

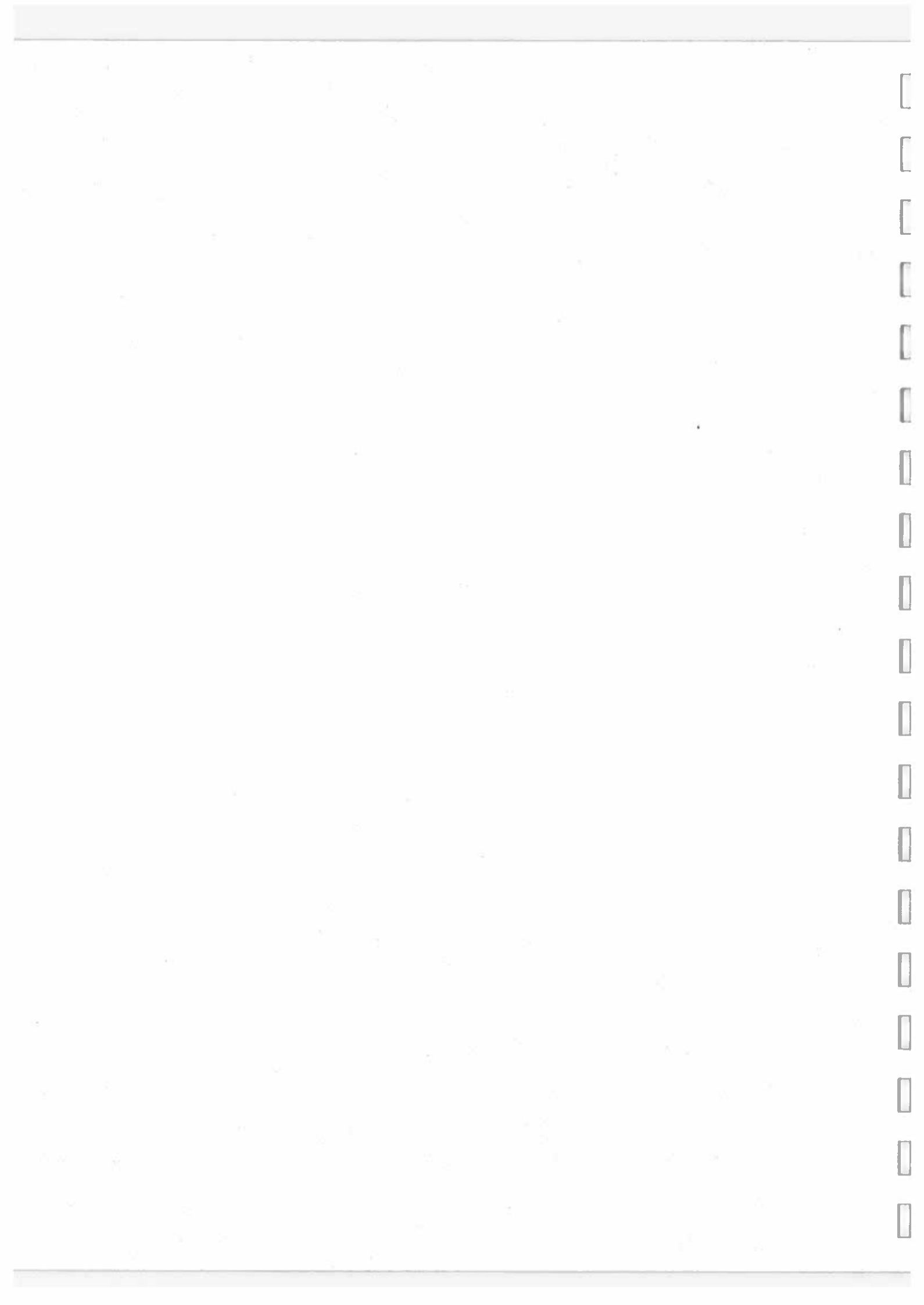
**MC MULLEN COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED DECEMBER 31, 2016**



**Lovvorn & Kieschnick**

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP



**MC MULLEN COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2016**

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

Directory of Officials ..... i

**FINANCIAL SECTION**

Independent Auditor's Report..... 1  
Management's Discussion and Analysis ..... 4  
Basic Financial Statements:  
    Government-wide Financial Statements:  
        Statement of Net Position – Exhibit 1.....12  
        Statement of Activities – Exhibit 2.....13  
    Fund Financial Statements:  
        Balance Sheet – Governmental Funds – Exhibit 3.....15  
        Reconciliation of the Governmental Funds Balance Sheet  
            to Statement of Net Position – Exhibit 3-R .....17  
        Statement of Revenues, Expenditures and Changes  
            in Fund Balances – Governmental Funds – Exhibit 4.....18  
        Reconciliation of the Statement of Revenues, Expenditures  
            and Changes in Fund Balances of Governmental Funds  
            to the Statement of Activities – Exhibit 4-R .....20  
        Statement of Fiduciary Assets and Liabilities – Agency Funds – Exhibit 5.....21  
        Notes to Financial Statements.....22  
Required Supplementary Information:  
    Schedule of Revenues, Expenditures and Changes in Fund Balances –  
    Budget (Non-GAAP Budgetary Basis) and Actual:  
        General Fund .....45  
        Road and Bridge Fund.....46  
    Notes to Required Supplementary Information.....47  
    Schedule of Changes in Net Position Liability and Related Ratios –  
    Texas County and District Retirement System.....48  
    Schedule of Employer Contributions –  
    Texas County and District Retirement System.....49  
Combining and Individual Fund Financial Statements and Schedules as  
Supplementary Information:  
    Non-Major Governmental Funds:  
        Combining Balance Sheet .....50  
        Combining Statement of Revenues, Expenditures and Changes  
            in Fund Balances .....51

Road and Bridge Sub-Funds:	
Schedule – Combining Balance Sheet.....	52
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances .....	54
Fiduciary Funds:	
Agency Funds:	
Combining Statement of Changes in Assets and Liabilities.....	56

### COMPLIANCE SECTION

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with Government Accounting Standards .....	60
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## **INTRODUCTORY SECTION**

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**MC MULLEN COUNTY, TEXAS**

**DIRECTORY OF OFFICIALS**

**DECEMBER 31, 2016**

**COMMISSIONERS COURT**

James E. Teal  
Hilario "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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418 Peoples Street, Suite 308 tele 361-884-8897  
Corpus Christi, TX 78401 fax 361-884-3457

**Lovvorn & Kieschnick, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McMullen County, Texas as of and for the year ended December 31, 2016, 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, Texas as of December 31, 2016, 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, schedule of changes in net pension liability and related ratios, and schedule of employer contributions, on pages 4-11 and 44-48 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, Texas' 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 combining and individual nonmajor fund financial statements and schedules 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 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 16, 2017, on our consideration of McMullen County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, Texas' internal control over financial reporting and compliance.

*Lovvorn & Kieschnick, LLP*

Lovvorn & Kieschnick, LLP  
August 16, 2017

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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, 2016**  
**(UNAUDITED)**

This discussion and analysis of McMullen County, Texas' (County) financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2016. 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 and deferred outflows of resources of McMullen County, Texas exceeded its liabilities and deferred inflows of resources at December 31, 2016 by \$27,481,362 (presented as "net position"). Of this amount \$15,169,633 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 \$3,955,030 (a 17% increase) in fiscal year 2016. The County only had governmental activities during the 2016 year.

Long-term Liabilities During 2016, the County paid off the remaining debt of \$6,090,000 in Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013. The scheduled maturity date was February 15, 2019.

Fund Highlights: Governmental Funds – Fund Balances As of the close of fiscal year 2016, the County's governmental funds reported a combined ending fund balance of \$15,011,601 which was a decrease of \$4,414,143 in comparison with the prior year. At the end of the year, unassigned fund balance for the general fund was \$10,193,639 equal to 67% 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), deferred outflows of resources, 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, deferred outflows of resources, 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 \$38,137,606 the largest components are: 1) cash and cash equivalents of \$16,769,020 or 44%, 2) capital assets net of accumulated depreciation of \$11,833,358 or 31%, and 3) receivables which largely represent the unavailable taxes for FY2016 of \$7,804,966 or 20%. The receivables are offset by deferred inflows of resources: unearned 2016 tax revenues and advanced tax collections, since the FY2016 tax revenue is not recognized until FY2017 even though the levy takes place in FY2016. Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations. Liabilities consist of current liabilities of \$576,408 and noncurrent liabilities of \$770,700.

The County's net position for fiscal years ended December 31, 2016 and 2015 are summarized as follows:

	<b>Governmental Activities</b>		<b>Total Percentage Change 2016-2015</b>
	<b>2016</b>	<b>2015</b>	
Current and other assets	26,304,248	38,822,147	-32%
Capital assets (net of depreciation)	11,833,358	8,585,733	38%
Total assets	<u>38,137,606</u>	<u>47,407,880</u>	-20%
Deferred outflows of resources	<u>954,990</u>	<u>579,941</u>	65%
Current and other liabilities	576,408	916,105	-37%
Long-term liabilities	770,700	6,090,000	-87%
Total liabilities	<u>1,347,108</u>	<u>7,006,105</u>	-81%
Deferred inflows of resources	<u>10,264,126</u>	<u>17,455,384</u>	-41%
<b>Net position:</b>			
Net investment in capital assets	11,833,859	6,047,457	96%
Restricted	477,870	534,486	-11%
Unrestricted	15,169,633	16,944,389	-10%
Total net position	<u><u>27,481,362</u></u>	<u><u>23,526,332</u></u>	17%

**Net Position** – Net position may serve over time as a useful indicator of a County government's financial position. McMullen County, Texas' combined net position (government activities) totaled \$27,481,362 at the end of fiscal year 2016 compared to \$23,526,332 at the end of the previous year.

Of the County's total net position, (43%) 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, Texas 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. At December 31, 2016, there was no related debt to the investment in capital assets.

Governmental activities increased the County's net position by \$3,955,030. The key components of this change are the following:

**McMullen County, Texas' Changes in Net Position**

	Governmental Activities		Total Percentage Change 2016-2015
	2016	2015	
Revenues:			
Net Program revenues:			
Charges for services	1,025,548	928,655	10%
Operating grants and contributions	203,811	3,240,340	-94%
Capital grants and contributions	-	-	0%
General revenues:			
Property taxes	18,080,774	21,707,761	-17%
Investment earnings	79,046	30,110	163%
Miscellaneous	425,729	769,919	-45%
Total revenues	<u>19,814,908</u>	<u>26,676,785</u>	-26%
Expenses:			
General Administration	1,132,991	811,123	40%
Judicial	648,838	511,126	27%
Elections	23,684	8,485	179%
Financial Administration	1,253,343	846,318	48%
Public Facilities	309,122	72,240	328%
Public Safety	2,619,136	1,321,133	98%
Environmental Protection	934,024	1,016,166	-8%
Public Transportation	8,692,726	10,946,274	-21%
Health and Welfare	45,495	60,231	-24%
Culture and Recreation	24,506	9,268	164%
Conservation	98,342	66,158	49%
Interest and fiscal charges on debt	77,671	102,252	-24%
Total expenses	<u>15,859,878</u>	<u>15,770,774</u>	0.6%
Change in net position	3,955,030	10,906,011	-64%
Net position--beginning	<u>23,526,332</u>	<u>12,620,321</u>	86%
Net position--ending	<u>27,481,362</u>	<u>23,526,332</u>	17%

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 \$1,229,359 equaled 8% of government expenses of \$15,859,878. As expected, general revenues (\$18,585,549) provided most of the required support and coverage for expenses.
- The largest category of expenses is Public Transportation (\$8,692,726), while this category provided about 1% of total revenues of \$153,595.
- The next largest category of expenses is Public Safety (\$2,619,136) with \$236,385 in revenues, or about 1% of total revenues.
- General Administration expenses were \$1,132,991, with revenues of \$110,703 or about 1% of total revenues.
- Grant revenues and contributions comprised about 1% 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 \$15,011,601, a decrease of \$4,414,143 in comparison with the prior year. Approximately \$10,193,639 or 98% 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 \$10,193,639 while total fund balance reached \$10,437,013, a decrease of \$4,601,804 from the previous year, due primarily to the early payoff of \$5,100,000 in certificates of obligation debt. 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 67% of total fund expenditures and transfers out.

### General Fund Budgetary Highlights

For FY2016, actual expenditures were \$15,248,816 compared to the budget amount of \$16,880,125.

For FY2016, actual revenues were \$10,156,010 as compared to the budget amount of \$10,101,401.

### Capital Assets and Debt Administration

#### Capital Assets

At December 31, 2016 the County had \$18,493,023 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 \$3,248,125, or 38% more than last year.

#### Capital Assets at Year-End

	Governmental Activities		Total Percentage Change 2016-2015
	2016	2015	
Land	1,075,056	1,075,056	0%
Buildings and Improvements	2,395,568	2,110,295	14%
Equipment and Vehicles	5,776,078	5,451,295	6%
Infrastructure	3,229,274	2,824,795	14%
Construction in Progress	6,017,047	3,155,564	91%
Subtotal	18,493,023	14,617,005	27%
Accumulated depreciation	(6,659,165)	(6,031,272)	10%
Capital assets, net	<u>11,833,858</u>	<u>8,585,733</u>	38%

#### Long-term Liabilities

On January 10, 2014, 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. During 2016, the County elected to prepay the remaining debt of \$6,090,000.

As a result of the County adopting GASB 68 in fiscal year 2015, the County's Texas County and District Retirement System net pension liability (asset) is reflected as a long-term liability of the County at December 31, 2016.

**Long-term Liabilities at Year-End**

	<u>Governmental Activities</u>		
	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Certificates of Obligation	-	6,090,000	(6,090,000)
Compensated Absences	46,378	-	46,378
Net Pension Liability (Asset)	<u>770,700</u>	<u>(476,788)</u>	<u>1,247,488</u>
Totals	<u>817,078</u>	<u>5,613,212</u>	<u>(4,796,134)</u>

**ECONOMIC CONDITION AND OUTLOOK**

The County is in good financial condition as of December 31, 2016, and has adequate cash and cash equivalents to finance the 2017 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, Texas 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, 2016**

Exhibit 1

<b>ASSETS</b>	
Cash and Cash Equivalents	16,769,020
Receivables	
Taxes Receivable, Net	7,804,966
Grant Receivable	4,900
Due from Others	1,416,756
Fines Receivable, Net	308,106
Capital Assets	
Land	1,075,056
Buildings and Improvements	2,395,568
Equipment and Vehicles	5,776,078
Infrastructure	3,229,274
Construction In Progress	6,017,047
Less Accumulated Depreciation	(6,659,165)
<b>TOTAL ASSETS</b>	<b><u>38,137,606</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflow Related to Pensions	954,990
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>954,990</u></b>
<b>LIABILITIES</b>	
Accounts Payable	363,605
Accrued Wages	166,425
Compensated Absences	46,378
Noncurrent Liabilities	
Net Pension Liability	770,700
<b>TOTAL LIABILITIES</b>	<b><u>1,347,108</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Revenues - Property Taxes	7,615,079
Advanced Tax Collections	2,649,047
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>10,264,126</u></b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	11,833,859
Restricted For:	
Landfill	137,016
Law Enforcement	234,496
Technology	23,462
Abandoned Vehicles	4,008
Old Tax Assessor Funds	78,888
Unrestricted	15,169,633
<b>TOTAL NET POSITION</b>	<b><u>27,481,362</u></b>

The accompanying notes are an integral part of this statement.

**MC MULLEN COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General Administration	1,132,991	110,703	-	-
Judicial	648,838	298,102	-	-
Elections	23,684	-	-	-
Financial	1,253,343	430,574	-	-
Public Facilities	309,122	-	-	-
Public Safety	2,619,136	51,593	184,792	-
Environmental Protection	934,024	-	-	-
Public Transportation	8,692,726	134,576	19,019	-
Health and Welfare	45,495	-	-	-
Culture and Recreation	24,506	-	-	-
Conservation	98,342	-	-	-
Interest and Fiscal Charges on Debt	77,671	-	-	-
<b>Total Governmental Activities</b>	<b>15,859,878</b>	<b>1,025,548</b>	<b>203,811</b>	<b>-</b>

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

(1,022,288)  
(350,736)  
(23,684)  
(822,769)  
(309,122)  
(2,382,751)  
(934,024)  
(8,539,131)  
(45,495)  
(24,506)  
(98,342)  
(77,671)

(14,630,519)

18,080,774  
79,046  
425,729  
18,585,549

3,955,030  
23,526,332  
27,481,362

**MC MULLEN COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016**

	<u>GENERAL FUND</u>	<u>ROAD AND BRIDGE FUND</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	11,252,404	5,277,603
Receivables		
Taxes Receivable, Net	3,902,482	3,902,484
Grant Receivable	4,900	-
Due From County Officials	745,080	671,676
Due From Other Funds	-	-
<b>TOTAL ASSETS</b>	<u><u>15,904,866</u></u>	<u><u>9,851,763</u></u>
 <b>LIABILITIES</b>		
Accounts Payable	113,707	249,898
Accrued Wages	127,140	39,285
Due to Other Funds	-	-
<b>Total Liabilities</b>	<u><u>240,847</u></u>	<u><u>289,183</u></u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenues - Property Taxes	94,943	94,944
Deferred Revenues - Property Taxes	3,807,539	3,807,540
Advanced Tax Collections	1,324,523	1,324,524
<b>Total Deferred Inflows of Resources</b>	<u><u>5,227,005</u></u>	<u><u>5,227,008</u></u>
 <b>FUND BALANCES</b>		
Restricted	243,374	-
Committed	-	4,335,575
Assigned	-	-
Unassigned	10,193,639	-
<b>Total Fund Balances</b>	<u><u>10,437,013</u></u>	<u><u>4,335,575</u></u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>15,904,865</u></u>	<u><u>9,851,766</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
216,533	22,480	16,769,020
-	-	7,804,966
-	-	4,900
-	-	1,416,756
-	-	-
<u>216,533</u>	<u>22,480</u>	<u>25,995,642</u>
-	-	363,605
-	-	166,425
-	-	-
<u>-</u>	<u>-</u>	<u>530,030</u>
-	-	189,887
-	-	7,615,079
-	-	2,649,047
<u>-</u>	<u>-</u>	<u>10,454,013</u>
216,533	17,963	477,870
-	-	4,335,575
-	4,517	4,517
-	-	10,193,639
<u>216,533</u>	<u>22,480</u>	<u>15,011,601</u>
<u>216,533</u>	<u>22,480</u>	<u>25,995,644</u>

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**MC MULLEN COUNTY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

**Exhibit 3-R**

Total fund balance - total governmental funds	\$	15,011,601
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.		11,833,856
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		189,887
Other long-term liabilities which are not due in the current period are not reported in the funds		(46,378)
Fines receivable, net of allowances for uncollectibles		308,106
Recognition of County's proportionate share of the net pension asset (liability) is not reported in the funds.		(770,700)
Deferred resource outflows related to pension are not reported in the funds.		954,990
Net position of governmental activities - statement of net position	\$	<u>27,481,362</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, 2016**

	<u>GENERAL FUND</u>	<u>ROAD AND BRIDGE FUND</u>
<b>REVENUES</b>		
Taxes	9,031,744	9,031,744
Licenses and Permits	-	134,576
Intergovernmental	184,792	19,019
Fees	619,777	-
Fines and Forfeitures	372,521	-
Interest Income	55,227	23,101
Other	382,951	42,774
<b>Total Revenues</b>	<u>10,647,012</u>	<u>9,251,214</u>
<b>EXPENDITURES</b>		
<b>Current</b>		
General Administration	996,966	-
Judicial	550,477	-
Elections	22,560	-
Financial Administration	1,094,668	-
Public Facilities	461,592	-
Public Safety	2,390,783	-
Environmental Protection	3,909,550	-
Public Transportation	527,402	8,012,783
Culture and Recreation	11,824	-
Health and Welfare	44,803	-
Conservation	81,405	-
<b>Debt Service</b>		
Principal Retirement	5,100,000	990,000
Interest and Fiscal Charges	56,786	58,110
<b>Total Expenditures</b>	<u>15,248,816</u>	<u>9,060,893</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,601,804)</u>	<u>190,321</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	-	-
Transfers Out	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(4,601,804)	190,321
<b>Fund Balances at Beginning of Year</b>	<u>15,038,817</u>	<u>4,145,254</u>
<b>Fund Balances at End of Year</b>	<u>10,437,013</u>	<u>4,335,575</u>

The accompanying notes are an integral part of this statement.

Exhibit 4

SHERIFF'S FEDERAL FORFEITURE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	18,063,488
-	-	134,576
-	-	203,811
-	-	619,777
3,315	-	375,836
643	75	79,046
4	-	425,729
<u>3,962</u>	<u>75</u>	<u>19,902,263</u>
-	-	996,966
-	-	550,477
-	-	22,560
-	-	1,094,668
-	-	461,592
-	6,697	2,397,480
-	-	3,909,550
-	-	8,540,185
-	-	11,824
-	-	44,803
-	-	81,405
-	-	6,090,000
-	-	114,896
<u>-</u>	<u>6,697</u>	<u>24,316,406</u>
<u>3,962</u>	<u>(6,622)</u>	<u>(4,414,143)</u>
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
3,962	(6,622)	(4,414,143)
<u>212,571</u>	<u>29,102</u>	<u>19,425,744</u>
<u>216,533</u>	<u>22,480</u>	<u>15,011,601</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, 2016**

**Exhibit 4-R**

Net change in fund balance - total governmental funds	(4,414,143)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the SOA.	3,876,019
The depreciation of capital assets used in governmental activities is not reported in the funds.	(627,891)
Loss on disposal of capital assets	-
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	17,282
Change in fines receivable	(104,641)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	6,090,000
(Increase) decrease in accrued interest from beginning of period to end of period	37,225
The increase in compensated absences liability does not require the use of current financial resources but is recorded as a decrease in expenses in the statement of activities.	(46,378)
Some pension expenses do not require the use of current financial resources and are therefore not reported as expenditures in the funds.	(872,443)
Change in net assets of governmental activities - statement of activities	<u>3,955,030</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, 2016**

Exhibit 5

<b>ASSETS</b>	
Cash and Cash Equivalents	1,313,969
Total Assets	<u>1,313,969</u>
<b>LIABILITIES</b>	
Due to Others	1,313,969
Total Liabilities	<u>1,313,969</u>

The accompanying notes are an integral part of this statement.

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**MC MULLEN COUNTY, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**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 2016.

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, 2016

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 2016.

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, 2016**

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, 2016, and became due October 1, 2016 have been assessed to finance the budget of the fiscal year beginning January 1, 2017 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, 2016.

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, 2016**

**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

**MC MULLEN COUNTY, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**J. Compensated Absences**

It is the County's policy to permit regular full-time employees to accumulate earned but unused vacation and sick pay benefits. A liability for unused vacation leave for regular full-time employees is calculated and reported in the government-wide financial statements. Full-time employees earn vacation monthly at 9 hours per monthly pay period. Full-time Sheriff Deputies receive 9.5 hours per month. Full-time employees who have worked for 10 or more years in a position are eligible to receive vacation at 12 hours per month, beginning on their anniversary date. Full-time Sheriff Deputies who have worked for 10 or more years in a position will receive 13 hours per month, beginning on their anniversary date. Vacation time not taken by the end of the calendar year is carried over to the next year, with a maximum carry-over of 80 hours. All regular full-time employees can accrue up to 480 hours of sick leave. There is no liability for unpaid accumulated sick leave, since the County does not have a policy to pay any amounts when employees separate from service with the County. Therefore, no liability for sick leave 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

**MC MULLEN COUNTY, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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 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

**MC MULLEN COUNTY, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

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

GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 74"), replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. GASB 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. GASB 74 will be implemented by the County in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 75"), replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. GASB 75 requires governments to report a liability on the face of the financial statements for the OPEB they provide. GASB 75 will be implemented in fiscal year 2018 and the impact has not yet been determined.

GASB Statement 77, *Tax Abatement Disclosure* ("GASB 77"), requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. GASB 77 was implemented by the County in fiscal year 2016.

GASB Statement 80, *Blending Requirements for Certain Component Units- an amendment of GASB Statement No. 1* ("GASB 80") amends the blending requirements for the financial statement presentation of component units of all state and local governments established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. GASB 80 will be implemented by the County in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 81, *Irrevocable Split – Interest Agreement* ("GASB 81") improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB 81 will be

**MC MULLEN COUNTY, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

implemented by the County in fiscal year 2017 and the impact has not yet been determined.

*GASB Statement 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73 (“GASB 82”)* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member ) contribution requirements. GASB 82 will be implemented by the County in fiscal year 2017 and the impact has not yet been determined.

*GASB Statement 83, Certain Asset Requirement Obligation (“GASB 83”)*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance of this Statement. GASB 83 will be implemented by the County in fiscal year 2019 and the impact has not yet been determined.

## **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, 2016**

**A. Cash Deposits**

At December 31, 2016, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$18,082,989 and the bank balance was \$22,801,719. The County's cash deposits at December 31, 2016 and during the period ended December 31, 2016, 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 2016, 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, 2016**

**3. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016, was as follows:

	<u>Balance January 1</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance December 31</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	1,075,056	-	-	1,075,056
Construction in Progress	3,155,564	2,945,094	(83,611)	6,017,047
Total capital assets, not being depreciated	<u>4,230,620</u>	<u>2,945,094</u>	<u>(83,611)</u>	<u>7,092,103</u>
Capital assets, being depreciated:				
Building and Improvements	2,110,295	285,273	-	2,395,568
Machinery, Equipment and Vehicles	5,451,295	324,783	-	5,776,078
Infrastructure	2,824,795	404,480	-	3,229,274
Total capital assets, being depreciated	<u>10,386,385</u>	<u>1,014,536</u>	<u>-</u>	<u>11,400,921</u>
Less accumulated depreciation for:				
Buildings and Improvements	(525,876)	(49,358)	-	(575,233)
Machinery, Equipment and Vehicles	(4,316,122)	(518,858)	-	(4,834,980)
Infrastructure	(1,189,274)	(59,675)	-	(1,248,950)
Total accumulated depreciation	<u>(6,031,274)</u>	<u>(627,891)</u>	<u>-</u>	<u>(6,659,165)</u>
Total capital assets, being depreciated, net	<u>4,355,111</u>	<u>386,645</u>	<u>-</u>	<u>4,741,756</u>
Governmental activities capital assets, net	<u>8,585,731</u>	<u>3,331,739</u>	<u>(83,611)</u>	<u>11,833,859</u>

Depreciation expense was charged to functions/programs of the County for the 2016 year as follows:

**Governmental Activities:**

General Administration	35,141
Public Facilities	52,583
Public Safety	239,685
Environmental Protection	85,950
Public Transportation	207,752
Health and Welfare	692
Culture and Recreation	924
Conservation - Agriculture	<u>5,163</u>

**Total Depreciation Expense** 627,891



**MC MULLEN COUNTY, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**4. LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2016.

Description	Original Debt	Interest Rate Payable	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
<b>Governmental Activities</b>							
Long-term Debt:							
Certificates of Obligation	9,000,000	1.63%	6,090,000	-	6,090,000	-	-
<b>Total Long-term Debt</b>			<b>6,090,000</b>	<b>-</b>	<b>6,090,000</b>	<b>-</b>	<b>-</b>
Compensated Absences			-	46,378	-	46,378	46,378
Net Pension Liability (Asset)			(476,788)	1,768,094	520,606	770,700	-
<b>Total Governmental Activities</b>							
Long-term Liabilities			<b>5,613,212</b>	<b>1,814,472</b>	<b>6,610,606</b>	<b>817,078</b>	<b>46,378</b>

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

NOTE: During 2016, the County elected to prepay the remaining debt for certificates of obligation. The scheduled maturity debt for the certificates of obligation was February 15, 2019.

**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.

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, 2016. The “Deferred Revenues-Property Taxes” consists of taxes levied in 2016 and budgeted for 2017 operations, but not collected at December 31, 2016. The “Advance Tax Collections” consist of taxes levied and collected in 2016 but are budgeted for 2017 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, Texas 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 2015 levy year was \$0.53 per \$100 assessed valuation. This tax roll was used for fiscal year 2016 operations. The 2016 tax roll is to be used for 2017 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, 2016**

**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	3,902,482	4,900	745,080	4,652,462
Road and Bridge Fund	3,902,484	-	671,676	4,574,160
Totals	<u>7,804,966</u>	<u>4,900</u>	<u>1,416,756</u>	<u>9,226,622</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	94,943	94,944	189,887
Deferred Revenues--Property Taxes	3,807,539	3,807,540	7,615,079
Advanced Tax Collections	<u>1,324,523</u>	<u>1,324,524</u>	<u>2,649,047</u>
Total Deferred Inflow of Resources	<u>5,227,005</u>	<u>5,227,008</u>	<u>10,454,013</u>

**8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables:

There were no interfund receivables or payables at December 31, 2016.

Interfund transfers:

There were no interfund transfers at December 31, 2016.

**9. PENSION PLAN**

**Plan Description**

The County provides retirement, disability, and death benefits for all of its eligible 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 which consists of 701 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 and may be amended by the governing body of the County within the options available in the Texas State statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with eight or more years of service, with 20 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 eight years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum and who are not eligible to retire are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employees' deposits 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 deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

**Membership Information**

<u>Members</u>	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2015</u>
Number of inactive employees entitled but not yet receiving benefits:	27	27
Number of active employees:	65	67
Average monthly salary*:	\$2,901	\$3,300
Average age*:	49.36	49.97
Average length of service in years*:	8.41	10.97
 <u>Inactive Employees (or their Beneficiaries) Receiving Benefits</u>		
Number of benefit recipients:	33	31
Average monthly benefit:	\$801	\$872

\*Averages reported for all active and inactive employees. Average service includes all proportionate service.

### **Funding Policy**

The County has elected the Annually Determined Contribution Rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 10.00% of covered payroll for the months of the calendar year in 2016.

The deposit rate payable by all employee members for the calendar year 2016 is 7% as adopted by the governing body of the County. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

The TCDRS board hires independent outside consulting actuaries to conduct an annual valuation to measure the funding status and to determine the required employer contribution rate for each employer plan. In order to calculate the employer contribution rate, the actuary does the following:

1. Studies each employer's adopted plan of benefits and the profile of its plan participants, and uses assumptions established by the board to estimate future benefit payments.
2. Discounts the estimate of future benefit payments to the present based on the long-term rate of investment return to determine the present value of future benefits.
3. Compares the present value of future benefits with the plan's assets to determine the difference that needs to be funded based on the funding policy.

### **Net Pension Liability**

The County's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	4.90%
Investment Rate of Return	8.10%

Mortality rates for service retirees, as well as the beneficiaries of both service and disability retirees were based on the RP-2000 Combined Male Table with an age set forward of one year and Projection Scale AA for Males, and the RP-2000 Combined Female Table with no age adjustment and Projection Scale AA for Females. For disabled retirees, the RP-2000 Disabled Male Table with no age adjustment and

**MC MULLEN COUNTY, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

Projection Scale AA for Males, and the RP-2000 Disabled Female Table with an age set forward of two years and Projection Scale AA for Females are used.

The actuarial assumptions that determined the total pension liability as of December 31, 2015 were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2016 information for a 7-10 year time horizon.

**MC MULLEN COUNTY, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**Actuarial Methods and Assumptions**

<b>Valuation Timing</b>	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
<b>Actuarial Cost Method</b>	Entry Age Normal <sup>(1)</sup>
<b>Asset Valuation Method</b>	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
<b>Inflation</b>	3.00%
<b>Salary Increases</b>	Varies by age and service. 4.9% average over career including inflation.
<b>Investment Rate of Return</b>	8.1%, net of investment expenses, including inflation
<b>Cost-of-Living Adjustments</b>	Cost-of-Living Adjustments for McMullen County are not considered to be substantively automatic under GASB 68. Therefore, an annual 80% CPI cost-of-living adjustment is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
<b>Retirement Age</b>	Deferred members are assumed to retire (100% probability) at the later of: <ul style="list-style-type: none"> <li>a) age 60</li> <li>b) earliest retirement eligibility.</li> </ul>
<b>Mortality <sup>(2)</sup></b>	
Depositing members <sup>(2)</sup>	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year set-back, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.
Service retirees, beneficiaries and non-depositing members <sup>(2)</sup>	The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees <sup>(2)</sup>	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

<sup>(1)</sup> Individual entry age normal cost method, as required by GASB 68, used for GASB calculations.

Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

<sup>(2)</sup> Studies were prepared in July 2000.

**MC MULLEN COUNTY, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**Long-Term Expected Rate of Return**

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2016 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 – December 31, 2012 for more details.

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation<sup>(1)</sup></u>	<u>Geometric Real Rate of Return (Expected Minus Inflation)<sup>(2)</sup></u>
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	14.00%	8.48%
Global Equities	MSCI World (net) Index	1.50%	5.75%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	5.45%
International Equities - Emerging	MSCI World Ex USA (net)	8.00%	6.45%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(4)</sup>	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%

<sup>(1)</sup> Target asset allocation adopted at the April 2016 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return in addition to assumed inflation of 1.6%, per Cliffwater's 2016 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

**Discount Rate/Depletion of Plan Assets**

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is



**MC MULLEN COUNTY, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.

- 
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer, TCDRS used an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the County's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows

**MC MULLEN COUNTY, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, a discount rate of 8.10% was used. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Changes in Net Pension Liability / (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2014	5,068,029	5,544,817	(476,788)
Changes for the year:			
Service cost	254,958	-	254,958
Interest on total pension liability <sup>(1)</sup>	448,447	-	448,447
Effect of plan changes <sup>(2)</sup>	972,483	-	972,483
Effect of economic/demographic gains or losses	26,826	-	26,826
Effect of assumptions changes or inputs	61,301	-	61,301
Refund of contributions	(9,662)	(9,662)	-
Benefit payments	(323,763)	(323,763)	-
Administrative expenses	-	(4,079)	4,079
Member contributions	-	186,720	(186,720)
Net investment income	-	36,579	(36,579)
Employer contributions	-	266,744	(266,744)
Other <sup>(3)</sup>	-	30,564	(30,564)
Balances as of December 31, 2015	<u>6,498,619</u>	<u>5,727,920</u>	<u>770,700</u>

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup> Reflects new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018. Also reflects increase in substantively automatic COLA valued.

<sup>(3)</sup> Relates to allocation of system-wide items.

**MC MULLEN COUNTY, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**Sensitivity Analysis**

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, as well as what the McMullen County, Texas net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	7,267,615	6,498,619	5,855,093
Fiduciary net position	5,727,920	5,727,920	5,727,920
Net pension liability / (asset)	1,539,696	770,700	127,174

**Pension Expense / (Income)**

	<u>January 1, 2015 to December 31, 2015</u>
Service cost	254,958
Interest on total pension liability <sup>(1)</sup>	448,447
Effect of plan changes	972,483
Administrative expenses	4,079
Member contributions	(186,720)
Expected investment return net of investment expenses	(459,028)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	20,423
Recognition of assumption changes or inputs	12,260
Recognition of investment gains or losses	101,051
Other <sup>(2)</sup>	<u>(30,564)</u>
Pension expense / (income)	<u>1,137,390</u>

<sup>(1)</sup>Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup>Relates to allocation of system-wide items.

**MC MULLEN COUNTY, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**Deferred Inflows / Outflows of Resources**

As of December 31, 2015 the deferred inflows and outflows of resources are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	-	\$ 66,634
Changes of assumptions	-	49,041
Net difference between projected and actual earnings	-	387,643
Contributions made subsequent to measurement date	N/A	451,672

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2016	\$133,735
2017	133,735
2018	133,735
2019	102,115
2020	-
Thereafter	-

**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, 2016 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.

**MC MULLEN COUNTY, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**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. FUND BALANCES**

The following is a summary of Governmental fund balances of the County at December 31, 2016:

<u>GENERAL FUND</u>	
Restricted:	
Landfill	137,016
Technology	23,462
Abandoned Vehicles	4,008
Old Tax Assessor Funds	78,888
	<u>243,374</u>
Unassigned	<u>10,193,639</u>
<b>TOTAL GENERAL FUND BALANCE</b>	<u><b>10,437,013</b></u>
<u>ROAD AND BRIDGE FUND</u>	
Committed:	
Highways, Streets and Bridges	<u>4,335,575</u>
<u>SHERIFF'S FEDERAL FORFEITURE FUND</u>	
Restricted:	
Law Enforcement	<u>216,533</u>
<u>OTHER GOVERNMENTAL FUNDS</u>	
Restricted:	
Law Enforcement	17,963
Assigned:	
Health Clinic	100
Capital Projects	<u>4,417</u>
<b>TOTAL OTHER GOVERNMENTAL FUND BALANCE</b>	<u><b>22,480</b></u>
<b>TOTAL GOVERNMENTAL FUND BALANCE</b>	<u><u><b>15,011,601</b></u></u>

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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.

### **NOTES**

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

### **TCDRS PENSION PLAN**

Schedule of Changes in Net Pension Liability and Related Ratios for McMullen County  
Schedule of Employer Contributions for McMullen County

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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, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Taxes	8,559,571	8,559,571	8,564,278	4,707
Licenses and Permits	-	-	-	-
Intergovernmental	101,700	101,700	111,417	9,717
Fees	642,550	642,550	652,070	9,520
Fines and Forfeitures	398,000	398,000	398,708	708
Interest Income	54,000	54,000	55,227	1,227
Other	345,580	345,580	374,310	28,730
<b>Total Revenues</b>	<u>10,101,401</u>	<u>10,101,401</u>	<u>10,156,010</u>	<u>54,609</u>
<b>EXPENDITURES</b>				
Current				
General Administration	1,154,368	1,154,368	998,177	156,191
Judicial	713,328	713,328	561,029	152,299
Elections	31,725	31,725	22,560	9,165
Financial Administration	1,209,205	1,209,205	1,101,171	108,034
Public Facilities	551,383	551,383	496,320	55,063
Public Safety	2,849,910	2,849,910	2,315,427	534,483
Environmental Protection	4,430,880	4,430,880	4,274,281	156,599
Public Transportation	533,276	533,276	517,347	15,929
Culture and Recreation	58,400	58,400	11,867	46,533
Health and Welfare	77,000	77,000	47,951	29,049
Conservation	113,650	113,650	81,405	32,245
Debt Service				
Principal Retirement	5,100,000	5,100,000	5,100,000	-
Interest and Fiscal Charges	57,000	57,000	56,786	214
<b>Total Expenditures</b>	<u>16,880,125</u>	<u>16,880,125</u>	<u>15,584,321</u>	<u>1,295,804</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,778,724)</u>	<u>(6,778,724)</u>	<u>(5,428,311)</u>	<u>1,350,413</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Bond Proceeds	-	-	-	-
Transfers Out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance (Budgetary Basis)</b>	<u>(6,778,724)</u>	<u>(6,778,724)</u>	<u>(5,428,311)</u>	<u>1,350,413</u>
Add (Deduct) Other Reconciling Items to Adjust from Budgetary Basis to Modified Accrual Basis				
Change in Amounts Due from County Officials			(604,078)	
Change in Other			(1,710)	
Change in Accounts Payable			(46,959)	
Change in Advanced Tax Collections			1,479,254	
Law Enforcement Grant			-	
Bond Proceeds			-	
Transfer Out			-	
<b>Net Change in Fund Balance (GAAP Basis)</b>			<u>(4,601,804)</u>	
<b>Fund Balance (GAAP Basis), Beginning of Year</b>			<u>15,038,817</u>	
<b>Fund Balance (GAAP Basis), End of Year</b>			<u>10,437,013</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, 2016**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Taxes	7,813,490	7,813,490	8,564,278	750,788
Licenses and Permits	132,000	132,000	135,848	3,848
Intergovernmental	-	-	540,311	540,311
Interest Income	1,600	1,600	23,101	21,501
Other	16,000	16,000	43,076	27,076
<b>Total Revenues</b>	<u>7,963,090</u>	<u>7,963,090</u>	<u>9,306,614</u>	<u>1,343,524</u>
<b>EXPENDITURES</b>				
Current				
Public Transportation:				
Road and Bridge	8,706,650	8,706,650	7,980,770	725,880
Debt Service				
Principal Retirement	990,000	990,000	990,000	-
Interest and Fiscal Charges	69,200	69,200	58,110	11,090
<b>Total Expenditures</b>	<u>9,765,850</u>	<u>9,765,850</u>	<u>9,028,880</u>	<u>736,970</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,802,760)</u>	<u>(1,802,760)</u>	<u>277,734</u>	<u>2,080,494</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	9,000	9,000	10,498	1,498
Transfers Out	(10,498)	(10,498)	(10,498)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(1,498)</u>	<u>(1,498)</u>	<u>-</u>	<u>1,498</u>
<b>Net Change in Fund Balance (Budgetary Basis)</b>	<u>(1,804,258)</u>	<u>(1,804,258)</u>	<u>277,734</u>	<u>2,081,992</u>
Add (Deduct) Other Reconciling Items to Adjust from Budgetary Basis to Modified Accrual Basis				
Change in Amounts Due from County Officials			(273,436)	
Change in Other			(877,005)	
Change in Accounts Payable			(208,388)	
Change in Advanced Tax Collections			739,626	
TXDOT Grant			531,790	
Transfer In			-	
Bond Proceeds			-	
Transfer Out			-	
<b>Net Change in Fund Balance (GAAP Basis)</b>			<u>190,321</u>	
<b>Fund Balance (GAAP Basis), Beginning of Year</b>			<u>4,145,254</u>	
<b>Fund Balance (GAAP Basis), End of Year</b>			<u>4,335,575</u>	

See accompanying notes to required supplementary information.

**MC MULLEN COUNTY, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2016**

**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 2016 fiscal year were adopted for the General Fund and the Road and Bridge Fund.

**MC MULLEN COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**

**Schedule of Changes in Net Pension Liability and Related Ratios**

	<b>Year Ended</b>	
	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>		
Service cost	\$ 254,958	\$ 226,605
Interest on total pension liability	448,447	378,169
Effect of plan changes	972,483	-
Effect of assumption changes or inputs	61,301	-
Effect of economic/demographic (gains) or losses	26,826	75,289
Benefit payments/refunds of contributions	(333,425)	(332,904)
Net change in total pension liability	<u>1,430,590</u>	<u>347,159</u>
Total pension liability, beginning	5,068,029	4,720,869
Total pension liability, ending (a)	<u>6,498,619</u>	<u>5,068,029</u>
<b>Fiduciary Net Position</b>		
Employer contributions	266,744	843,700
Member contributions	186,720	157,323
Investment income net of investment expenses	36,579	317,976
Benefit payments/refunds of contributions	(333,425)	(332,904)
Administrative expenses	(4,079)	(3,911)
Other	30,564	(22,340)
Net change in fiduciary net position	<u>183,102</u>	<u>959,845</u>
Fiduciary net position, beginning	5,544,817	4,584,972
Fiduciary net position, ending (b)	<u>5,727,920</u>	<u>5,544,817</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 770,700</u>	<u>\$(476,788)</u>
Fiduciary net position as a % of total pension liability	88.14%	109.41%
Pensionable covered payroll	\$2,667,430	\$2,133,370
Net pension liability as a % of covered payroll	28.89%	-22.35%

The County will continue to add data until ten years are presented.  
 GASB Statement No. 68 was implemented in fiscal year 2015 and prior year information is not available.

**MC MULLEN COUNTY, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**

**Schedule of Employer Contributions**

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution <sup>(1)</sup>	Contribution Deficiency (Excess)	Pensionable Covered Payroll <sup>(2)</sup>	Actual Contribution as a % of Covered Payroll
2006	64,090	64,090	-	638,350	10.0%
2007	74,855	74,855	-	693,105	10.8%
2008	87,891	87,891	-	846,735	10.4%
2009	96,520	96,520	-	983,895	9.8%
2010	113,646	113,646	-	1,114,176	10.2%
2011	125,213	125,213	-	1,232,415	10.2%
2012	156,314	156,314	-	1,561,543	10.0%
2013	170,383	186,957	(16,574)	1,864,141	10.0%
2014	181,763	843,700	(661,937)	2,133,370	39.5%
2015	127,503	266,744	(139,241)	2,667,430	10.0%

<sup>(1)</sup> TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

<sup>(2)</sup> Payroll is calculated based on contributions as reported to TCDRS.

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**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, 2016

	SPECIAL REVENUE FUNDS		Total Special Revenue Funds	CONSTRUCTION FUNDS	
	Sheriff's State Forfeiture	Health Clinic		Capital Projects Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	17,963	100	18,063	4,417	22,480
Due from Other Funds	-	-	-	-	-
<b>Total Assets</b>	<u>17,963</u>	<u>100</u>	<u>18,063</u>	<u>4,417</u>	<u>22,480</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted	17,963	-	17,963	-	17,963
Assigned	-	100	100	4,417	4,517
<b>Total Fund Balance</b>	<u>17,963</u>	<u>100</u>	<u>18,063</u>	<u>4,417</u>	<u>22,480</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>17,963</u>	<u>100</u>	<u>18,063</u>	<u>4,417</u>	<u>22,480</u>

**MC MULLEN COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>SPECIAL REVENUE FUNDS</u>		<u>Total Special Revenue Funds</u>	<u>CONSTRUCTION FUNDS</u>	
	<u>Sheriff's State Forfeiture</u>	<u>Health Clinic</u>		<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>					
Taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Fines & Forfeitures	-	-	-	-	-
Charges for Services	-	-	-	-	-
Interest Income	62	-	62	13	75
Miscellaneous	-	-	-	-	-
<b>Total Revenues</b>	<u>62</u>	<u>-</u>	<u>62</u>	<u>13</u>	<u>75</u>
<b>EXPENDITURES</b>					
Current					
General Administration	-	-	-	-	-
Judicial	-	-	-	-	-
Elections	-	-	-	-	-
Financial Administration	-	-	-	-	-
Public Facilities	-	-	-	-	-
Public Safety	6,697	-	6,697	-	6,697
Environmental Protection	-	-	-	-	-
Public Transportation	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Health and Welfare	-	-	-	-	-
Conservation	-	-	-	-	-
Debt Service					
Principal Retirement	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
<b>Total Expenditures</b>	<u>6,697</u>	<u>-</u>	<u>6,697</u>	<u>-</u>	<u>6,697</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,635)</u>	<u>-</u>	<u>(6,635)</u>	<u>13</u>	<u>(6,622)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change In Fund Balances</b>	<u>(6,635)</u>	<u>-</u>	<u>(6,635)</u>	<u>13</u>	<u>(6,622)</u>
<b>Fund Balances at Beginning of Year</b>	<u>24,598</u>	<u>100</u>	<u>24,698</u>	<u>4,404</u>	<u>29,102</u>
<b>Fund Balances at End of Year</b>	<u>17,963</u>	<u>100</u>	<u>18,063</u>	<u>4,417</u>	<u>22,480</u>

**ROAD AND BRIDGE SUB-FUNDS**

**MC MULLEN COUNTY, TEXAS  
SCHEDULE - COMBINING BALANCE SHEET  
ROAD AND BRIDGE SUB-FUNDS  
DECEMBER 31, 2016**

	<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>
<b>ASSETS</b>			
Cash and Cash Equivalents	1,341,427	1,265,939	826,216
Receivables			
Taxes Receivable, Net	975,621	975,621	975,621
Grant Receivable	-	-	-
Due from County Officials	167,919	167,919	167,919
<b>Total Assets</b>	<u>2,484,967</u>	<u>2,409,479</u>	<u>1,969,756</u>
<b>LIABILITIES</b>			
Accounts Payable	2,736	187,067	55,866
Accrued Wages	8,505	6,840	10,260
Due to Other Funds	-	-	-
<b>Total Liabilities</b>	<u>11,241</u>	<u>193,907</u>	<u>66,126</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenues - Property Taxes	23,736	23,736	23,736
Deferred Revenues - Property Taxes	951,885	951,885	951,885
Advanced Tax Collections	331,131	331,131	331,131
<b>Total Deferred Inflows of Resources</b>	<u>1,306,752</u>	<u>1,306,752</u>	<u>1,306,752</u>
<b>FUND BALANCES</b>			
Committed	1,166,976	908,818	596,881
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>2,484,969</u>	<u>2,409,477</u>	<u>1,969,759</u>

**SUB-FUNDS**

<u>Road and Bridge Precinct 4</u>	<u>Road Fund Right of Way</u>	<u>Total Road and Bridge Fund</u>
1,806,391	37,630	5,277,603
975,621	-	3,902,484
-	-	-
167,919	-	671,676
<u>2,949,931</u>	<u>37,630</u>	<u>9,851,763</u>
4,229	-	249,898
13,680	-	39,285
-	-	-
<u>17,909</u>	<u>-</u>	<u>289,183</u>
23,736	-	94,944
951,885	-	3,807,540
331,131	-	1,324,524
<u>1,306,752</u>	<u>-</u>	<u>5,227,008</u>
1,625,270	37,630	4,335,575
<u>2,949,931</u>	<u>37,630</u>	<u>9,851,766</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, 2016**

	<u>ROAD AND BRIDGE</u>	
	<u>Road and Bridge Precinct 1</u>	<u>Road and Bridge Precinct 2</u>
<b>REVENUES</b>		
Taxes	3,644,031	3,644,031
Licenses and Permits	33,644	33,644
Intergovernmental	8,521	-
Interest Income	5,599	6,028
Other	10,764	10,764
<b>Total Revenues</b>	<u>3,702,559</u>	<u>3,694,467</u>
<b>EXPENDITURES</b>		
Current		
Public Transportation:		
Road and Bridge	2,436,327	2,403,875
Debt Service		
Principal Retirement	495,000	495,000
Interest and Fiscal Charges	29,055	29,055
<b>Total Expenditures</b>	<u>2,960,382</u>	<u>2,927,930</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>742,177</u>	<u>766,537</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In - From General Fund	-	-
Transfers In - From Road and Bridge Sub-Funds	2,624	2,624
Transfers Out - To General Fund	-	-
Transfers Out - To Road and Bridge Sub-Funds	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>2,624</u>	<u>2,624</u>
<b>Net Change in Fund Balances</b>	744,801	769,161
<b>Fund Balances at Beginning of Year</b>	<u>422,175</u>	<u>139,657</u>
<b>Fund Balances at End of Year</b>	<u>1,166,976</u>	<u>908,818</u>



**SUB-FUNDS**

Road and Bridge Precinct 3	Road and Bridge Precinct 4	Road Fund Right of Way	Total Road and Bridge Fund
871,841	871,841	-	9,031,744
33,644	33,644	-	134,576
-	-	10,498	19,019
5,074	6,287	113	23,101
10,764	10,482	-	42,774
<u>921,323</u>	<u>922,254</u>	<u>10,611</u>	<u>9,251,214</u>
2,070,748	1,101,833	-	8,012,783
-	-	-	990,000
-	-	-	58,110
<u>2,070,748</u>	<u>1,101,833</u>	<u>-</u>	<u>9,060,893</u>
<u>(1,149,425)</u>	<u>(179,579)</u>	<u>10,611</u>	<u>190,321</u>
-	-	-	-
2,625	2,625	-	10,498
-	-	(10,498)	(10,498)
-	-	-	-
<u>2,625</u>	<u>2,625</u>	<u>(10,498)</u>	<u>-</u>
(1,146,800)	(176,954)	113	190,321
<u>1,743,681</u>	<u>1,802,224</u>	<u>37,517</u>	<u>4,145,254</u>
<u>596,881</u>	<u>1,625,270</u>	<u>37,630</u>	<u>4,335,575</u>

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**FIDUCIARY FUNDS**

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**MC MULLEN COUNTY, TEXAS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Balance 01/01/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2016</u>
<b><u>PERMANENT SCHOOL FUND</u></b>				
<b>ASSETS</b>				
Cash in bank	112,233	-	29	112,204
	<u>112,233</u>	<u>-</u>	<u>29</u>	<u>112,204</u>
<b>LIABILITIES</b>				
Due to others	112,233	-	29	112,204
	<u>112,233</u>	<u>-</u>	<u>29</u>	<u>112,204</u>
<b><u>PERMANENT UNDISTRIBUTED FUND</u></b>				
<b>ASSETS</b>				
Cash in bank	91,383	640	-	92,023
	<u>91,383</u>	<u>640</u>	<u>-</u>	<u>92,023</u>
<b>LIABILITIES</b>				
Due to others	91,383	640	-	92,023
	<u>91,383</u>	<u>640</u>	<u>-</u>	<u>92,023</u>

**MC MULLEN COUNTY, TEXAS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(Continued)

	Balance 01/01/2016	Additions	Deletions	Balance 12/31/2016
<u>COUNTY-DISTRICT CLERK FUND</u>				
<b>ASSETS</b>				
Cash in bank	1,101,545	-	118,764	982,781
	<u>1,101,545</u>	<u>-</u>	<u>118,764</u>	<u>982,781</u>
<b>LIABILITIES</b>				
Due to others	1,101,545	-	118,764	982,781
	<u>1,101,545</u>	<u>-</u>	<u>118,764</u>	<u>982,781</u>
<u>JUSTICE OF THE PEACE FUND</u>				
<b>ASSETS</b>				
Cash in bank	(2,283)	101,862	-	99,579
	<u>(2,283)</u>	<u>101,862</u>	<u>-</u>	<u>99,579</u>
<b>LIABILITIES</b>				
Due to others	(2,283)	101,862	-	99,579
	<u>(2,283)</u>	<u>101,862</u>	<u>-</u>	<u>99,579</u>
<u>TAX ASSESSOR COLLECTOR FUND</u>				
<b>ASSETS</b>				
Cash in bank	12,140	-	17,879	(5,739)
	<u>12,140</u>	<u>-</u>	<u>17,879</u>	<u>(5,739)</u>
<b>LIABILITIES</b>				
Due to others	12,140	-	17,879	(5,739)
	<u>12,140</u>	<u>-</u>	<u>17,879</u>	<u>(5,739)</u>

**MC MULLEN COUNTY, TEXAS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
 (Continued)

	Balance 01/01/2016	Additions	Deletions	Balance 12/31/2016
<b><u>DISTRICT CLERK COST ACCOUNT FUND</u></b>				
<b>ASSETS</b>				
Cash in bank	35,567	-	3,604	31,963
	<u>35,567</u>	<u>-</u>	<u>3,604</u>	<u>31,963</u>
<b>LIABILITIES</b>				
Due to others	35,567	-	3,604	31,963
	<u>35,567</u>	<u>-</u>	<u>3,604</u>	<u>31,963</u>
<b><u>DISTRICT COURT TRUST FUND</u></b>				
<b>ASSETS</b>				
Cash in bank	678	2	-	680
	<u>678</u>	<u>2</u>	<u>-</u>	<u>680</u>
<b>LIABILITIES</b>				
Due to others	678	2	-	680
	<u>678</u>	<u>2</u>	<u>-</u>	<u>680</u>
<b><u>DC TRUST FUND</u></b>				
<b>ASSETS</b>				
Cash in bank	189	1	-	190
	<u>189</u>	<u>1</u>	<u>-</u>	<u>190</u>
<b>LIABILITIES</b>				
Due to others	189	1	-	190
	<u>189</u>	<u>1</u>	<u>-</u>	<u>190</u>

**MC MULLEN COUNTY, TEXAS**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
 (Continued)

	<u>Balance</u> <u>01/01/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2016</u>
<u>VOTER REGISTRATION CH 19 FUND</u>				
<b>ASSETS</b>				
Cash in bank	1,619	-	1,331	288
	<u>1,619</u>	<u>-</u>	<u>1,331</u>	<u>288</u>
<b>LIABILITIES</b>				
Due to others	1,619	-	1,331	288
	<u>1,619</u>	<u>-</u>	<u>1,331</u>	<u>288</u>
<u>TOTAL - AGENCY FUNDS</u>				
<b>ASSETS</b>				
Cash in bank	1,353,071	102,505	141,607	1,313,969
	<u>1,353,071</u>	<u>102,505</u>	<u>141,607</u>	<u>1,313,969</u>
<b>LIABILITIES</b>				
Due to others	1,353,071	102,505	141,607	1,313,969
	<u>1,353,071</u>	<u>102,505</u>	<u>141,607</u>	<u>1,313,969</u>



**COMPLIANCE SECTION**

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

## 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McMullen County, Texas (the County) as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise McMullen County, Texas' basic financial statements, and have issued our report thereon dated August 16, 2017.

#### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered McMullen County, Texas' 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, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the McMullen County, Texas' 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, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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*

Lovvorn & Kieschnick, LLP  
August 16, 2017

