County.

Changes in Net Position The County's total net position increased by \$5,035,960 (a 67% increase) in fiscal year 2014. The County only had governmental activities during the 2014 year.

Fund Highlights: Governmental Funds – Fund Balances As of the close of fiscal year 2014, the County's governmental funds reported a combined ending fund balance of \$13,668,168 which was an increase of \$2,683,787 in comparison with the prior year. At the end of the year, unassigned fund balance for the general fund was \$7,717,593 equal to 96% of total general fund expenditures including transfers to other funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County'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 required supplementary information in addition to the basic financial statements.

The Government-wide financial statements. *The government-wide financial statements* are designed to provide readers with a broad overview of the County's finances in a manner similar to private sector business. They present the financial picture of the County from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the County (including infrastructure) as well as all liabilities (including long-term debt) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables and receivables.

The *statement of net position* presents information on all of the County's assets, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Increases or decreases in net position contrasted with budgetary decisions should serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year using full accrual basis of accounting. All changes in net position 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 result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental funds 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 the County'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 the comparison between *governmental funds* and *governmental activities*.

The County maintains six individual governmental funds (excluding fiduciary funds): four special revenue funds, one construction fund, and the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Road and Bridge Fund, and the Sheriff's Federal Forfeiture Fund, which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget as a management control device during the year for the General Fund, and for the Road and Bridge Fund. The Required Supplementary Information includes a budgetary comparison schedule (original versus

final) for the General Fund and the Road and Bridge Fund to demonstrate compliance with budget.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. The County's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the County's other financial statements since the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the basic 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning general fund and major special revenue budgetary schedules and pension plan funding progress.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Of the County's total assets of \$41,878,154 the largest components are: 1) receivables which largely represent the unavailable taxes for FY2014 of \$15,187,132 or 36%, 2) cash and cash equivalents of \$16,405,774 or 39%, and 3) capital assets net of accumulated depreciation of \$5,379,868 or 13%. The receivables are offset by deferred inflows of resources: unearned 2014 tax revenues and advanced tax collections, since the FY2014 tax revenue is not recognized until FY2015 even though the levy takes place in FY2014. Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations. Liabilities consist of current liabilities of \$713,825 and noncurrent liabilities of \$7,555,000.

The County's net position for fiscal years ended December 31, 2014 and 2013 are summarized as follows:

	Governmental Activities		
	2014	2013	Total Percentage Change 2014-2013
Current and other assets	36,498,286	27,327,384	34%
Capital assets (net of depreciation)	5,379,868	4,799,076	12%
Total assets	<u>41,878,154</u>	<u>32,126,460</u>	30%
Current and other liabilities	713,825	687,540	4%
Long-term liabilities	7,555,000	8,995,000	-16%
Total liabilities	<u>8,268,825</u>	<u>9,682,540</u>	-15%
Deferred inflow of resources	<u>21,011,208</u>	<u>14,881,759</u>	41%
Net position:			
Net investment in capital assets	5,192,780	4,326,016	20%
Restricted	541,859	305,441	77%
Unrestricted	6,863,482	2,930,704	134%
Total net position	<u><u>12,598,121</u></u>	<u><u>7,562,161</u></u>	67%

Net Position – Net position may serve over time as a useful indicator of a County government's financial position. McMullen County's combined net position (government activities) totaled \$12,598,121 at the end of fiscal year 2014 compared to \$7,562,161 at the end of the previous year.

Of the County's total net position, (41%) reflects its investment in capital assets such as land, buildings, major improvements, equipment, and infrastructure (road and bridges), less any related debt used to acquire those assets that is still outstanding. McMullen County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental activities increased the County's net position by \$5,035,960. The key components of this change are the following:

McMullen County's Changes in Net Position

	Governmental Activities		
	2014	2013	Total Percentage Change 2014-2013
Revenues:			
Net Program revenues:			
Charges for services	2,061,001	1,606,526	28%
Operating grants and contributions	1,859,010	237,809	682%
Capital grants and contributions	-	-	0%
General revenues:			
Property taxes	15,390,252	7,800,011	97%
Investment earnings	9,531	14,717	-35%
Miscellaneous	399,535	294,598	36%
Total revenues	<u>19,719,329</u>	<u>9,953,661</u>	98%
Expenses:			
General Administration	1,482,665	584,447	154%
Judicial	495,046	337,679	47%
Elections	19,437	490	3867%
Financial Administration	852,840	688,240	24%
Public Facilities	939,077	415,841	126%
Public Safety	1,582,406	1,899,192	-17%
Environmental Protection	366,319	504,579	-27%
Public Transportation	8,673,611	5,570,420	56%
Health and Welfare	65,752	66,615	-1%
Culture and Recreation	2,210	2,814	-21%
Conservation	77,926	84,297	-8%
Interest and fiscal charges on debt	126,080	230,914	-45%
Total expenses	<u>14,683,369</u>	<u>10,385,528</u>	41%
Change in net position	5,035,960	(431,867)	1281%
Net position--beginning	<u>7,562,161</u>	<u>7,994,028</u>	-5%
Net position--ending	<u><u>12,598,121</u></u>	<u><u>7,562,161</u></u>	67%

Program revenues and expenses are presented net of interfund eliminations.

Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Program revenues of \$3,920,011 equaled 27% of government expenses of \$14,683,369. As expected, general revenues (\$15,799,318) provided most of the required support and coverage for expenses.
- The largest category of expenses is Public Transportation (\$8,673,611), while this category provided about 9% of total revenues of \$1,800,785.
- The next largest category of expenses is Public Safety (\$1,582,406) with \$370,325 in revenues, or about 2% of total revenues.
- General Administration expenses were \$1,482,665, with revenues of \$244,849, or about 1% of total revenues.
- Grant revenues and contributions comprised about 9% of revenues.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the County uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls have been the framework of the County's strong fiscal management and accountability.

Governmental funds. The general government functions are reported in the General and Special Revenue Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's annual financing and budgeting 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, the County's governmental funds reported combined ending fund balances of \$13,668,168, an increase of \$2,683,787 in comparison with the prior year. Approximately \$7,717,593 or 56% of the fund balance represents *unassigned fund balance*, which is available for spending at the County's discretion.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,717,593 while total fund balance reached \$8,016,019. As a measure of the general fund's liquidity, we compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 96% of total fund expenditures and transfers out.

General Fund Budgetary Highlights

For FY2014, actual expenditures were \$6,973,526 compared to the budget amount of \$10,490,654.

For FY2014, actual revenues were \$11,800,509 as compared to the budget amount of \$10,540,030.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2014 the County had \$11,099,095 invested in capital assets, including land, park and recreation facilities, buildings, roads, bridges and equipment. This amount represents a net increase (additions, deductions, and depreciation) of \$552,286, or 11% more than last year.

Capital Assets at Year-End

	Governmental Activities		
	2014	2013	Total Percentage Change 2014-2013
Land	734,179	400,125	83%
Buildings and Improvements	1,752,482	1,715,612	2%
Equipment and Vehicles	5,191,971	4,823,850	8%
Infrastructure	2,824,795	2,824,795	0%
Construction in Progress	595,668	251,870	136%
Subtotal	11,099,095	10,016,252	11%
Accumulated depreciation	(5,719,227)	(5,188,670)	10%
Capital assets, net	5,379,868	4,827,582	11%

Debt Outstanding

On January 10, 2013, the County issued \$9,000,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013. The proceeds will be used for various County infrastructure projects, certain County equipment, and purchase of land for a landfill. The debt will be paid by general tax revenues and limited pledged revenue. Principal payments are due annually, beginning February 15, 2013, and a final maturity date of February 15, 2019.

Debt Outstanding at Year-End

	<u>Governmental Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Certificates of Obligation	<u>7,555,000</u>	<u>8,995,000</u>	<u>(1,440,000)</u>
Totals	<u>7,555,000</u>	<u>8,995,000</u>	<u>(1,440,000)</u>

ECONOMIC CONDITION AND OUTLOOK

The County is in good financial condition as of December 31, 2014, and has adequate cash and cash equivalents to finance the 2015 County Budget. The position of the County has continued to be sound over the past year. Some of the factors which enabled the County to maintain this constant level were that all departments and agencies operated within the budget appropriations and Ad Valorem taxes were collected at a high percent.

Looking ahead, McMullen County will have to endure some years of careful operation and planning. Major improvements need to be made on county roads and public utilities due to the phenomenal increase in oil and gas activity within the county. Future budgets will present a challenge to maintain the County's record of financial stability and growth that has been routine for so long, until the taxes on increased valuations are collected.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the County Treasurer's Office at P.O. Box 37, Tilden, Texas 78072.

BASIC FINANCIAL STATEMENTS

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MC MULLEN COUNTY, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2014

Exhibit 1

ASSETS

Cash and Cash Equivalents	16,405,774
Receivables	
Taxes Receivable, Net	15,187,132
Grant Receivable	759,415
Due from Others	3,126,709
Fines Receivable, Net	1,019,256
Capital Assets	
Land	734,179
Buildings and Improvements	1,752,482
Equipment and Vehicles	5,191,971
Infrastructure	2,824,795
Construction In Progress	595,668
Less Accumulated Depreciation	(5,719,227)

TOTAL ASSETS 41,878,154

LIABILITIES

Accounts Payable	667,642
Accrued Interest Payable	46,183
Noncurrent Liabilities	
Due Within One Year	1,465,000
Due in More Than One Year	6,090,000

TOTAL LIABILITIES 8,268,825

DEFERRED INFLOWS OF RESOURCES

Deferred Revenues - Property Taxes	15,055,120
Advanced Tax Collections	5,956,088

TOTAL DEFERRED INFLOWS OF RESOURCES 21,011,208

NET POSITION

Net Investment In Capital Assets	5,192,780
Restricted For:	
Landfill	137,016
Law Enforcement	243,433
Technology	29,110
Records Management	20,000
Abandoned Vehicles	112,300
Unrestricted	6,863,482

TOTAL NET POSITION 12,598,121

The accompanying notes are an integral part of this statement.

**MC MULLEN COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Administration	1,482,665	244,849	-	-
Judicial	495,046	1,054,515	-	-
Elections	19,437	-	-	-
Financial	852,840	449,312	-	-
Public Facilities	939,077	-	-	-
Public Safety	1,582,406	147,826	222,499	-
Environmental Protection	366,319	-	-	-
Public Transportation	8,673,611	164,274	1,636,511	-
Health and Welfare	65,752	225	-	-
Culture and Recreation	2,210	-	-	-
Conservation	77,926	-	-	-
Interest and Fiscal Charges on Debt	126,080	-	-	-
Total Governmental Activities	14,683,369	2,061,001	1,859,010	-

General Revenues
Property Taxes
Investment Earnings
Miscellaneous
Total General Revenues

Change in Net Position
Net Position-Beginning
Net Position-Ending

The accompanying notes are an integral part of this statement.

Exhibit 2

Net (Expense)
Revenue and
Changes in Net Position

Governmental
Activities

(1,237,816)
559,469
(19,437)
(403,528)
(939,077)
(1,212,081)
(366,319)
(6,872,826)
(65,527)
(2,210)
(77,926)
(126,080)

(10,763,358)

15,390,252
9,531
399,535

15,799,318

5,035,960
7,562,161
12,598,121

**MC MULLEN COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	<u>GENERAL FUND</u>	<u>ROAD AND BRIDGE FUND</u>
ASSETS		
Cash and Cash Equivalents	7,813,271	6,429,387
Receivables		
Taxes Receivable, Net	9,112,280	6,074,852
Grant Receivable	-	759,415
Due From County Officials	1,988,483	1,138,226
Due From Other Funds	2,000,000	-
TOTAL ASSETS	<u><u>20,914,034</u></u>	<u><u>14,401,880</u></u>
LIABILITIES		
Accounts Payable	212,083	455,559
Due to Other Funds	-	2,000,000
Total Liabilities	<u>212,083</u>	<u>2,455,559</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenues - Property Taxes	79,207	52,805
Deferred Revenues - Property Taxes	9,033,073	6,022,047
Advanced Tax Collections	3,573,652	2,382,436
Total Deferred Inflows of Resources	<u>12,685,932</u>	<u>8,457,288</u>
FUND BALANCES		
Restricted	298,426	-
Committed	-	3,489,033
Assigned	-	-
Unassigned	7,717,593	-
Total Fund Balances	<u>8,016,019</u>	<u>3,489,033</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>20,914,034</u></u>	<u><u>14,401,880</u></u>

The accompanying notes are an integral part of this statement.

Exhibit 3

SHERIFF'S FEDERAL FORFEITURE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
232,179	1,930,937	16,405,774
-	-	15,187,132
-	-	759,415
-	-	3,126,709
-	-	2,000,000
<u>232,179</u>	<u>1,930,937</u>	<u>37,479,030</u>
-	-	667,642
-	-	2,000,000
-	-	<u>2,667,642</u>
-	-	132,012
-	-	15,055,120
-	-	5,956,088
-	-	<u>21,143,220</u>
232,179	11,254	541,859
-	-	3,489,033
-	1,919,683	1,919,683
-	-	7,717,593
<u>232,179</u>	<u>1,930,937</u>	<u>13,668,168</u>
<u>232,179</u>	<u>1,930,937</u>	<u>37,479,030</u>

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MC MULLEN COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO STATEMENT OF NET POSITION
 DECEMBER 31, 2014

Exhibit 3-R

Total fund balance - total governmental funds	\$ 13,668,168
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	5,379,865
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	132,012
Fines receivable, net of allowances for uncollectibles	1,019,256
Certificates of Obligation Payable	(7,555,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(46,180)
Net position of governmental activities - statement of net position	\$ <u>12,598,121</u>

The accompanying notes are an integral part of this statement.

**MC MULLEN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	GENERAL FUND	ROAD AND BRIDGE FUND
REVENUES		
Taxes	9,304,757	6,074,204
Licenses and Permits	-	164,274
Intergovernmental	222,499	1,636,511
Fees	774,721	-
Fines and Forfeitures	689,944	-
Interest Income	5,271	3,240
Other	339,827	59,708
Total Revenues	<u>11,337,019</u>	<u>7,937,937</u>
EXPENDITURES		
Current		
General Administration	1,460,513	-
Judicial	495,046	-
Elections	19,437	-
Financial Administration	852,840	-
Public Facilities	667,518	-
Public Safety	2,189,768	-
Environmental Protection	343,677	-
Public Transportation	212,972	8,496,696
Culture and Recreation	3,082	-
Health and Welfare	65,060	-
Conservation	72,763	-
Debt Service		
Principal Retirement	640,000	800,000
Interest and Fiscal Charges	53,106	81,776
Total Expenditures	<u>7,075,782</u>	<u>9,378,472</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>4,261,237</u>	<u>(1,440,535)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	-	1,000,000
Bond Proceeds	-	-
Transfers Out	(1,000,000)	-
Total Other Financing Sources (Uses)	<u>(1,000,000)</u>	<u>1,000,000</u>
Net Change in Fund Balances	3,261,237	(440,535)
Fund Balances at Beginning of Year	<u>4,754,782</u>	<u>3,929,568</u>
Fund Balances at End of Year	<u><u>8,016,019</u></u>	<u><u>3,489,033</u></u>

The accompanying notes are an integral part of this statement.

Exhibit 4

SHERIFF'S FEDERAL FORFEITURE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	15,378,961
-	-	164,274
-	-	1,859,010
-	-	774,721
88,040	4,227	782,211
105	915	9,531
-	-	399,535
<u>88,145</u>	<u>5,142</u>	<u>19,368,243</u>
-	1,564	1,462,077
-	-	495,046
-	-	19,437
-	-	852,840
-	219,974	887,492
-	8,664	2,198,432
-	-	343,677
-	-	8,709,668
-	-	3,082
-	-	65,060
-	-	72,763
-	-	1,440,000
-	-	134,882
<u>-</u>	<u>230,202</u>	<u>16,684,456</u>
<u>88,145</u>	<u>(225,060)</u>	<u>2,683,787</u>
-	12,007	1,012,007
(12,007)	-	(1,012,007)
<u>(12,007)</u>	<u>12,007</u>	<u>-</u>
76,138	(213,053)	2,683,787
156,041	2,143,990	10,984,381
<u>232,179</u>	<u>1,930,937</u>	<u>13,668,168</u>

MC MULLEN COUNTY, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
 THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2014

Exhibit 4-R

Net change in fund balance - total governmental funds	2,683,787
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the SOA.	1,125,522
The depreciation of capital assets used in governmental activities is not reported in the funds.	(573,237)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	11,291
Change in fines receivable	339,794
Repayment of capital lease and bond principal is an expenditure in the funds but is not an expense in the SOA.	1,440,000
(Increase) decrease in accrued interest from beginning of period to end of period	8,803
Change in net assets of governmental activities - statement of activities	<u><u>5,035,960</u></u>

The accompanying notes are an integral part of this statement.

MC MULLEN COUNTY, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2014

Exhibit 5

ASSETS	
Cash and Cash Equivalents	459,304
Total Assets	<u>459,304</u>
LIABILITIES	
Due to Others	459,304
Total Liabilities	<u>459,304</u>

The accompanying notes are an integral part of this statement.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

McMullen County, Texas (the County) was organized in 1873. The County operates using a commission form of government under the statutes and the Constitution of the State of Texas. The County (government) provides the following services throughout the County: public safety (fire, ambulance, and law enforcement), 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.

The financial statements of McMullen County, Texas have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements include all the funds and account groups of the County. There are no component units applicable to the County. Therefore, the primary government (McMullen County) is the same as the reporting entity. The County is not a component unit of any other entity.

B. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the County. The effect of interfund activity, within the governmental and business-type activities columns, 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 County had no business-type activities in 2014.

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

Fund Financial Statements

The County segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. The County had no proprietary activities in 2014.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The County has presented the following major governmental funds:

General Fund –

The General Fund is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, judicial, public welfare, health services and capital acquisition.

Road and Bridge Fund –

The Road and Bridge Fund is a special revenue fund that accounts for current funds used for the purpose of constructing and maintaining roads and bridges.

Sheriff's Federal Forfeiture Fund –

The Sheriff's Federal Forfeiture Fund is used to collect forfeiture monies and expend them for public safety.

Additionally, the County reports the following fund types:

Fiduciary Fund Types

Agency Funds –

Agency funds are used to account for money and property held by the County as trustee or agent for individuals, other governmental units and other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary 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. Major revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Governmental fund level financial statements are reported using 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred inflows of resources. Property taxes which were levied in September, 2014, and became due October 1, 2014 have been assessed to finance the budget of the fiscal year beginning January 1, 2015 and, accordingly, have been reflected as taxes receivable, and deferred inflows of resources: deferred revenues-property taxes, and advanced tax collections in the fund financial statements at December 31, 2014.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

D. Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances outstanding at year end are either canceled or appropriations are provided for in the subsequent year's budget.

E. Investments

The County can legally invest in certificates of deposit, obligations of the U.S. Government and its Agencies or instrumentalities, State obligations, local government investment pools and certain money market funds.

The County has implemented GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." As a governmental entity other than an external investment pool, in accordance with GASB 31 the County's investments are stated at market value, except for money market investments with remaining maturity of one year or less when purchased and nonparticipating interest earning investment contracts.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

F. Prepaid Items

Prepaid balances are for payments made by the County in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Inventories

The County records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory. Inventory at year end is immaterial.

H. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on capital assets.

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50	Years
Building Improvements	25	Years
System Infrastructure	50	Years
Vehicles	5	Years
Office Equipment	5	Years
Computer Equipment	5	Years

J. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. However, vacation time not taken by the end of the calendar year is not carried over to the next year. All regular full-time employees can accrue up to 480 hours of sick leave. There is no liability for unpaid accumulated sick leave or vacation pay since the County does not have a policy to pay any amounts when employees separate from service with the County. Therefore, no liability for these amounts is reported in government-wide financial statements.

K. Net Position and Fund Equity

In the government-wide financial statements, net position is reported in three categories: net position invested in capital assets, net of related debt; restricted net position; and unrestricted net position. Net position invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net position invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the County (such as creditors, grantors, contributors, laws, and regulations of other governments). All other net position is considered unrestricted.

In the fund financial statements, fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the Commissioners Court, the County's highest level of decision-making authority: Committed amounts cannot be used for any other purpose unless the Commissioners Court removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Commissioners Court. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the County intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Commissioners Court or by an official or body to which the Commissioners Court delegates the

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

L. Use of Estimates

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

M. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Noted	Not Applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None Reported	Not Applicable	Not Applicable

N. Accounting Pronouncements

Recently Issued and Adopted Accounting Announcements

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective for periods beginning after June 15, 2012, improves financial reporting by enhancing guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The County has implemented the new requirements for the fiscal year ended December 31, 2013 financial statements.

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. The County has implemented the new requirements for the Fiscal Year Ended December 31, 2013 financial statements.

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement 25*. GASB 67 improves financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this statement on the County's financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27*. GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluation the impact of the adoption of this statement on the County's financial statements.

2. CASH AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Texas 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, and (10) 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.

A. Cash Deposits

At December 31, 2014, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$16,865,078 and the bank balance was \$27,215,639. The County's cash deposits at December 31, 2014 and during the period ended December 31, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the trust department of the County's depository bank in the County's name. It is County policy not to carry unsecured bank balances. Deposits were properly secured for all months.

B. Investments

During fiscal year ended 2014, the County invested only in short-term certificates of deposit, which were classified as cash equivalents.

Interest Rate Risk – In accordance with state law and County policy, the County does not purchase any investments with maturities greater than 10 years.

Credit Risk – In accordance with state law and the County's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A.

Concentration of Credit Risk – The County does not place a limit on the amount the County may invest in any one issuer. The County does not have a concentration of credit risk.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

Custodial Credit Risk – For an investment, custodial credit risk 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 does not have a custodial credit risk.

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance January 1	Additions/ Completions	Retirements/ Adjustments	Balance December 31
Governmental Activities:				
Capital assets, not being depreciated				
Land	400,125	334,054	-	734,179
Construction in Progress	251,870	343,798	-	595,668
Total capital assets, not being depreciated	<u>651,995</u>	<u>677,852</u>	-	<u>1,329,847</u>
Capital assets, being depreciated				
Building and Improvements	1,715,612	36,870	-	1,752,482
Equipment and Vehicles	4,823,851	410,800	(42,680)	5,191,971
Infrastructure	2,824,795	-	-	2,824,795
Total capital assets, being depreciated	<u>9,364,258</u>	<u>447,670</u>	<u>(42,680)</u>	<u>9,769,248</u>
Less accumulated depreciation for:				
Buildings and Improvements	(448,966)	(34,759)	-	(483,725)
Equipment and Vehicles	(3,653,600)	(486,892)	42,680	(4,097,812)
Infrastructure	(1,086,104)	(51,586)	-	(1,137,690)
Total accumulated depreciation	<u>(5,188,670)</u>	<u>(573,237)</u>	<u>42,680</u>	<u>(5,719,227)</u>
Total capital assets, being depreciated, net	<u>4,175,588</u>	<u>(125,567)</u>	-	<u>4,050,021</u>
Governmental activities capital assets, net	<u>4,827,583</u>	<u>552,285</u>	-	<u>5,379,868</u>

Depreciation expense was charged to functions/programs of the County for the 2014 year as follows:

Governmental Activities:

General Administration	35,739
Public Facilities	51,585
Public Safety	261,788
Environmental Protection	22,642
Public Transportation	194,704
Health and Welfare	692
Culture and Recreation	924
Conservation - Agriculture	<u>5,163</u>

Total Depreciation Expense 573,237

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

4. LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2014 was as follows:

Description	Interest Rate Payable	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Governmental Activities:						
Certificates of Obligation	1.63%	8,995,000	-	1,440,000	7,555,000	1,465,000
Total Governmental Activities		8,995,000	-	1,440,000	7,555,000	1,465,000

The General Fund and the Road and Bridge Fund service the debt payments for the Certificates of Obligation.

The annual requirements for the Certificates of Obligation for years subsequent to December 31, 2014 are as follows:

Fiscal Year Ending December 31	Governmental Activities		
	Principal	Interest	Total
2015	1,465,000	111,207	1,576,207
2016	1,485,000	87,164	1,572,164
2017	1,510,000	62,755	1,572,755
2018	1,535,000	37,938	1,572,938
2019	1,560,000	12,714	1,572,714
TOTALS	7,555,000	311,778	7,866,778

5. PROPERTY TAXES

Levy and Collection –

Taxes levied by the County are levied and collected through the offices of the McMullen County Tax Assessor-Collector. Ad valorem taxes are due and payable from October 1 of the year in which levied until January 31 of the following year without interest or penalty. On February 1, unpaid taxes become subject to penalty and interest charges.

The County's taxes on real property are a lien against such property until paid. The County may foreclose on real property upon which it has a lien for unpaid taxes. Delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title to the property.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

Any liens and subsequent suits against the taxpayer for payment of delinquent personal property taxes are barred unless instituted within four years after the time such taxes become delinquent. Unlike real property, the sale or transfer of most personal property does not require any evidence that taxes thereon are paid. A lien on such property becomes enforceable as of January 1.

Taxes Receivable and Advance Tax Collections –

In the Governmental Funds, Current and Delinquent Taxes Receivable have been reported as Taxes Receivable in the assets section of the various balance sheets where applicable and offset in the deferred inflows of resources section. The Taxes Receivable is shown net of allowances for uncollectible accounts.

The “Unavailable Revenues-Property Taxes” consists of taxes levied in prior years, but not collected or available for operations at December 31, 2014. The “Deferred Revenues-Property Taxes” consists of taxes levied in 2014 and budgeted for 2015 operations, but not collected at December 31, 2014. The “Advance Tax Collections” consist of taxes levied and collected in 2014 but are budgeted for 2015 operations.

The County begins to collect taxes in October, levied for the subsequent year's budget. These advance tax collections are recognized in the deferred inflows of resources section of the various balance sheets where applicable in both the governmental funds and the government-wide statements.

Appraisal District –

The appraisal of property within the County is the responsibility of the county-wide appraisal district. The McMullen County Appraisal District (the District) is required under the Property Tax Code to assess all property within the District on the basis of one hundred (100) percent of its market value and is prohibited from applying any assessment ratios. The District, which began its appraisal and equalization functions in 1982, is governed by a Board of Directors elected by the governing bodies of certain taxing entities in the District. The Board of Directors appoints a Chief Appraiser to act as chief administrator of the Appraisal District and an Appraisal Review Board to equalize appraised values.

The County may challenge appraised values established by the District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. However, if the “effective tax rate” (excluding tax rates for bonds and other contractual obligations adjusted for new improvements) exceeds the rate for the previous year by more than eight (8) percent, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than eight (8) percent above the tax rate for the previous year. This legislation also provides that, if mandated by the qualified voters in the District, the collection function must be placed with the District.

Tax Rate –

The effective tax rate for the 2013 levy year was \$0.57 per \$100 assessed valuation. This tax roll was used for fiscal year 2014 operations. The 2014 tax roll is to be used for 2015 operations and its tax rate is \$0.53 per \$100 valuation.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

6. RECEIVABLES

Receivables for the County's individual major funds and nonmajor funds are as follows:

	<u>Property Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
Governmental activities:				
General Fund	9,112,280	-	1,988,483	11,100,763
Road and Bridge Fund	6,074,852	759,415	1,138,226	7,972,493
Totals	<u>15,187,132</u>	<u>759,415</u>	<u>3,126,709</u>	<u>19,073,256</u>

7. DEFERRED INFLOW OF RESOURCES

Deferred inflow of resources at year end consisted of the following:

<u>Description</u>	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Total</u>
Unavailable Revenue - Property Taxes	79,207	52,805	132,012
Deferred Revenues--Property Taxes	9,033,073	6,022,047	15,055,120
Advanced Tax Collections	<u>3,573,652</u>	<u>2,382,436</u>	<u>5,956,088</u>
Total Deferred Inflow of Resources	<u>12,685,932</u>	<u>8,457,288</u>	<u>21,143,220</u>

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables:

Balances due to and due from other funds at December 31, 2014, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Road and Bridge	<u>2,000,000</u>	Temporary Loan

All amounts due are scheduled to be paid within one year.

Interfund transfers:

	<u>Transfer In:</u>		
	<u>Road and Bridge Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Transfer Out:			
General Fund	1,000,000	-	1,000,000
Sheriff's Federal Forfeiture Fund	-	12,007	12,007
Total:	<u>1,000,000</u>	<u>12,007</u>	<u>1,012,007</u>

Interfund transfers to Road and Bridge Fund and Nonmajor Governmental Funds were to supplement funds sources.

9. PENSION PLAN

Plan Description.

McMullen 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 641 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.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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 10 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 80 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive an 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. It was 10.01% for calendar year 2014. The contribution rate payable by the employee members is the rate of 7.0% 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.

Annual Pension Cost. For the employer's accounting year ending December 31, 2014, the annual pension cost for the TCDRS plan for its employees was \$213,550, and the actual contributions were \$213,550.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2005, the basis for determining the contribution rate for calendar year 2013. The December 31, 2013 actuarial valuation is the most recent valuation.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

Actuarial Valuation Information

Actuarial valuation date	12/31/2011	12/31/2012	12/31/13
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	11.7	9.0	5.5
Asset valuation method	SAF 10-yr. smoothed value ESF: fund value	SAF 10-yr. smoothed value ESF: fund value	SAF 5-yr. smoothed value ESF: fund value
Actuarial Assumptions:			
Investment return*	8.00%	8.00%	8.00%
Projected salary increases*	5.40%	5.40%	4.90%
Inflation	3.50%	3.50%	3.00%
Cost-of-living adjustments	0.00%	0.00%	0.00%

*Includes inflation at the stated rate

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

<u>Accounting Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/12	\$156,314	100.00%	\$ -0-
12/31/13	\$186,638	100.00%	\$ -0-
12/31/14	\$213,550	100.00%	\$ -0-

Actuarial Assumptions.

McMullen County is one of 641 participating subdivisions having the benefit plan administered by TCDRS. Each of the 641 participating subdivisions has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2013 valuations are contained in the 2013 TCDRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 2034, Austin, Texas 78768-2034.

10. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has utilized the purchase of commercial insurance to cover any potential losses. Except for minimal deductibles, the County has transferred risk of loss to commercial issuers. There have been no significant reductions in insurance

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

coverage from coverage in the prior year. Settlement amounts have not exceeded insurance coverage for the year ended December 31, 2014 or the three prior years.

11. COMMITMENTS AND CONTINGENT LIABILITIES

In the opinion of County Attorney and management, there is no pending or threatened litigation against the County that would have a material effect on the County's financial position or operations.

The County participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

12. COMMITMENTS UNDER NONCAPITALIZED LEASES

Operating Leases:

The County leases equipment. Most of the leases are cancelable.

Minimum lease commitments for the next five years are immaterial.

13. CLOSING OF FUND

During the year, the Public Facilities Grant Construction Fund was closed into the General Fund.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

14. FUND BALANCES

The following is a summary of Governmental fund balances of the County at December 31, 2014:

<u>GENERAL FUND</u>	
Restricted:	
Landfill	137,016
Technology	29,110
Records Management	20,000
Abandoned Vehicles	112,300
	<u>298,426</u>
Unassigned	<u>7,717,593</u>
TOTAL GENERAL FUND BALANCE	<u>8,016,019</u>
<u>ROAD AND BRIDGE FUND</u>	
Committed:	
Highways, Streets and Bridges	<u>3,489,033</u>
<u>SHERIFF'S FEDERAL FORFEITURE FUND</u>	
Restricted:	
Law Enforcement	<u>232,179</u>
<u>OTHER GOVERNMENTAL FUNDS</u>	
Restricted:	
Law Enforcement	11,254
Assigned:	
Health Clinic	100
Capital Projects	<u>1,919,583</u>
TOTAL OTHER GOVERNMENTAL FUND BALANCE	<u>1,930,937</u>
TOTAL GOVERNMENTAL FUND BALANCE	<u><u>13,668,168</u></u>

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

15. RESTATEMENT OF FUND BALANCES AND NET POSITION

During the year ended December 31, 2014, management determined that prior year receivables had been overstated in the General Fund and understated in the Road and Bridge Fund. Restatement of beginning fund balance and government-wide net position is as follows:

	General Fund	Road and Bridge Fund	Net Position
Beginning Equity, as previously reported	4,784,947	3,927,908	7,590,666
Restatement for Receivables	(30,165)	1,660	(28,505)
Beginning Equity, as restated	<u>4,754,782</u>	<u>3,929,568</u>	<u>7,562,161</u>

REQUIRED SUPPLEMENTARY INFORMATION

Major General and Special Revenue Funds Budgetary Comparisons

The following are the Major governmental funds of the County:

The General Fund is utilized to account for all County revenues and expenditures except those which are required by law to be classified in other funds and such other funds that are presented separately to facilitate proper accountability.

The Road and Bridge Special Revenue Fund is used to account for costs associated with the construction and maintenance of roads and bridges in the County. Revenues are derived primarily from ad valorem taxes, vehicle registration charges, State Lateral Road Distribution funds, and interest.

TCDRS PENSION FUNDING PROGRESS

The Analysis of Funding Progress for the Retirement Plan for the Employees of McMullen County discloses pension trend data for the 2011-2013 years. The 2014 data will not be available until September 2015.

NOTES

The Notes to Required Supplementary Information provide information on the County's budget process.

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MC MULLEN COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	8,376,780	9,444,080	10,060,924	616,844
Licenses and Permits	-	-	-	-
Intergovernmental	55,450	55,450	94,710	39,260
Fees	513,000	514,000	724,794	210,794
Fines and Forfeitures	371,000	370,000	692,664	322,664
Interest Income	5,000	5,000	5,271	271
Other	151,500	151,500	222,146	70,646
Total Revenues	9,472,730	10,540,030	11,800,509	1,260,479
EXPENDITURES				
Current				
General Administration	1,459,546	1,645,546	1,426,909	218,637
Judicial	569,024	622,024	497,574	124,450
Elections	4,725	20,325	19,437	888
Financial Administration	988,329	1,038,329	851,279	187,050
Public Facilities	764,475	972,175	669,365	302,810
Public Safety	3,716,687	3,498,787	2,139,533	1,359,254
Environmental Protection	1,035,950	787,950	323,476	464,474
Public Transportation	243,726	243,726	212,162	31,564
Culture and Recreation	157,250	158,450	3,100	155,350
Health and Welfare	2,455,942	695,842	64,995	630,847
Conservation	107,500	107,500	72,590	34,910
Debt Service				
Principal Retirement	-	640,000	640,000	-
Interest and Fiscal Charges	-	60,000	53,106	6,894
Total Expenditures	11,503,154	10,490,654	6,973,526	3,517,128
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,030,424)</u>	<u>49,376</u>	<u>4,826,983</u>	<u>4,777,607</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Bond Proceeds	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance (Budgetary Basis)	<u>(2,030,424)</u>	<u>49,376</u>	4,826,983	<u>4,777,607</u>
Add (Deduct) Other Reconciling Items to Adjust from Budgetary Basis to Modified Accrual Basis				
Change in Amounts Due from County Officials			(99,708)	
Change in Other			210,132	
Change in Accounts Payable			(82,095)	
Change in Advanced Tax Collections			(721,865)	
Law Enforcement Grant			127,790	
Bond Proceeds			-	
Transfer Out			<u>(1,000,000)</u>	
Net Change in Fund Balance (GAAP Basis)			3,261,237	
Fund Balance (GAAP Basis), Beginning of Year			<u>4,754,782</u>	
Fund Balance (GAAP Basis), End of Year			<u>8,016,019</u>	

See accompanying notes to required supplementary information.

MC MULLEN COUNTY, TEXAS
ROAD AND BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	5,584,520	5,801,720	6,578,316	776,596
Licenses and Permits	140,000	140,000	163,988	23,988
Intergovernmental	10,000	870,040	877,096	7,056
Interest Income	1,650	2,310	3,240	930
Other	18,000	17,100	59,708	42,608
Total Revenues	<u>5,754,170</u>	<u>6,831,170</u>	<u>7,682,348</u>	<u>851,178</u>
EXPENDITURES				
Current				
Public Transportation:				
Road and Bridge	5,077,083	11,247,083	8,502,276	2,744,807
Debt Service				
Principal Retirement	800,000	800,000	800,000	-
Interest and Fiscal Charges	75,000	82,000	81,776	224
Total Expenditures	<u>5,952,083</u>	<u>12,129,083</u>	<u>9,384,052</u>	<u>2,745,031</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(197,913)</u>	<u>(5,297,913)</u>	<u>(1,701,704)</u>	<u>3,596,209</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance (Budgetary Basis)	<u>(197,913)</u>	<u>(5,297,913)</u>	<u>(1,701,704)</u>	<u>3,596,209</u>
Add (Deduct) Other Reconciling Items to Adjust from Budgetary Basis to Modified Accrual Basis				
Change in Amounts Due from County Officials			(22,582)	
Change in Accounts Payable			5,500	
Change in Advanced Tax Collections			(481,244)	
TXDOT Grant			759,495	
Transfer In			1,000,000	
Bond Proceeds			-	
Transfer Out			-	
Net Change in Fund Balance (GAAP Basis)			<u>(440,535)</u>	
Fund Balance (GAAP Basis), Beginning of Year			<u>3,929,568</u>	
Fund Balance (GAAP Basis), End of Year			<u>3,489,033</u>	

See accompanying notes to required supplementary information.

MC MULLEN COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS
LAST THREE VALUATION DATES

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(a)	(b)	(b-a)	(a/b)	(c) ¹	((b-a)/c)
12/31/2011	2,137,120	2,729,680	592,560	78.29%	1,232,415	48.08%
12/31/2012	2,209,713	2,829,900	620,187	78.08%	1,561,543	39.72%
12/31/2013	2,482,284	3,060,593	578,309	81.10%	1,864,141	31.02%

¹ The annual covered payroll is based on the employee contributions received by TCDRS for the year ending with the valuation date.

See accompanying Notes to Required Supplementary Information.

**MC MULLEN COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2014**

BUDGETS AND BUDGETARY ACCOUNTING

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

The final amended budget is used in this report.

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

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

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

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

Budgets for all budgeted General and Special Revenue Funds are adopted on a cash basis rather than in conformity with generally accepted accounting principles (GAAP). Budgets for the 2014 fiscal year were adopted for the General Fund and the Road and Bridge Fund.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES AS
SUPPLEMENTARY INFORMATION**

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NON-MAJOR GOVERNMENTAL FUNDS

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MC MULLEN COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2014

	SPECIAL REVENUE FUNDS		Total Special Revenue Funds	CONSTRUCTION FUNDS	
	Sheriff's State Forfeiture	Health Clinic		Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and Cash Equivalents	11,254	100	11,354	1,919,583	1,930,937
Due from Other Funds	-	-	-	-	-
Total Assets	<u>11,254</u>	<u>100</u>	<u>11,354</u>	<u>1,919,583</u>	<u>1,930,937</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted	11,254	-	11,254	-	11,254
Assigned	-	100	100	1,919,583	1,919,683
Total Fund Balance	<u>11,254</u>	<u>100</u>	<u>11,354</u>	<u>1,919,583</u>	<u>1,930,937</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>11,254</u>	<u>100</u>	<u>11,354</u>	<u>1,919,583</u>	<u>1,930,937</u>

**MC MULLEN COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>SPECIAL REVENUE FUNDS</u>		Total Special Revenue Funds	<u>CONSTRUCTION FUNDS</u>	Total Nonmajor Governmental Funds
	<u>Sheriff's State Forfeiture</u>	<u>Health Clinic</u>		<u>Capital Projects Fund</u>	
REVENUES					
Taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Fines & Forfeitures	4,227	-	4,227	-	4,227
Charges for Services	-	-	-	-	-
Interest Income	6	-	6	909	915
Miscellaneous	-	-	-	-	-
Total Revenues	<u>4,233</u>	<u>-</u>	<u>4,233</u>	<u>909</u>	<u>5,142</u>
EXPENDITURES					
Current					
General Administration	-	-	-	1,564	1,564
Judicial	-	-	-	-	-
Elections	-	-	-	-	-
Financial Administration	-	-	-	-	-
Public Facilities	-	-	-	219,974	219,974
Public Safety	8,664	-	8,664	-	8,664
Environmental Protection	-	-	-	-	-
Public Transportation	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Health and Welfare	-	-	-	-	-
Conservation	-	-	-	-	-
Debt Service					
Principal Retirement	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Total Expenditures	<u>8,664</u>	<u>-</u>	<u>8,664</u>	<u>221,538</u>	<u>230,202</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,431)</u>	<u>-</u>	<u>(4,431)</u>	<u>(220,629)</u>	<u>(225,060)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	12,007	-	12,007	-	12,007
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>12,007</u>	<u>-</u>	<u>12,007</u>	<u>-</u>	<u>12,007</u>
Net Change In Fund Balances	7,576	-	7,576	(220,629)	(213,053)
Fund Balances at Beginning of Year	3,678	100	3,778	2,140,212	2,143,990
Fund Balances at End of Year	<u>11,254</u>	<u>100</u>	<u>11,354</u>	<u>1,919,583</u>	<u>1,930,937</u>

ROAD AND BRIDGE SUB-FUNDS

**MC MULLEN COUNTY, TEXAS
SCHEDULE - COMBINING BALANCE SHEET
ROAD AND BRIDGE SUB-FUNDS
DECEMBER 31, 2014**

	<u>ROAD AND BRIDGE</u>		
	<u>Road and Bridge Precinct 1</u>	<u>Road and Bridge Precinct 2</u>	<u>Road and Bridge Precinct 3</u>
ASSETS			
Cash and Cash Equivalents	682,130	996,325	2,714,109
Receivables			
Taxes Receivable, Net	1,518,713	1,518,713	1,518,713
Grant Receivable	309,091	450,324	-
Due from County Officials	284,557	284,557	284,556
Total Assets	<u><u>2,794,491</u></u>	<u><u>3,249,919</u></u>	<u><u>4,517,378</u></u>
LIABILITIES			
Accounts Payable	163,299	273,560	8,567
Due to Other Funds	1,000,000	1,000,000	-
Total Liabilities	<u><u>1,163,299</u></u>	<u><u>1,273,560</u></u>	<u><u>8,567</u></u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues - Property Taxes	13,202	13,201	13,201
Deferred Revenues - Property Taxes	1,505,511	1,505,512	1,505,512
Advanced Tax Collections	595,609	595,609	595,609
Total Deferred Inflows of Resources	<u><u>2,114,322</u></u>	<u><u>2,114,322</u></u>	<u><u>2,114,322</u></u>
FUND BALANCES			
Committed	(483,130)	(137,963)	2,394,489
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>2,794,491</u></u>	<u><u>3,249,919</u></u>	<u><u>4,517,378</u></u>

SUB-FUNDS

Road and Bridge Precinct 4	Road Fund Right of Way	Total Road and Bridge Fund
1,997,193	39,630	6,429,387
1,518,713	-	6,074,852
-	-	759,415
284,556	-	1,138,226
<u>3,800,462</u>	<u>39,630</u>	<u>14,401,880</u>
10,133	-	455,559
-	-	2,000,000
<u>10,133</u>	<u>-</u>	<u>2,455,559</u>
13,201	-	52,805
1,505,512	-	6,022,047
595,609	-	2,382,436
<u>2,114,322</u>	<u>-</u>	<u>8,457,288</u>
1,676,007	39,630	3,489,033
<u>3,800,462</u>	<u>39,630</u>	<u>14,401,880</u>

**MC MULLEN COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ROAD AND BRIDGE SUB-FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>ROAD AND BRIDGE</u>	
	<u>Road and Bridge Precinct 1</u>	<u>Road and Bridge Precinct 2</u>
REVENUES		
Taxes	1,518,551	1,518,551
Licenses and Permits	41,069	41,069
Intergovernmental	698,069	927,941
Interest Income	444	473
Other	15,040	14,969
Total Revenues	<u>2,273,173</u>	<u>2,503,003</u>
EXPENDITURES		
Current		
Public Transportation:		
Road and Bridge	4,082,405	2,841,550
Debt Service		
Principal Retirement	160,000	320,000
Interest and Fiscal Charges	21,828	29,974
Total Expenditures	<u>4,264,233</u>	<u>3,191,524</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,991,060)</u>	<u>(688,521)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In - From General Fund	1,000,000	-
Transfers In - From Road and Bridge Sub-Funds	-	-
Bond Proceeds	-	-
Transfers Out - To Road and Bridge Sub-Funds	-	-
Total Other Financing Sources (Uses)	<u>1,000,000</u>	<u>-</u>
Net Change in Fund Balances	(991,060)	(688,521)
Fund Balances at Beginning of Year	<u>507,930</u>	<u>550,558</u>
Fund Balances at End of Year	<u>(483,130)</u>	<u>(137,963)</u>

SUB-FUNDS

Road and Bridge Precinct 3	Road and Bridge Precinct 4	Road Fund Right of Way	Total Road and Bridge Fund
1,518,551	1,518,551	-	6,074,204
41,068	41,068	-	164,274
-	-	10,501	1,636,511
1,352	956	15	3,240
14,866	14,833	-	59,708
<u>1,575,837</u>	<u>1,575,408</u>	<u>10,516</u>	<u>7,937,937</u>
877,770	694,971	-	8,496,696
160,000	160,000	-	800,000
14,987	14,987	-	81,776
<u>1,052,757</u>	<u>869,958</u>	<u>-</u>	<u>9,378,472</u>
<u>523,080</u>	<u>705,450</u>	<u>10,516</u>	<u>(1,440,535)</u>
-	-	-	1,000,000
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
523,080	705,450	10,516	(440,535)
1,871,409	970,557	29,114	3,929,568
<u>2,394,489</u>	<u>1,676,007</u>	<u>39,630</u>	<u>3,489,033</u>

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FIDUCIARY FUNDS

MC MULLEN COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Balance 01/01/2014	Additions	Deletions	Balance 12/31/2014
<u>PERMANENT SCHOOL FUND</u>				
ASSETS				
Cash in bank	112,209	5	-	112,214
	<u>112,209</u>	<u>5</u>	<u>-</u>	<u>112,214</u>
LIABILITIES				
Due to others	112,209	5	-	112,214
	<u>112,209</u>	<u>5</u>	<u>-</u>	<u>112,214</u>
<u>PERMANENT UNDISTRIBUTED FUND</u>				
ASSETS				
Cash in bank	91,046	97	-	91,143
	<u>91,046</u>	<u>97</u>	<u>-</u>	<u>91,143</u>
LIABILITIES				
Due to others	91,046	97	-	91,143
	<u>91,046</u>	<u>97</u>	<u>-</u>	<u>91,143</u>
<u>SHERIFFS PENDING ASSET FUND</u>				
ASSETS				
Cash in bank	2	-	-	2
	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
LIABILITIES				
Due to others	2	-	-	2
	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>

MC MULLEN COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (Continued)

	Balance 01/01/2014	Additions	Deletions	Balance 12/31/2014
<u>COUNTY-DISTRICT CLERK FUND</u>				
ASSETS				
Cash in bank	14,324	15,914	-	30,238
	<u>14,324</u>	<u>15,914</u>	<u>-</u>	<u>30,238</u>
LIABILITIES				
Due to others	14,324	15,914	-	30,238
	<u>14,324</u>	<u>15,914</u>	<u>-</u>	<u>30,238</u>
<u>JUSTICE OF THE PEACE FUND</u>				
ASSETS				
Cash in bank	209,578	-	2,725	206,853
	<u>209,578</u>	<u>-</u>	<u>2,725</u>	<u>206,853</u>
LIABILITIES				
Due to others	209,578	-	2,725	206,853
	<u>209,578</u>	<u>-</u>	<u>2,725</u>	<u>206,853</u>
<u>TAX ASSESSOR COLLECTOR FUND</u>				
ASSETS				
Cash in bank	161,346	-	169,057	(7,711)
	<u>161,346</u>	<u>-</u>	<u>169,057</u>	<u>(7,711)</u>
LIABILITIES				
Due to others	161,346	-	169,057	(7,711)
	<u>161,346</u>	<u>-</u>	<u>169,057</u>	<u>(7,711)</u>

MC MULLEN COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (Continued)

	Balance 01/01/2014	Additions	Deletions	Balance 12/31/2014
<u>DISTRICT CLERK COST ACCOUNT FUND</u>				
ASSETS				
Cash in bank	14,677	10,972	-	25,649
	<u>14,677</u>	<u>10,972</u>	<u>-</u>	<u>25,649</u>
LIABILITIES				
Due to others	14,677	10,972	-	25,649
	<u>14,677</u>	<u>10,972</u>	<u>-</u>	<u>25,649</u>
<u>DISTRICT COURT TRUST FUND</u>				
ASSETS				
Cash in bank	187,547	-	186,870	677
	<u>187,547</u>	<u>-</u>	<u>186,870</u>	<u>677</u>
LIABILITIES				
Due to others	187,547	-	186,870	677
	<u>187,547</u>	<u>-</u>	<u>186,870</u>	<u>677</u>
<u>DC TRUST FUND</u>				
ASSETS				
Cash in bank	189	-	-	189
	<u>189</u>	<u>-</u>	<u>-</u>	<u>189</u>
LIABILITIES				
Due to others	189	-	-	189
	<u>189</u>	<u>-</u>	<u>-</u>	<u>189</u>

MC MULLEN COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014
 (Continued)

	<u>Balance</u> <u>01/01/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2014</u>
<u>VOTER REGISTRATION CH 19 FUND</u>				
ASSETS				
Cash in bank	50	-	-	50
	<u>50</u>	<u>-</u>	<u>-</u>	<u>50</u>
LIABILITIES				
Due to others	50	-	-	50
	<u>50</u>	<u>-</u>	<u>-</u>	<u>50</u>
<u>TOTAL - AGENCY FUNDS</u>				
ASSETS				
Cash in bank	790,968	26,988	358,652	459,304
	<u>790,968</u>	<u>26,988</u>	<u>358,652</u>	<u>459,304</u>
LIABILITIES				
Due to others	790,968	26,988	358,652	459,304
	<u>790,968</u>	<u>26,988</u>	<u>358,652</u>	<u>459,304</u>

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STATE SINGLE AUDIT SECTION

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Lovvorn & Kieschnick, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's 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 Honorable County Judge
and County Commissioners
McMullen County, Texas

We have audited, in accordance with the 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 and the provisions of the State of Texas, *Uniform Grant and Contract Management Standards* (UGCMS), the basic financial statements of McMullen County (the County) as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise McMullen County's basic financial statements, and have issued our report thereon dated August 31, 2015.

Internal Control over Financial Reporting

In planning and performing our audit, we considered McMullen County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McMullen County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did

not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Lovvorn & Kieschnick, LLP
August 31, 2015



Lovvorn & Kieschnick, LLP
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control
Over Compliance Required by OMB Circular A-133**

To the Honorable County Judge
and County Commissioners
McMullen County, Texas

Report on Compliance for Each Major State Program

We have audited McMullen County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the provisions of the State of Texas, *Uniform Grant and Contract Management Standards* (UGCMS) that could have a direct and material effect on each of McMullen County's major state programs for the year ended December 31, 2014. McMullen County's major state programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of McMullen County's major state programs based on our audit of the types of compliance requirements referred to above. 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the provisions of the State of Texas, *Uniform Grant and Contract Management Standards* (UGCMS). Those standards and OMB Circular A-133 require that we 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 state program occurred. An audit includes examining, on a test basis, evidence about McMullen

County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on McMullen County's compliance.

Opinion on Each Major State Program

In our opinion, McMullen County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of McMullen County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered McMullen County's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and UGCMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of McMullen County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than as material weakness in internal control over compliance, yet important enough to merit by those charged with governance

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and UGCMS. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Lovvorn & Kieschnick, LLP

Lovvorn & Kieschnick, LLP
August 31, 2015

MC MULLEN COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. State Awards

Internal control over major programs:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with State of Texas Single Audit Circular Yes X No

Identification of major programs:

<u>Grant Number</u>	<u>Name of State Program</u>
CTIF-01-162	County Transportation Infrastructure Fund

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

B. Financial Statement Findings

NONE

C. State Award Findings and Questioned Costs

NONE

MC MULLEN COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
N/A - No prior findings		

MC MULLEN COUNTY, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2014

Program

None

Corrective Action Plan

No corrective action required

MC MULLEN COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Grantor Agency/Program Title</u>	<u>Grant Contract Number</u>	<u>Expenditures</u>
Texas Department of Public Safety		
County Transportation Infrastructure Fund	CTIF-01-162	
Precinct 1 - Old Fowlerton Road		\$ 872,587
Precinct 2 - Franklin Ranch Road		<u>1,159,926</u>
Total County Transportation Infrastructure Fund		<u>2,032,513</u>
Passed Through Texas Homeland Security		
State Administrative Agency		
Local Border Security Program	LBSP-14-0050	21,960
Total Texas Department of Public Safety		<u>2,054,473</u>
Texas Indigent Defense Commission		
Formula Grant		<u>13,357</u>
Total State Financial Assistance		<u><u>\$ 2,067,830</u></u>

The accompanying notes are an integral part of this schedule.

MC MULLEN COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Basis of Presentation

The accompanying schedule of expenditures of state awards includes the state grant activity of McMullen County, Texas and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and UGCMS. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.