

MC MULLEN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2011



Lovvorn & Kieschnick

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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**MC MULLEN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2011**

TABLE OF CONTENTS

INTRODUCTORY SECTION

Directory of Officials.....i

FINANCIAL SECTION

Independent Auditor's Report..... 1
Management's Discussion and Analysis 3
Basic Financial Statements:
 Government-wide Financial Statements:
 Statement of Net Assets – Exhibit 1.....11
 Statement of Activities – Exhibit 2.....12
 Fund Financial Statements:
 Balance Sheet – Governmental Funds – Exhibit 3..... 14
 Reconciliation of the Governmental Funds Balance Sheet
 to Statement of Net Assets – Exhibit 3-R 16
 Statement of Revenues, Expenditures and Changes
 in Fund Balances – Governmental Funds – Exhibit 4.....17
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities – Exhibit 4-R19
 Statement of Fiduciary Assets and Liabilities – Agency Funds – Exhibit 5.....20
 Notes to Financial Statements.....21
Required Supplementary Information:
 Schedule of Revenues, Expenditures and Changes in Fund Balances –
 Budget (Non-GAAP Budgetary Basis) and Actual:
 General Fund38
 Road and Bridge Fund.....39
 Texas County and District Retirement System Analysis of Funding Progress..40
 Notes to Required Supplementary Information41
Combining and Individual Fund Financial Statements and Schedules as
Supplementary Information:
 Non-Major Governmental Funds:
 Combining Balance Sheet42
 Combining Statement of Revenues, Expenditures and Changes
 in Fund Balances44

Road and Bridge Sub-Funds:	
Schedule – Combining Balance Sheet.....	46
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	48
Fiduciary Funds:	
Agency Funds:	
Combining Statement of Changes in Assets and Liabilities.....	50

INTRODUCTORY SECTION

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MC MULLEN COUNTY, TEXAS

DIRECTORY OF OFFICIALS

DECEMBER 31, 2011

COMMISSIONERS COURT

James E. Teal
Tim Teal
Murray Swaim
Paul Koonce
Max Quintanilla

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

OTHER COUNTY OFFICIALS

Rene Garza
Angel Bostwick
Judy Wyatt
James L. Rayes
Bruce Thomas
Melanie Martin
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

CERTIFIED PUBLIC ACCOUNTANTS

418 Peoples Street, Suite 308 tele 361-884-8897
Corpus Christi, TX 78401 fax 361-884-3457

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, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of McMullen County management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McMullen County as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 38 through 41 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.

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

Lovvorn & Kieschnick, LLP

Lovvorn & Kieschnick, LLP
August 22, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MC MULLEN COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(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, 2011. 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 Assets The assets of McMullen County exceeded its liabilities at December 31, 2011 by \$7,731,843 (presented as "net assets"). Of this amount \$2,913,446 was reported as "unrestricted net assets." Unrestricted net assets represent the amount not restricted by parties outside the County.

Changes in Net Assets The County's total net assets decreased by \$401,831 (a 6% decrease) in fiscal year 2011. The County only had governmental activities during the 2011 year.

Fund Highlights: Governmental Funds – Fund Balances As of the close of fiscal year 2011, the County's governmental funds reported a combined ending fund balance of \$3,250,815 which was a decrease of \$1,058,620 in comparison with the prior year. At the end of the year, unassigned fund balance for the general fund was \$1,588,671 equal to 52% 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). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables and receivables.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets 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 assets changed during the most recent fiscal year using full accrual basis of accounting. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will 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 seven individual governmental funds (excluding fiduciary funds): four special revenue funds, two construction funds, 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 \$11,374,947 the largest components are: 1) cash and cash equivalents of \$3,786,497 or 33%, 2) receivables which largely represent the deferred taxes for FY2011 of \$3,179,664 or 28%, and 3) capital assets net of accumulated depreciation of \$4,408,786 or 39%. The receivables are offset by deferred revenue and advanced tax collections, since the FY2012 tax revenue is not recognized until FY2012 even though the levy takes place in FY2011. Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations. Out of \$3,643,104 total liabilities, \$3,544,124 are current liabilities, including deferred taxes and advanced tax collections.

The County's net assets for fiscal years ended December 31, 2011 and 2010 are summarized as follows:

	Governmental Activities		
	2011	2010	Total Percentage Change 2011-2010
Current and other assets	6,966,161	7,107,678	-2%
Capital assets (net of depreciation)	4,408,786	3,826,089	15%
Total assets	11,374,947	10,933,767	4%
Current and other liabilities	3,544,124	2,650,464	34%
Long-term liabilities	98,980	149,629	-34%
Total liabilities	3,643,104	2,800,093	30%
Net assets:			
Invested in capital assets, net of related debt	4,309,806	3,676,460	17%
Restricted	508,591	1,128,280	-55%
Unrestricted	2,913,446	3,328,934	-12%
Total net assets	7,731,843	8,133,674	-5%

Net Assets – Net assets may serve over time as a useful indicator of a County government's financial position. McMullen County's combined net assets (government activities) totaled \$7,731,843 at the end of fiscal year 2011 compared to \$8,133,674 at the end of the previous year.

Of the County's total net assets, (56%) 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 decreased the County's net assets by \$401,831. The key components of this change are the following:

McMullen County's Changes in Net Assets

	Governmental Activities		
	2011	2010	Total Percentage Change 2011-2010
Revenues:			
Net Program revenues:			
Charges for services	1,080,092	806,762	34%
Operating grants and contributions	141,591	176,209	-20%
Capital grants and contributions	3,000	460,657	-99%
General revenues:			
Property taxes	2,494,050	2,463,111	1%
Investment earnings	35,746	48,110	-26%
Miscellaneous	278,345	1,531,704	-82%
Total revenues	4,032,824	5,486,553	-26%
Expenses:			
General Administration	510,585	403,431	27%
Judicial	202,202	181,534	11%
Elections	2,391	-	0%
Financial Administration	379,478	341,759	11%
Public Facilities	158,977	239,703	-34%
Public Safety	1,084,294	802,815	35%
Environmental Protection	403,998	289,798	39%
Public Transportation	1,551,385	1,153,501	34%
Health and Welfare	59,180	58,088	2%
Culture and Recreation	1,770	1,822	-3%
Conservation	77,725	71,212	9%
Interest and fiscal charges on debt	2,670	6,700	-60%
Total expenses	4,434,655	3,550,363	25%
Change in net assets	(401,831)	1,936,190	-121%
Net assets--beginning	8,133,674	6,197,484	31%
Net assets--ending	7,731,843	8,133,674	-5%

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 \$1,224,683 equaled 28% of government expenses of \$4,434,655. As expected, general revenues (\$2,808,141) provided most of the required support and coverage for expenses.
- The largest category of expenses is Public Transportation (\$1,551,385), while this category provided about 5% of total revenues of \$211,951.
- The next largest category of expenses is Public Safety (\$1,084,294) with \$217,967 in revenues, or about 5% of total revenues.
- General Administration expenses were \$510,585, with revenues of \$373,227, or about 9% of total revenues.
- Grant revenues and contributions comprised about 4% 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 \$3,250,815, a decrease of \$1,058,620 in comparison with the prior year. Approximately \$1,375,891 or 42% 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 \$1,558,671 while total fund balance reached \$1,681,671. 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 52% of total fund expenditures and transfers out.

General Fund Budgetary Highlights

For FY2011, actual expenditures were \$2,872,889 compared to the budget amount of \$3,241,889.

For FY2011, actual revenues were \$3,001,321 as compared to the budget amount of \$2,674,250.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2011 the County had \$8,436,172 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 \$582,696, or 15% more than last year.

Capital Assets at Year-End

	Governmental Activities		Total Percentage Change 2011-2010
	2011	2010	
Land	221,652	134,152	65%
Buildings and Improvements	1,372,209	1,197,853	15%
Equipment and Vehicles	3,710,754	3,362,646	10%
Infrastructure	2,824,795	2,824,795	0%
Construction in Progress	306,762	-	0%
Subtotal	8,436,172	7,519,446	12%
Accumulated depreciation	(4,027,386)	(3,693,357)	9%
Capital assets, net	4,408,786	3,826,089	15%

Debt Outstanding

At year-end, the County had \$98,980 in capital leases outstanding versus \$149,629 last year, a decrease of \$50,649.

Debt Outstanding at Year-End

	<u>Governmental Activities</u>		
	<u>2011</u>	<u>2010</u>	<u>Decrease</u>
Capital Leases	98,980	149,629	50,649
Totals	<u>98,980</u>	<u>149,629</u>	<u>50,649</u>

Subsequent Event

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.

ECONOMIC CONDITION AND OUTLOOK

The County is in good financial condition as of December 31, 2011, and has adequate cash and cash equivalents to finance the 2012 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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**MCMULLEN COUNTY, TEXAS
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

Exhibit 1

ASSETS	
Cash and Cash Equivalents	3,786,497
Receivables	
Taxes Receivable, Net	2,463,028
Due from Others	648,447
Fines Receivable, Net	68,189
Capital Assets	
Land	221,652
Buildings and Improvements	1,372,209
Equipment and Vehicles	3,710,754
Infrastructure	2,824,795
Construction In Progress	306,762
Less Accumulated Depreciation	(4,027,386)
TOTAL ASSETS	<u><u>11,374,947</u></u>
LIABILITIES	
Accounts Payable	150,335
Deferred Tax Revenues	2,359,995
Advanced Tax Collections	1,033,794
Noncurrent Liabilities	
Due Within One Year	50,725
Due in More Than One Year	48,255
TOTAL LIABILITIES	<u><u>3,643,104</u></u>
NET ASSETS	
Investments In Capital Assets, Net of Related Debt	4,309,806
Restricted For:	
Landfill	123,000
Law Enforcement	385,591
Unrestricted	2,913,446
TOTAL NET ASSETS	<u><u>7,731,843</u></u>

The accompanying notes are an integral part of this statement.

**MCMULLEN COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Administration	510,585	373,227	-	-
Judicial	202,202	298,567	-	-
Elections	2,391	-	-	-
Financial	379,478	122,971	-	-
Public Facilities	158,977	-	-	-
Public Safety	1,084,294	83,966	131,001	3,000
Environmental Protection	403,998	-	-	-
Public Transportation	1,551,385	201,361	10,590	-
Health and Welfare	59,180	-	-	-
Culture and Recreation	1,770	-	-	-
Conservation	77,725	-	-	-
Interest on Long Term Debt	2,670	-	-	-
Total Governmental Activities	4,434,655	1,080,092	141,591	3,000

General Revenues
Property Taxes
Investment Earnings
Miscellaneous
Total General Revenues

Change in Net Assets
Net Assets-Beginning
Net Assets-Ending

The accompanying notes are an integral part of this statement.

Exhibit 2

Net (Expense)
Revenue and
Changes in Net Assets

Governmental
Activities

(137,358)
96,365
(2,391)
(256,507)
(158,977)
(866,327)
(403,998)
(1,339,434)
(59,180)
(1,770)
(77,725)
(2,670)
(3,209,972)

2,494,050
35,746
278,345
2,808,141

(401,831)
8,133,674
7,731,843

**MCMULLEN COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	<u>GENERAL FUND</u>	<u>ROAD AND BRIDGE FUND</u>
ASSETS		
Cash and Cash Equivalents	2,026,385	1,371,101
Receivables		
Taxes Receivable, Net	1,674,859	788,169
Due From County Officials	468,145	180,302
Due From Other Funds	-	186,000
TOTAL ASSETS	<u><u>4,169,389</u></u>	<u><u>2,525,572</u></u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	109,880	40,355
Due to Other Funds	-	-
Deferred Tax Revenues	1,674,859	788,169
Advanced Tax Collections	702,979	330,815
Total Liabilities	<u><u>2,487,718</u></u>	<u><u>1,159,339</u></u>
 FUND BALANCES		
Restricted	123,000	-
Assigned	-	1,366,233
Unassigned	1,558,671	-
Total Fund Balances	<u><u>1,681,671</u></u>	<u><u>1,366,233</u></u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>4,169,389</u></u>	 <u><u>2,525,572</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
375,894	13,117	3,786,497
-	-	2,463,028
-	-	648,447
-	-	186,000
<u>375,894</u>	<u>13,117</u>	<u>7,083,972</u>
-	100	150,335
-	186,000	186,000
-	-	2,463,028
-	-	1,033,794
<u>-</u>	<u>186,100</u>	<u>3,833,157</u>
375,894	9,697	508,591
-	100	1,366,333
-	(182,780)	1,375,891
<u>375,894</u>	<u>(172,983)</u>	<u>3,250,815</u>
<u>375,894</u>	<u>13,117</u>	<u>7,083,972</u>

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MCMULLEN COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO STATEMENT OF NET ASSETS
 DECEMBER 31, 2011

Exhibit 3-R

Total fund balance - total governmental funds	\$ 3,250,815
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.	4,408,786
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	103,033
Fines receivable, net of allowances for uncollectibles	68,189
Payables for capital leases which are not due in the current period are not reported in the funds.	(98,980)
Net assets of governmental activities - statement of net assets	\$ <u><u>7,731,843</u></u>

The accompanying notes are an integral part of this statement.

**MCMULLEN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>GENERAL FUND</u>	<u>ROAD AND BRIDGE FUND</u>
REVENUES		
Taxes	1,699,360	799,698
Licenses and Permits	-	183,732
Intergovernmental	132,521	10,590
Fees	533,935	
Fines and Forfeitures	268,498	
Interest Income	20,182	14,279
Other	282,285	86,144
Total Revenues	<u>2,936,781</u>	<u>1,094,443</u>
EXPENDITURES		
Current		
General Administration	503,275	-
Judicial	202,202	-
Elections	2,391	-
Financial Administration	379,478	-
Public Facilities	194,891	-
Public Safety	1,008,989	-
Environmental Protection	386,519	-
Public Transportation	203,988	1,351,195
Culture and Recreation	846	-
Health and Welfare	58,489	-
Conservation	71,677	-
Debt Service		
Principal Retirement	-	50,649
Interest and Fiscal Charges	-	2,670
Total Expenditures	<u>3,012,745</u>	<u>1,404,514</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(75,964)</u>	<u>(310,071)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	-	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(75,964)	(310,071)
Fund Balances at Beginning of Year	1,757,635	1,676,304
Fund Balances at End of Year	<u>1,681,671</u>	<u>1,366,233</u>

The accompanying notes are an integral part of this statement.

Exhibit 4

SHERIFF'S FEDERAL FORFEITURE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	2,499,058
-	-	183,732
-	-	143,111
-	-	533,935
27,477	9,010	304,985
1,244	41	35,746
-	-	368,429
<u>28,721</u>	<u>9,051</u>	<u>4,068,996</u>
-	-	503,275
-	-	202,202
-	-	2,391
-	-	379,478
-	-	194,891
703,310	7,047	1,719,346
-	-	386,519
-	-	1,555,183
-	-	846
-	-	58,489
-	-	71,677
-	-	50,649
-	-	2,670
<u>703,310</u>	<u>7,047</u>	<u>5,127,616</u>
<u>(674,589)</u>	<u>2,004</u>	<u>(1,058,620)</u>
-	-	-
-	-	-
-	-	-
(674,589)	2,004	(1,058,620)
1,050,483	(174,987)	4,309,435
<u>375,894</u>	<u>(172,983)</u>	<u>3,250,815</u>

MCMULLEN 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, 2011

Exhibit 4-R

Net change in fund balance - total governmental funds	\$ (1,058,620)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the SOA.	1,070,060
The depreciation of capital assets used in governmental activities is not reported in the funds.	(487,364)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(5,008)
Change in fines receivable	28,452
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	50,649
Change in net assets of governmental activities - statement of activities	\$ <u>(401,831)</u>

The accompanying notes are an integral part of this statement.

**MCMULLEN COUNTY, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2011**

Exhibit 5

ASSETS	
Cash and Cash Equivalents	2,383,701
Total Assets	<u>2,383,701</u>
 LIABILITIES	
Due to Others	2,383,701
Total Liabilities	<u>2,383,701</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 assets 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 2011.

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, 2011

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 2011.

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, 2011

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 revenue. Property taxes which were levied prior to September 30, 2011, and became due October 1, 2011 have been assessed to finance the budget of the fiscal year beginning January 1, 2012 and, accordingly, have been reflected as taxes receivable, deferred tax revenue, and advanced tax collections in the fund financial statements at December 31, 2011.

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, 2011

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 assets.

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 Assets and Fund Equity

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

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

restricted or committed. Intent may be stipulated by the Commissioners Court or by an official or body to which the Commissioners Court delegates the 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.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

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 Assets of Individual Funds

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Capital Projects Fund	182,780	This deficit will be eliminated in 2012.

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.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

A. Cash Deposits:

At December 31, 2011, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,170,198 and the bank balance was \$7,866,542. The County's cash deposits at December 31, 2011 and during the period ended December 31, 2011, 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 2011, 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.

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.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance January 1	Additions/ Completions	Retirements/ Adjustments	Balance December 31
Governmental Activities:				
Capital assets, not being depreciated				
Land	134,152	87,500	-	221,652
Construction in Progress	-	306,762	-	306,762
Total capital assets, not being depreciated	<u>134,152</u>	<u>394,262</u>	<u>-</u>	<u>528,414</u>
Capital assets, being depreciated				
Building and Improvements	1,197,853	174,356	-	1,372,209
Equipment and Vehicles	3,362,647	501,443	(153,336)	3,710,754
Infrastructure	2,824,795	-	-	2,824,795
Total capital assets, being depreciated	<u>7,385,295</u>	<u>675,799</u>	<u>(153,336)</u>	<u>7,907,758</u>
Less accumulated depreciation for:				
Buildings and Improvements	(355,810)	(26,950)	-	(382,760)
Equipment and Vehicles	(2,406,200)	(408,829)	153,336	(2,661,693)
Infrastructure	(931,347)	(51,585)	-	(982,932)
Total accumulated depreciation	<u>(3,693,357)</u>	<u>(487,364)</u>	<u>153,336</u>	<u>(4,027,386)</u>
Total capital assets, being depreciated, net	<u>3,691,938</u>	<u>188,434</u>	<u>-</u>	<u>3,880,372</u>
Governmental activities capital assets, net	<u>3,826,090</u>	<u>582,696</u>	<u>-</u>	<u>4,408,786</u>

Depreciation expense was charged to functions/programs of the County for the 2011 year as follows:

Governmental Activities:

General Administration	15,615
Public Facilities	51,585
Public Safety	156,873
Environmental Protection	17,479
Public Transportation	238,149
Health and Welfare	692
Culture and Recreation	924
Conservation - Agriculture	6,047
Total Depreciation Expense	<u>487,364</u>

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

4. LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2011 was as follows:

Description	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Governmental Activities:					
Capital Leases	149,629	-	50,649	98,980	48,255
Total Governmental Activities	<u>149,629</u>	<u>-</u>	<u>50,649</u>	<u>98,980</u>	<u>48,255</u>

The Road and Bridge Fund services the debt payment for Capital Leases.

CAPITAL LEASES

The County has entered into a lease agreement for the acquisition of a JD755D crawler dozer. At the end of the year, the amount financed for capital lease equipment amounted to \$98,980. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. Future minimum lease payments are as follows:

Fiscal Year Ending December 31	Governmental Activities
2012	53,319
2013	53,319
Total	<u>106,638</u>
Less amount representing interest (Rate 5.00%)	<u>(7,658)</u>
Present value of future minimum lease payments	<u>98,980</u>

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.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

Delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title to the property.

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 as Deferred Tax Revenues in the liabilities section. The Taxes Receivable is shown net of allowances for uncollectible accounts.

The County begins to collect taxes in October, levied for the subsequent year's budget. These advance tax collections are recognized in the liabilities 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 2010 levy year was \$0.57 per \$100 assessed valuation. This tax roll was used for fiscal year 2011 operations. The 2011 tax roll is to be used for 2012 operations and its tax rate is \$0.57 per \$100 valuation.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

6. RECEIVABLES

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

	<u>Property Taxes</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General Fund	1,674,859	468,145	2,143,004
Road and Bridge Fund	<u>788,169</u>	<u>180,302</u>	<u>968,471</u>
Totals	<u><u>2,463,028</u></u>	<u><u>648,447</u></u>	<u><u>3,111,475</u></u>

7. DEFERRED REVENUES

Deferred revenue at year end consisted of the following:

<u>Revenue Description</u>	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Total</u>
Property taxes	<u><u>1,674,859</u></u>	<u><u>788,169</u></u>	<u><u>2,463,028</u></u>

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables:

Balances due to and due from other funds at December 31, 2011, consisted of the following:

<u>Due to Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
Road and Bridge Fund	Capital Projects Fund	<u>186,000</u>	Construction Loan
TOTAL		<u><u>186,000</u></u>	

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

Transfers To and From Other Funds:

There were no transfers to and from other funds in 2011.

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 618 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 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 75 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 10.16% for calendar year 2011. 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, 2011, the annual pension cost for the TCDRS plan for its employees was \$125,213, and the actual contributions were \$125,213.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

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 2011. The December 31, 2010 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial valuation date	12/31/08	12/31/09	12/31/10
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	19.5	20.0	20.0
Asset valuation method	SAF 10-yr. smoothed value	SAF 10-yr. smoothed value	SAF 10-yr. smoothed value
	ESF: fund value	ESF: fund value	ESF: fund value
Actuarial Assumptions:			
Investment return*	8.00%	8.00%	8.00%
Projected salary increases*	5.30%	5.40%	5.40%
Inflation	3.50%	3.50%	3.50%
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

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/09	\$ 96,250	100.00%	\$ -0-
12/31/10	\$113,646	100.00%	\$ -0-
12/31/11	\$125,213	100.00%	\$ -0-

Actuarial Assumptions.

McMullen County is one of 618 participating subdivisions having the benefit plan administered by TCDRS. Each of the 618 participating subdivisions has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2011 valuations are contained in the 2010 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 coverage from coverage in the prior year. Settlement amounts have not exceeded insurance coverage for the year ended December 31, 2011 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.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

13. FUND BALANCES

The following is a summary of Governmental fund balances of the County at December 31, 2011:

<u>GENERAL FUND</u>	
Restricted:	
Landfill	123,000
Unassigned	1,558,671
TOTAL GENERAL FUND BALANCE	<u>1,681,671</u>
<u>ROAD AND BRIDGE FUND</u>	
Assigned:	
Highways, Streets and Bridges	<u>1,366,232</u>
<u>SHERIFF'S FEDERAL FORFEITURE FUND</u>	
Restricted:	
Law Enforcement	<u>375,894</u>
<u>OTHER GOVERNMENTAL FUNDS</u>	
Restricted:	
Law Enforcement	9,697
Assigned:	
Health Clinic	100
Unassigned	<u>(182,780)</u>
TOTAL OTHER GOVERNMENTAL FUND BALANCE	<u>(172,983)</u>
TOTAL GOVERNMENTAL FUND BALANCE	<u><u>3,250,814</u></u>

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

14. RESTATEMENT OF FUND BALANCES AND NET ASSETS

During the year, management determined that certain fund balances and the governmental activities net assets were overstated for the year ended December 31, 2010 because certain cash balance reconciling items had not been reflected in cash balances at year end. Also, for December 31, 2010, the net taxes receivable for the 2010 tax levy were not reported as deferred revenues in the Statement of Net Assets. Also, for the year ended December 31, 2011, the Sheriff's Forfeiture Fund has been divided into two funds: Federal Forfeiture Fund and State Forfeiture Fund. Restatements are as follows:

	General Fund	Road and Bridge Fund	Sheriff's Federal Forfeiture Fund	Other Governmental Funds	Total Governmental Funds	Governmental Activity Net Assets
Beginning equity, as previously reported	1,759,600	1,679,339	1,078,280	(182,701)	4,334,518	9,800,383
Restatements:						
For reconciling items 2010 Tax Levy Receivable, Net	(1,965)	(3,035)	(20,083)	-	(25,083)	(25,083)
Forfeiture Fund division	-	-	(7,714)	7,714	-	(1,641,626)
Beginning equity, as restated	1,757,635	1,676,304	1,050,483	(174,987)	4,309,435	8,133,674

15. RESTATEMENT OF AGENCY FUND CASH BALANCES/LIABILITIES

During the year, management determined that certain agency fund cash balances and liabilities were overstated for the year ended December 31, 2010 because certain cash balance reconciling items had not been reflected in the cash balances at year end. Restatement is as follows:

	Agency Funds
Beginning cash/liability, as previously reported	2,382,155
Restatement for reconciling items	(1,742,260)
Beginning cash/liability, as restated	639,895

16. SUBSEQUENT EVENT

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 property tax revenues and limited pledged revenues. Principal payments are due annually, beginning February 15, 2013 and a final maturity date of February 15, 2019.

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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 2008-2010 years. The 2011 data will not be available until September 2012.

NOTES

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

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**MCMULLEN 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, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	1,802,000	1,802,000	1,840,858	38,858
Licenses and Permits	-	-	-	-
Intergovernmental	53,400	53,400	81,154	27,754
Fees	241,050	391,050	528,123	137,073
Fines and Forfeitures	127,500	177,500	248,775	71,275
Interest Income	23,500	18,800	20,126	1,326
Other	137,900	231,500	282,285	50,785
Total Revenues	<u>2,385,350</u>	<u>2,674,250</u>	<u>3,001,321</u>	<u>327,071</u>
EXPENDITURES				
Current				
General Administration	424,319	545,859	499,633	46,226
Judicial	212,597	219,597	199,723	19,874
Elections	4,725	4,725	2,391	2,334
Financial Administration	414,786	437,636	375,136	62,500
Public Facilities	192,275	207,050	196,985	10,065
Public Safety	751,756	935,206	885,955	49,251
Environmental Protection	435,205	385,505	379,567	5,938
Public Transportation	206,426	206,426	202,788	3,638
Culture and Recreation	5,232	5,232	956	4,276
Health and Welfare	246,643	195,728	58,175	137,553
Conservation	98,925	98,925	71,580	27,345
Debt Service				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>2,992,889</u>	<u>3,241,889</u>	<u>2,872,889</u>	<u>369,000</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(607,539)</u>	<u>(567,639)</u>	<u>128,432</u>	<u>696,071</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>(607,539)</u>	<u>(567,639)</u>	<u>128,432</u>	<u>696,071</u>
Add (Deduct) Other Reconciling Items to Adjust from Budgetary Basis to Modified Accrual Basis				
Change in Amounts Due from County Officials			(11,362)	
Adjust for Grants Not Zeroed Out at Year End			(77,095)	
Change in Deferred Revenues			(39,509)	
Change in Accounts Payable			3,313	
Change in Advanced Tax Collections			(79,743)	
Net Change in Fund Balance (GAAP Basis)			<u>(75,964)</u>	
Fund Balance (GAAP Basis), Beginning of Year			<u>1,757,635</u>	
Fund Balance (GAAP Basis), End of Year			<u>1,681,671</u>	

See accompanying notes to required supplementary information.

**MCMULLEN 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, 2011**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	848,000	848,000	866,287	18,287
Licenses and Permits	160,000	199,000	199,269	269
Intergovernmental	10,000	10,000	10,590	590
Interest Income	41,000	7,800	14,278	6,478
Other	5,400	35,200	86,142	50,942
Total Revenues	<u>1,064,400</u>	<u>1,100,000</u>	<u>1,176,566</u>	<u>76,566</u>
EXPENDITURES				
Current				
Public Transportation:				
Road and Bridge	1,466,945	1,542,445	1,394,385	148,060
Debt Service				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>1,466,945</u>	<u>1,542,445</u>	<u>1,394,385</u>	<u>148,060</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(402,545)</u>	<u>(442,445)</u>	<u>(217,819)</u>	<u>224,626</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	90,000	90,000
Transfers Out	-	-	(90,000)	(90,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance (Budgetary Basis)	<u>(402,545)</u>	<u>(442,445)</u>	<u>(217,819)</u>	<u>224,626</u>
Add (Deduct) Other Reconciling Items to Adjust from Budgetary Basis to Modified Accrual Basis				
Change in Amounts Due from County Officials			(32,898)	
Change in Deferred Revenues			(18,592)	
Change in Accounts Payable			(6,038)	
Change in Advanced Tax Collections			(34,724)	
Net Change in Fund Balance (GAAP Basis)			<u>(310,071)</u>	
Fund Balance (GAAP Basis), Beginning of Year			<u>1,676,304</u>	
Fund Balance (GAAP Basis), End of Year			<u>1,366,233</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**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c) ¹	((b-a)/c)
12/31/2008	2,002,326	2,522,548	520,222	79.38%	846,735	61.44%
12/31/2009	2,292,725	2,898,481	605,756	79.10%	983,895	61.57%
12/31/2010	2,003,555	2,567,153	563,598	78.05%	1,114,176	50.58%

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 CULLEN COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011**

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 2011 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

MCMULLEN COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2011

	<u>SPECIAL REVENUE FUNDS</u>		<u>Total Special Revenue Funds</u>
	<u>Sheriff's State Forfeiture</u>	<u>Health Clinic</u>	
ASSETS			
Cash and Cash Equivalents	9,697	100	9,797
Total Assets	<u>9,697</u>	<u>100</u>	<u>9,797</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	-	-	-
Due to Other Funds	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	9,697	-	9,697
Assigned	-	100	100
Unassigned	-	-	-
Total Fund Balance	<u>9,697</u>	<u>100</u>	<u>9,797</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>9,697</u>	<u>100</u>	<u>9,797</u>

CONSTRUCTION FUNDS

<u>Capital Projects Fund</u>	<u>Public Facilities Grant Fund</u>	<u>Total Construction Funds</u>	<u>Total Nonmajor Governmental Funds</u>
3,220	100	3,320	13,117
<u>3,220</u>	<u>100</u>	<u>3,320</u>	<u>13,117</u>
-	100	100	100
186,000	-	186,000	186,000
<u>186,000</u>	<u>100</u>	<u>186,100</u>	<u>186,100</u>
-	-	-	9,697
-	-	-	100
(182,780)	-	(182,780)	(182,780)
<u>(182,780)</u>	<u>-</u>	<u>(182,780)</u>	<u>(172,983)</u>
<u>3,220</u>	<u>100</u>	<u>3,320</u>	<u>13,117</u>

**MCMULLEN COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>SPECIAL REVENUE FUNDS</u>		Total Special Revenue Funds
	<u>Sheriff's State Forfeiture</u>	<u>Health Clinic</u>	
REVENUES			
Taxes	-	-	-
Intergovernmental	-	-	-
Fines & Forfeitures	9,010	-	9,010
Charges for Services	-	-	-
Interest Income	20	-	20
Miscellaneous	-	-	-
Total Revenues	<u>9,030</u>	<u>-</u>	<u>9,030</u>
EXPENDITURES			
Current			
General Administration	-	-	-
Judicial	-	-	-
Elections	-	-	-
Financial Administration	-	-	-
Public Facilities	-	-	-
Public Safety	7,047	-	7,047
Environmental Protection	-	-	-
Public Transportation	-	-	-
Culture and Recreation	-	-	-
Health and Welfare	-	-	-
Conservation	-	-	-
Debt Service			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>7,047</u>	<u>-</u>	<u>7,047</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,983</u>	<u>-</u>	<u>1,983</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change In Fund Balances	1,983	-	1,983
Fund Balances at Beginning of Year	<u>7,714</u>	<u>100</u>	<u>7,814</u>
Fund Balances at End of Year	<u>9,697</u>	<u>100</u>	<u>9,797</u>

CONSTRUCTION FUNDS

<u>Capital Projects Fund</u>	<u>Public Facilities Grant Fund</u>	<u>Total Construction Funds</u>	<u>Total Nonmajor Governmental Funds</u>
-	-	-	-
-	-	-	-
-	-	-	9,010
-	-	-	-
21	-	21	41
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>21</u>	<u>-</u>	<u>21</u>	<u>9,051</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	7,047
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>7,047</u>
21	-	21	2,004
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
21	-	21	2,004
<u>(182,801)</u>	<u>-</u>	<u>(182,801)</u>	<u>(174,987)</u>
<u>(182,780)</u>	<u>-</u>	<u>(182,780)</u>	<u>(172,983)</u>

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ROAD AND BRIDGE SUB-FUNDS

**MCMULLEN COUNTY, TEXAS
SCHEDULE - COMBINING BALANCE SHEET
ROAD AND BRIDGE SUB-FUNDS
DECEMBER 31, 2011**

	<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	145,855	274,067	332,313
Receivables			
Taxes Receivable, Net	98,521	98,521	98,521
Due from County Officials	22,069	22,069	22,069
Due from Other Funds	-	186,000	-
Total Assets	<u><u>266,445</u></u>	<u><u>580,657</u></u>	<u><u>452,903</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	4,027	4,560	4,109
Deferred Tax Revenues	98,521	98,521	98,521
Advanced Tax Collections	41,352	41,352	41,352
Total Liabilities	<u><u>143,900</u></u>	<u><u>144,433</u></u>	<u><u>143,982</u></u>
FUND BALANCES			
Assigned	122,545	436,224	308,921
TOTAL LIABILITIES AND FUND BALANCES	<u><u>266,445</u></u>	<u><u>580,657</u></u>	<u><u>452,903</u></u>

SUB-FUNDS

<u>Road and Bridge Precinct 4</u>	<u>Road Fund Right of Way</u>	<u>Total Road and Bridge Fund</u>
145,625	473,241	1,371,101
98,521	394,085	788,169
22,069	92,026	180,302
-	-	186,000
<u>266,215</u>	<u>959,352</u>	<u>2,525,572</u>
6,145	21,514	40,355
98,521	394,085	788,169
41,352	165,407	330,815
<u>146,018</u>	<u>581,006</u>	<u>1,159,339</u>
120,197	378,346	1,366,233
<u>266,215</u>	<u>959,352</u>	<u>2,525,572</u>

**MCMULLEN COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ROAD AND BRIDGE SUB-FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>ROAD AND BRIDGE</u>	
	<u>Road and Bridge Precinct 1</u>	<u>Road and Bridge Precinct 2</u>
REVENUES		
Taxes	99,962	99,962
Licenses and Permits	-	-
Intergovernmental	-	-
Interest Income	859	2,253
Other	20,088	16,934
Total Revenues	<u>120,909</u>	<u>119,149</u>
EXPENDITURES		
Current		
Public Transportation:		
Road and Bridge	151,003	114,300
Debt Service		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	<u>151,003</u>	<u>114,300</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(30,094)</u>	<u>4,849</u>
OTHER FINANCING SOURCES (USES)		
Transfers In - From Road and Bridge Sub-Funds	90,000	-
Transfers Out - To Road and Bridge Sub-Funds	-	-
Total Other Financing Sources (Uses)	<u>90,000</u>	<u>-</u>
Net Change in Fund Balances	59,906	4,849
Fund Balances at Beginning of Year	<u>62,639</u>	<u>431,375</u>
Fund Balances at End of Year	<u><u>122,545</u></u>	<u><u>436,224</u></u>

SUB-FUNDS

Road and Bridge Precinct 3	Road and Bridge Precinct 4	Road Fund Right of Way	Total Road and Bridge Fund
99,962	99,962	399,850	799,698
-	-	183,732	183,732
-	-	10,590	10,590
2,825	1,463	6,879	14,279
16,087	13,716	19,319	86,144
<u>118,874</u>	<u>115,141</u>	<u>620,370</u>	<u>1,094,443</u>
136,253	87,099	862,540	1,351,195
-	50,649	-	50,649
-	2,670	-	2,670
<u>136,253</u>	<u>140,418</u>	<u>862,540</u>	<u>1,404,514</u>
(17,379)	(25,277)	(242,170)	(310,071)
-	-	-	90,000
-	-	(90,000)	(90,000)
<u>-</u>	<u>-</u>	<u>(90,000)</u>	<u>-</u>
(17,379)	(25,277)	(332,170)	(310,071)
326,300	145,474	710,516	1,676,304
<u>308,921</u>	<u>120,197</u>	<u>378,346</u>	<u>1,366,233</u>

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FIDUCIARY FUNDS

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**MCMULLEN COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance 01/01/2011	Additions	Deletions	Balance 12/31/2011
<u>PERMANENT SCHOOL FUND</u>				
ASSETS				
Cash in bank	112,204	-	-	112,204
	<u>112,204</u>	<u>-</u>	<u>-</u>	<u>112,204</u>
LIABILITIES				
Due to others	112,204	-	-	112,204
	<u>112,204</u>	<u>-</u>	<u>-</u>	<u>112,204</u>
<u>PERMANENT UNDISTRIBUTED FUND</u>				
ASSETS				
Cash in bank	88,984	1,509	-	90,493
	<u>88,984</u>	<u>1,509</u>	<u>-</u>	<u>90,493</u>
LIABILITIES				
Due to others	88,984	1,509	-	90,493
	<u>88,984</u>	<u>1,509</u>	<u>-</u>	<u>90,493</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>

MCMULLEN COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

	<u>Balance</u> 01/01/2011	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 12/31/2011
<u>COUNTY-DISTRICT CLERK FUND</u>				
ASSETS				
Cash in bank	8,112	371,124	374,868	4,368
	<u>8,112</u>	<u>371,124</u>	<u>374,868</u>	<u>4,368</u>
LIABILITIES				
Due to others	8,112	371,124	374,868	4,368
	<u>8,112</u>	<u>371,124</u>	<u>374,868</u>	<u>4,368</u>
<u>JUSTICE OF THE PEACE FUND</u>				
ASSETS				
Cash in bank	168	417,042	416,981	229
	<u>168</u>	<u>417,042</u>	<u>416,981</u>	<u>229</u>
LIABILITIES				
Due to others	168	417,042	416,981	229
	<u>168</u>	<u>417,042</u>	<u>416,981</u>	<u>229</u>
<u>TAX ASSESSOR COLLECTOR FUND</u>				
ASSETS				
Cash in bank	18,310	8,372,890	8,374,919	16,281
	<u>18,310</u>	<u>8,372,890</u>	<u>8,374,919</u>	<u>16,281</u>
LIABILITIES				
Due to others	18,310	8,372,890	8,374,919	16,281
	<u>18,310</u>	<u>8,372,890</u>	<u>8,374,919</u>	<u>16,281</u>

MCMULLEN COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

	Balance 01/01/2011	Additions	Deletions	Balance 12/31/2011
<u>DISTRICT CLERK COST ACCOUNT FUND</u>				
ASSETS				
Cash in bank	44,296	32,925	33,653	43,568
	<u>44,296</u>	<u>32,925</u>	<u>33,653</u>	<u>43,568</u>
LIABILITIES				
Due to others	44,296	32,925	33,653	43,568
	<u>44,296</u>	<u>32,925</u>	<u>33,653</u>	<u>43,568</u>
<u>DISTRICT COURT TRUST FUND</u>				
ASSETS				
Cash in bank	677	1,865,389	-	1,866,066
	<u>677</u>	<u>1,865,389</u>	<u>-</u>	<u>1,866,066</u>
LIABILITIES				
Due to others	677	1,865,389	-	1,866,066
	<u>677</u>	<u>1,865,389</u>	<u>-</u>	<u>1,866,066</u>
<u>COUNTY CLERK CONDEMNATION AWARD FUND</u>				
ASSETS				
Cash in bank	366,903	1,767	118,419	250,251
	<u>366,903</u>	<u>1,767</u>	<u>118,419</u>	<u>250,251</u>
LIABILITIES				
Due to others	366,903	1,767	118,419	250,251
	<u>366,903</u>	<u>1,767</u>	<u>118,419</u>	<u>250,251</u>

MCMULLEN COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

	Balance 01/01/2011	Additions	Deletions	Balance 12/31/2011
<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>
<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	639,895	11,062,646	9,318,840	2,383,701
	<u>639,895</u>	<u>11,062,646</u>	<u>9,318,840</u>	<u>2,383,701</u>
LIABILITIES				
Due to others	639,895	11,062,646	9,318,840	2,383,701
	<u>639,895</u>	<u>11,062,646</u>	<u>9,318,840</u>	<u>2,383,701</u>