

MC MULLEN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2012



Lovvorn & Kieschnick

CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

This page is left blank intentionally.

**MC MULLEN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2012**

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 Fund39
 Road and Bridge Fund.....40
 Texas County and District Retirement System Analysis of Funding Progress..41
 Notes to Required Supplementary Information.....42
Combining and Individual Fund Financial Statements and Schedules as
Supplementary Information:
 Non-Major Governmental Funds:
 Combining Balance Sheet43
 Combining Statement of Revenues, Expenditures and Changes
 in Fund Balances45

Road and Bridge Sub-Funds:	
Schedule – Combining Balance Sheet.....	47
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	49
Fiduciary Funds:	
Agency Funds:	
Combining Statement of Changes in Assets and Liabilities.....	51

INTRODUCTORY SECTION

This page is left blank intentionally.

MC MULLEN COUNTY, TEXAS

DIRECTORY OF OFFICIALS

DECEMBER 31, 2012

COMMISSIONERS COURT

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

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

OTHER COUNTY OFFICIALS

Rene Garza
Angel Bostwick
Judy Wyatt
Debora Garza
Daniel Dobie
Kimberly Kreider-Dusek
Craig Franklin

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

This page is left blank intentionally.

FINANCIAL SECTION

This page is left blank intentionally.



Lovvorn & Kieschnick

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McMullen County as of and for the year ended December 31, 2012, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McMullen County as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and funding progress for the retirement plan on pages 4-11 and 39-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McMullen County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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.

Lovvorn & Kieschnick, LLP

Lovvorn & Kieschnick, LLP

December 19, 2013

This page is left blank intentionally.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page is left blank intentionally.

MC MULLEN COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

This discussion and analysis of McMullen County's (County) financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2012. The MD&A should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

Net Position The assets of McMullen County exceeded its liabilities at December 31, 2012 by \$7,670,517 (presented as "net position"). Of this amount \$3,284,210 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 decreased by \$61,326 (a 1% decrease) in fiscal year 2012. The County only had governmental activities during the 2012 year.

Fund Highlights: Governmental Funds – Fund Balances As of the close of fiscal year 2012, the County's governmental funds reported a combined ending fund balance of \$3,193,215 which was a decrease of \$57,600 in comparison with the prior year. At the end of the year, unassigned fund balance for the general fund was \$1,968,985 equal to 54% of total general fund expenditures including transfers to other funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Of the County's total assets of \$15,560,127 the largest components are: 1) cash and cash equivalents of \$3,892,593 or 25%, 2) receivables which largely represent the deferred taxes for FY2012 of \$7,514,097 or 48%, and 3) capital assets net of accumulated depreciation of \$4,153,437 or 27%. The receivables are offset by deferred revenue and advanced tax collections, since the FY2013 tax revenue is not recognized until FY2013 even though the levy takes place in FY2012. Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations. Out of \$7,889,610 total liabilities, \$7,838,885 are current liabilities, including deferred taxes and advanced tax collections.

The County's net position for fiscal years ended December 31, 2012 and 2011 are summarized as follows:

	Governmental Activities		
	2012	2011	Total Percentage Change 2012-2011
Current and other assets	11,406,690	6,966,161	64%
Capital assets (net of depreciation)	4,153,437	4,408,786	-6%
Total assets	<u>15,560,127</u>	<u>11,374,947</u>	37%
Current and other liabilities	7,838,885	3,544,124	121%
Long-term liabilities	50,725	98,980	-49%
Total liabilities	<u>7,889,610</u>	<u>3,643,104</u>	117%
Net position:			
Invested in capital assets, net of related debt	4,102,712	4,309,806	-5%
Restricted	283,595	508,591	-44%
Unrestricted	3,284,210	2,913,446	13%
Total net position	<u><u>7,670,517</u></u>	<u><u>7,731,843</u></u>	-1%

Net Position – Net position may serve over time as a useful indicator of a County government's financial position. McMullen County's combined net position (government activities) totaled \$7,670,517 at the end of fiscal year 2012 compared to \$7,731,843 at the end of the previous year.

Of the County's total net position, (53%) reflects its investment in capital assets such as land, buildings, major improvements, equipment, and infrastructure (road and bridges), less any related debt used to acquire those assets that is still outstanding. McMullen County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental activities decreased the County's net position by \$61,326. The key components of this change are the following:

McMullen County's Changes in Net Position

	Governmental Activities		Total Percentage Change 2012-2011
	2012	2011	
Revenues:			
Net Program revenues:			
Charges for services	1,406,327	1,080,092	30%
Operating grants and contributions	185,951	141,591	31%
Capital grants and contributions	-	3,000	-100%
General revenues:			
Property taxes	3,640,705	2,494,050	46%
Investment earnings	9,355	35,746	-74%
Miscellaneous	550,881	278,345	98%
Total revenues	<u>5,793,219</u>	<u>4,032,824</u>	44%
Expenses:			
General Administration	587,716	510,585	15%
Judicial	276,662	202,202	37%
Elections	8,624	2,391	261%
Financial Administration	457,349	379,478	21%
Public Facilities	313,436	158,977	97%
Public Safety	1,419,929	1,084,294	31%
Environmental Protection	428,796	403,998	6%
Public Transportation	2,197,675	1,551,385	42%
Health and Welfare	76,364	59,180	29%
Culture and Recreation	2,119	1,770	20%
Conservation	80,811	77,725	4%
Interest and fiscal charges on debt	5,064	2,670	90%
Total expenses	<u>5,854,545</u>	<u>4,434,655</u>	32%
Change in net position	(61,326)	(401,831)	-85%
Net position--beginning	<u>7,731,843</u>	<u>8,133,674</u>	-5%
Net position--ending	<u><u>7,670,517</u></u>	<u><u>7,731,843</u></u>	-1%

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 \$1,592,278 equaled 27% of government expenses of \$5,854,545. As expected, general revenues (\$4,200,941) provided most of the required support and coverage for expenses.
- The largest category of expenses is Public Transportation (\$2,197,675), while this category provided about 2% of total revenues of \$129,973.
- The next largest category of expenses is Public Safety (\$1,419,929) with \$249,702 in revenues, or about 4% of total revenues.
- General Administration expenses were \$587,716, with revenues of \$383,188, or about 7% of total revenues.
- Grant revenues and contributions comprised about 3% of revenues.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$3,193,215, a decrease of \$57,600 in comparison with the prior year. Approximately \$1,968,985 or 62% of the fund balance represents *unassigned fund balance*, which is available for spending at the County's discretion.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,968,985 while total fund balance reached \$2,095,985. 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 57% of total fund expenditures and transfers out.

General Fund Budgetary Highlights

For FY2012, actual expenditures were \$3,339,291 compared to the budget amount of \$4,183,592.

For FY2012, actual revenues were \$3,964,909 as compared to the budget amount of \$3,132,850.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2012 the County had \$8,690,737 invested in capital assets, including land, park and recreation facilities, buildings, roads, bridges and equipment. This amount represents a net decrease (additions, deductions, and depreciation) of \$255,349, or 6% less than last year.

Capital Assets at Year-End

	Governmental Activities		
	2012	2011	Total Percentage Change 2012-2011
Land	221,652	221,652	0%
Buildings and Improvements	1,686,153	1,372,209	23%
Equipment and Vehicles	3,911,901	3,710,754	5%
Infrastructure	2,824,795	2,824,795	0%
Construction in Progress	46,236	306,762	-85%
Subtotal	8,690,737	8,436,172	3%
Accumulated depreciation	(4,537,300)	(4,027,386)	13%
Capital assets, net	<u>4,153,437</u>	<u>4,408,786</u>	-6%

Debt Outstanding

At year-end, the County had \$50,725 in capital leases outstanding versus \$98,980 last year, a decrease of \$48,255.

Debt Outstanding at Year-End

	<u>Governmental Activities</u>		
	<u>2012</u>	<u>2011</u>	<u>Decrease</u>
Capital Leases	<u>50,725</u>	<u>98,980</u>	<u>48,255</u>
Totals	<u>50,725</u>	<u>98,980</u>	<u>48,255</u>

Subsequent Event

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

ECONOMIC CONDITION AND OUTLOOK

The County is in good financial condition as of December 31, 2012, and has adequate cash and cash equivalents to finance the 2013 County Budget. The position of the County has continued to be sound over the past year. Some of the factors which enabled the County to maintain this constant level were that all departments and agencies operated within the budget appropriations and Ad Valorem taxes were collected at a high percent.

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

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

This page is left blank intentionally.

**MCMULLEN COUNTY, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2012**

Exhibit 1

ASSETS	
Cash and Cash Equivalents	3,892,593
Receivables	
Taxes Receivable, Net	5,501,734
Due from Others	1,921,840
Fines Receivable, Net	90,523
Capital Assets	
Land	221,652
Buildings and Improvements	1,686,153
Equipment and Vehicles	3,911,901
Infrastructure	2,824,795
Construction In Progress	46,236
Less Accumulated Depreciation	(4,537,300)
TOTAL ASSETS	<u><u>15,560,127</u></u>
LIABILITIES	
Accounts Payable	236,491
Unearned Tax Revenues	5,217,671
Advanced Tax Collections	2,384,723
Noncurrent Liabilities	
Due Within One Year	50,725
Due in More Than One Year	-
TOTAL LIABILITIES	<u><u>7,889,610</u></u>
NET POSITION	
Investments In Capital Assets, Net of Related Debt	4,102,712
Restricted For:	
Landfill	127,000
Law Enforcement	156,595
Unrestricted	3,284,210
TOTAL NET POSITION	<u><u>7,670,517</u></u>

The accompanying notes are an integral part of this statement.

**MCMULLEN COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Administration	587,716	383,188	-	-
Judicial	276,662	665,433	-	-
Elections	8,624			
Financial	457,349	163,982	-	-
Public Facilities	313,436	-	-	-
Public Safety	1,419,929	74,266	175,436	-
Environmental Protection	428,796	-	-	-
Public Transportation	2,197,675	119,458	10,515	-
Health and Welfare	76,364	-	-	-
Culture and Recreation	2,119	-	-	-
Conservation	80,811	-	-	-
Interest on Long Term Debt	5,064	-	-	-
Total Governmental Activities	5,854,545	1,406,327	185,951	-

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

(204,528)
388,771
(8,624)
(293,367)
(313,436)
(1,170,227)
(428,796)
(2,067,702)
(76,364)
(2,119)
(80,811)
(5,064)

(4,262,267)

3,640,705
9,355
550,881

4,200,941

(61,326)
7,731,843

7,670,517

**MCMULLEN COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	<u>GENERAL FUND</u>	<u>ROAD AND BRIDGE FUND</u>
ASSETS		
Cash and Cash Equivalents	2,432,236	1,300,337
Receivables		
Taxes Receivable, Net	3,301,042	2,200,692
Due From County Officials	1,225,060	696,780
TOTAL ASSETS	<u>6,958,338</u>	<u>4,197,809</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	130,476	105,915
Unearned Tax Revenues	3,301,042	2,200,696
Advanced Tax Collections	1,430,835	953,888
Total Liabilities	<u>4,862,353</u>	<u>3,260,499</u>
 FUND BALANCES		
Restricted	127,000	-
Committed	-	937,310
Assigned	-	-
Unassigned	1,968,985	-
Total Fund Balances	<u>2,095,985</u>	<u>937,310</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>6,958,338</u>	<u>4,197,809</u>

The accompanying notes are an integral part of this statement.

Exhibit 3

SHERIFF'S FEDERAL FORFEITURE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
148,614	11,406	3,892,593
-	-	5,501,734
-	-	1,921,840
<u>148,614</u>	<u>11,406</u>	<u>11,316,167</u>
-	100	236,491
-	-	5,501,738
-	-	2,384,723
<u>-</u>	<u>100</u>	<u>8,122,952</u>
148,614	7,981	283,595
-	-	937,310
-	3,325	3,325
-	-	1,968,985
<u>148,614</u>	<u>11,306</u>	<u>3,193,215</u>
<u>148,614</u>	<u>11,406</u>	<u>11,316,167</u>

This page is left blank intentionally.

MCMULLEN COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO STATEMENT OF NET POSITION
 DECEMBER 31, 2012

Exhibit 3-R

Total fund balance - total governmental funds	\$ 3,193,215
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	4,153,437
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	284,067
Fines receivable, net of allowances for uncollectibles	90,523
Payables for capital leases which are not due in the current period are not reported in the funds.	(50,725)
Net position of governmental activities - statement of net position	\$ <u><u>7,670,517</u></u>

The accompanying notes are an integral part of this statement.

**MCMULLEN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>GENERAL FUND</u>	<u>ROAD AND BRIDGE FUND</u>
REVENUES		
Taxes	2,352,695	1,106,976
Licenses and Permits	-	141,956
Intergovernmental	175,436	10,515
Fees	592,175	
Fines and Forfeitures	600,231	
Interest Income	6,001	3,141
Other	351,666	199,215
Total Revenues	<u>4,078,204</u>	<u>1,461,803</u>
EXPENDITURES		
Current		
General Administration	573,180	-
Judicial	276,662	-
Elections	8,624	-
Financial Administration	457,349	-
Public Facilities	261,851	-
Public Safety	1,115,470	-
Environmental Protection	411,317	-
Public Transportation	221,807	1,837,407
Culture and Recreation	1,195	-
Health and Welfare	75,672	-
Conservation	74,763	-
Debt Service		
Principal Retirement	-	48,255
Interest and Fiscal Charges	-	5,064
Total Expenditures	<u>3,477,890</u>	<u>1,890,726</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>600,314</u>	<u>(428,923)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	-	-
Transfers Out	(186,000)	-
Total Other Financing Sources (Uses)	<u>(186,000)</u>	<u>-</u>
Net Change in Fund Balances	414,314	(428,923)
Fund Balances at Beginning of Year	1,681,671	1,366,233
Fund Balances at End of Year	<u>2,095,985</u>	<u>937,310</u>

The accompanying notes are an integral part of this statement.

Exhibit 4

SHERIFF'S FEDERAL FORFEITURE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	3,459,671
-	-	141,956
-	-	185,951
-	-	592,175
47,683	1,948	649,862
200	13	9,355
-	-	550,881
<u>47,883</u>	<u>1,961</u>	<u>5,589,851</u>
-	-	573,180
-	-	276,662
-	-	8,624
-	-	457,349
-	-	261,851
275,163	3,672	1,394,305
-	-	411,317
-	-	2,059,214
-	-	1,195
-	-	75,672
-	-	74,763
-	-	48,255
-	-	5,064
<u>275,163</u>	<u>3,672</u>	<u>5,647,451</u>
<u>(227,280)</u>	<u>(1,711)</u>	<u>(57,600)</u>
-	186,000	186,000
-	-	(186,000)
-	<u>186,000</u>	<u>-</u>
(227,280)	184,289	(57,600)
375,894	(172,983)	3,250,815
<u>148,614</u>	<u>11,306</u>	<u>3,193,215</u>

MCMULLEN COUNTY, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
 THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2012

Exhibit 4-R

Net change in fund balance - total governmental funds	\$ (57,600)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the SOA.	254,565
The depreciation of capital assets used in governmental activities is not reported in the funds.	(509,914)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	181,034
Change in fines receivable	22,334
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	48,255
Change in net assets of governmental activities - statement of activities	\$ <u>(61,326)</u>

The accompanying notes are an integral part of this statement.

**MCMULLEN COUNTY, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2012**

Exhibit 5

ASSETS	
Cash and Cash Equivalents	827,661
Total Assets	<u>827,661</u>
 LIABILITIES	
Due to Others	827,661
Total Liabilities	<u>827,661</u>

The accompanying notes are an integral part of this statement.

This page is left blank intentionally.

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 2012.

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, 2012

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 2012.

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, 2012

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, are revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which were levied prior to September 30, 2012, and became due October 1, 2012 have been assessed to finance the budget of the fiscal year beginning January 1, 2013 and, accordingly, have been reflected as taxes receivable, deferred tax revenue, and advanced tax collections in the fund financial statements at December 31, 2012.

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, 2012

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.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

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

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

J. Compensated Absences

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

K. Net Position and Fund Equity

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

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

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

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

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the Commissioners Court. Committed amounts cannot be used for any other purpose unless the Commissioners Court removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Commissioners Court. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the County intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Commissioners Court or by an official or body to which the Commissioners Court delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County itself.

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

L. Use of Estimates

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

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

M. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

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, 2012

A. Cash Deposits:

At December 31, 2012, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,720,254 and the bank balance was \$7,779,396. The County's cash deposits at December 31, 2012 and during the period ended December 31, 2012, 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 2012, 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, 2012

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance January 1	Additions/ Completions	Retirements/ Adjustments	Balance December 31
Governmental Activities:				
Capital assets, not being depreciated				
Land	221,652	-	-	221,652
Construction in Progress	306,762	53,418	(313,944)	46,236
Total capital assets, not being depreciated	<u>528,414</u>	<u>53,418</u>	<u>(313,944)</u>	<u>267,888</u>
Capital assets, being depreciated				
Building and Improvements	1,372,209	313,944	-	1,686,153
Equipment and Vehicles	3,710,754	201,147	-	3,911,901
Infrastructure	2,824,795	-	-	2,824,795
Total capital assets, being depreciated	<u>7,907,758</u>	<u>515,091</u>	<u>-</u>	<u>8,422,849</u>
Less accumulated depreciation for:				
Buildings and Improvements	(382,760)	(33,228)	-	(415,988)
Equipment and Vehicles	(2,661,694)	(425,100)	-	(3,086,794)
Infrastructure	(982,932)	(51,586)	-	(1,034,518)
Total accumulated depreciation	<u>(4,027,386)</u>	<u>(509,914)</u>	<u>-</u>	<u>(4,537,300)</u>
Total capital assets, being depreciated, net	<u>3,880,372</u>	<u>5,177</u>	<u>-</u>	<u>3,885,549</u>
Governmental activities capital assets, net	<u>4,408,786</u>	<u>58,595</u>	<u>(313,944)</u>	<u>4,153,437</u>

Depreciation expense was charged to functions/programs of the County for the 2012 year as follows:

Governmental Activities:

General Administration	14,536
Public Facilities	51,585
Public Safety	155,580
Environmental Protection	17,479
Public Transportation	263,070
Health and Welfare	692
Culture and Recreation	924
Conservation - Agriculture	6,048

Total Depreciation Expense 509,914

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

4. LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2012 was as follows:

Description	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Governmental Activities:					
Capital Leases	98,980	-	48,255	50,725	50,725
Total Governmental Activities	98,980	-	48,255	50,725	50,725

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

CAPITAL LEASES

The County has entered into a lease agreement for the acquisition of a JD755D crawler dozer. At the end of the year, the amount financed for capital lease equipment amounted to \$50,725. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. Future minimum lease payments are as follows:

Fiscal Year Ending December 31	Governmental Activities
2013	53,319
Total	53,319
Less amount representing interest (Rate 5.00%)	(2,594)
Present value of future minimum lease payments	50,725

5. PROPERTY TAXES

Levy and Collection –

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

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

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

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

Taxes Receivable and Advance Tax Collections –

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

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

Appraisal District –

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

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

Tax Rate –

The effective tax rate for the 2011 levy year was \$0.57 per \$100 assessed valuation. This tax roll was used for fiscal year 2012 operations. The 2012 tax roll is to be used for 2013 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, 2012

6. RECEIVABLES

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

	<u>Property Taxes</u>	<u>Other</u>	<u>Total</u>
Governmental activities:			
General Fund	3,301,042	1,225,060	4,526,102
Road and Bridge Fund	<u>2,200,692</u>	<u>696,780</u>	<u>2,897,472</u>
Totals	<u>5,501,734</u>	<u>1,921,840</u>	<u>7,423,574</u>

7. UNEARNED REVENUES

Unearned revenue at year end consisted of the following:

<u>Revenue Description</u>	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Total</u>
Property taxes	<u>3,301,042</u>	<u>2,200,696</u>	<u>5,501,738</u>

8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables:

None

Interfund transfers:

	<u>Transfer In:</u>	
	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Transfer Out:		
General Fund	<u>186,000</u>	<u>186,000</u>

Interfund transfers to Nonmajor Governmental Funds were to supplement other funds sources.

9. PENSION PLAN

Plan Description.

McMullen County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive an employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

Funding Policy. The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. It was 10.01% for calendar year 2012. The contribution rate payable by the employee members is the rate of 7.0% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost. For the employer's accounting year ending December 31, 2012, the annual pension cost for the TCDRS plan for its employees was \$156,314, and the actual contributions were \$156,314.

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

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2005, the basis for determining the contribution rate for calendar year 2011. The December 31, 2011 actuarial valuation is the most recent valuation.

Actuarial Valuation Information

Actuarial valuation date	12/31/09	12/31/10	12/31/2011
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period	20.0	20.0	20.0
Asset valuation method	SAF 10-yr. smoothed value ESF: fund value	SAF 10-yr. smoothed value ESF: fund value	SAF 10-yr. smoothed value ESF: fund value
Actuarial Assumptions:			
Investment return*	8.00%	8.00%	8.00%
Projected salary increases*	5.40%	5.40%	5.40%
Inflation	3.50%	3.50%	3.50%
Cost-of-living adjustments	0.00%	0.00%	0.00%
*Includes inflation at the stated rate			

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

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/10	\$113,646	100.00%	\$ -0-
12/31/11	\$125,213	100.00%	\$ -0-
12/31/12	\$156,314	100.00%	\$ -0-

Actuarial Assumptions.

McMullen County is one of 624 participating subdivisions having the benefit plan administered by TCDRS. Each of the 624 participating subdivisions has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2012 valuations are contained in the 2011 TCDRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 2034, Austin, Texas 78768-2034.

10. RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County has utilized the purchase of commercial insurance to cover any potential losses. Except for minimal deductibles, the County has transferred risk of loss to commercial issuers. There have been no significant reductions in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded insurance coverage for the year ended December 31, 2012 or the three prior years.

11. COMMITMENTS AND CONTINGENT LIABILITIES

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

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

12. COMMITMENTS UNDER NONCAPITALIZED LEASES

Operating Leases:

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

Minimum lease commitments for the next five years are immaterial.

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

13. FUND BALANCES

The following is a summary of Governmental fund balances of the County at December 31, 2012:

<u>GENERAL FUND</u>	
Restricted:	
Landfill	127,000
Unassigned	<u>1,968,985</u>
TOTAL GENERAL FUND BALANCE	<u>2,095,985</u>
<u>ROAD AND BRIDGE FUND</u>	
Committed:	
Highways, Streets and Bridges	<u>937,310</u>
<u>SHERIFF'S FEDERAL FORFEITURE FUND</u>	
Restricted:	
Law Enforcement	<u>148,614</u>
<u>OTHER GOVERNMENTAL FUNDS</u>	
Restricted:	
Law Enforcement	<u>7,981</u>
Assigned:	
Health Clinic	100
Capital Projects	<u>3,225</u>
	<u>3,325</u>
TOTAL OTHER GOVERNMENTAL FUND BALANCE	<u>11,306</u>
TOTAL GOVERNMENTAL FUND BALANCE	<u><u>3,193,215</u></u>

MC MULLEN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

14. SUBSEQUENT EVENT

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

This page is left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

Major General and Special Revenue Funds Budgetary Comparisons

The following are the Major governmental funds of the County:

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

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

TCDRS PENSION FUNDING PROGRESS

The Analysis of Funding Progress for the Retirement Plan for the Employees of McMullen County discloses pension trend data for the 2009-2011 years. The 2012 data will not be available until September 2013.

NOTES

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

**MCMULLEN COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	2,200,000	2,200,000	2,416,121	216,121
Licenses and Permits	-	-	-	-
Intergovernmental	53,400	53,900	91,271	37,371
Fees	385,550	385,550	561,211	175,661
Fines and Forfeitures	164,000	226,000	568,875	342,875
Interest Income	19,500	5,500	5,931	431
Other	407,900	261,900	321,500	59,600
Total Revenues	<u>3,230,350</u>	<u>3,132,850</u>	<u>3,964,909</u>	<u>832,059</u>
EXPENDITURES				
Current				
General Administration	629,646	643,646	571,922	71,724
Judicial	304,171	311,071	273,768	37,303
Elections	4,725	9,125	8,624	501
Financial Administration	729,847	569,497	463,674	105,823
Public Facilities	322,975	327,975	257,358	70,617
Public Safety	1,042,487	1,139,537	991,149	148,388
Environmental Protection	678,395	709,395	398,137	311,258
Public Transportation	240,726	240,726	223,737	16,989
Culture and Recreation	9,132	9,132	1,122	8,010
Health and Welfare	316,213	117,563	75,660	41,903
Conservation	105,925	105,925	74,140	31,785
Debt Service				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>4,384,242</u>	<u>4,183,592</u>	<u>3,339,291</u>	<u>844,301</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,153,892)</u>	<u>(1,050,742)</u>	<u>625,618</u>	<u>1,676,360</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	(186,000)	(186,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(186,000)</u>	<u>(186,000)</u>	<u>-</u>
Net Change in Fund Balance (Budgetary Basis)	<u>(1,153,892)</u>	<u>(1,236,742)</u>	<u>439,618</u>	<u>1,676,360</u>
Add (Deduct) Other Reconciling Items to Adjust from Budgetary Basis to Modified Accrual Basis				
Change in Amounts Due from County Officials			756,915	
Change in Other			(34,299)	
Change in Accounts Payable			(20,064)	
Change in Advanced Tax Collections			(727,856)	
Net Change in Fund Balance (GAAP Basis)			<u>414,314</u>	
Fund Balance (GAAP Basis), Beginning of Year			<u>1,681,671</u>	
Fund Balance (GAAP Basis), End of Year			<u>2,095,985</u>	

See accompanying notes to required supplementary information.

**MCMULLEN COUNTY, TEXAS
ROAD AND BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	1,040,000	1,160,065	1,275,353	115,288
Licenses and Permits	200,000	104,189	138,240	34,051
Intergovernmental	10,000	10,000	10,515	515
Interest Income	13,000	2,546	3,141	595
Other	27,600	163,800	199,219	35,419
Total Revenues	<u>1,290,600</u>	<u>1,440,600</u>	<u>1,626,468</u>	<u>185,868</u>
EXPENDITURES				
Current				
Public Transportation:				
Road and Bridge	2,284,655	2,444,655	1,803,652	641,003
Debt Service				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>2,284,655</u>	<u>2,444,655</u>	<u>1,803,652</u>	<u>641,003</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(994,055)</u>	<u>(1,004,055)</u>	<u>(177,184)</u>	<u>826,871</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance (Budgetary Basis)	<u>(994,055)</u>	<u>(1,004,055)</u>	<u>(177,184)</u>	<u>826,871</u>
Add (Deduct) Other Reconciling Items to Adjust from Budgetary Basis to Modified Accrual Basis				
Change in Amounts Due from County Officials			608,504	
Change in Accounts Payable			(87,075)	
Change in Advanced Tax Collections			(773,168)	
Net Change in Fund Balance (GAAP Basis)			<u>(428,923)</u>	
Fund Balance (GAAP Basis), Beginning of Year			<u>1,366,233</u>	
Fund Balance (GAAP Basis), End of Year			<u>937,310</u>	

See accompanying notes to required supplementary information.

MC MULLEN COUNTY, TEXAS

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(a)	(b)	(b-a)	(a/b)	(c) ¹	((b-a)/c)
12/31/2009	2,292,725	2,898,481	605,756	79.10%	983,895	61.57%
12/31/2010	2,003,555	2,567,153	563,598	78.05%	1,114,176	50.58%
12/31/2011	2,137,120	2,729,680	592,560	78.29%	1,232,415	48.08%

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

See accompanying Notes to Required Supplementary Information.

**MC MULLEN COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2012**

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 2012 fiscal year were adopted for the General Fund and the Road and Bridge Fund.

This page is left blank intentionally.

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

This page is left blank intentionally.

NON-MAJOR GOVERNMENTAL FUNDS

MCMULLEN COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2012

	<u>SPECIAL REVENUE FUNDS</u>		Total Special Revenue Funds
	<u>Sheriff's State Forfeiture</u>	<u>Health Clinic</u>	
ASSETS			
Cash and Cash Equivalents	7,981	100	8,081
Total Assets	<u>7,981</u>	<u>100</u>	<u>8,081</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	-	-	-
Due to Other Funds	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	7,981	-	7,981
Assigned	-	100	100
Total Fund Balance	<u>7,981</u>	<u>100</u>	<u>8,081</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>7,981</u>	<u>100</u>	<u>8,081</u>

CONSTRUCTION FUNDS

<u>Capital Projects Fund</u>	<u>Public Facilities Grant Fund</u>	<u>Total Construction Funds</u>	<u>Total Nonmajor Governmental Funds</u>
3,225	100	3,325	11,406
<u>3,225</u>	<u>100</u>	<u>3,325</u>	<u>11,406</u>
-	100	100	100
-	-	-	-
<u>-</u>	<u>100</u>	<u>100</u>	<u>100</u>
-	-	-	7,981
3,225	-	3,225	3,325
<u>3,225</u>	<u>-</u>	<u>3,225</u>	<u>11,306</u>
3,225	100	3,325	11,406
<u>3,225</u>	<u>100</u>	<u>3,325</u>	<u>11,406</u>

**MCMULLEN COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>SPECIAL REVENUE FUNDS</u>		Total Special Revenue Funds
	<u>Sheriff's State Forfeiture</u>	<u>Health Clinic</u>	
REVENUES			
Taxes	-	-	-
Intergovernmental	-	-	-
Fines & Forfeitures	1,948	-	1,948
Charges for Services	-	-	-
Interest Income	8	-	8
Miscellaneous	-	-	-
Total Revenues	<u>1,956</u>	<u>-</u>	<u>1,956</u>
EXPENDITURES			
Current			
General Administration	-	-	-
Judicial	-	-	-
Elections	-	-	-
Financial Administration	-	-	-
Public Facilities	-	-	-
Public Safety	3,672	-	3,672
Environmental Protection	-	-	-
Public Transportation	-	-	-
Culture and Recreation	-	-	-
Health and Welfare	-	-	-
Conservation	-	-	-
Debt Service			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>3,672</u>	<u>-</u>	<u>3,672</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,716)</u>	<u>-</u>	<u>(1,716)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change In Fund Balances	(1,716)	-	(1,716)
Fund Balances at Beginning of Year	9,697	100	9,797
Fund Balances at End of Year	<u>7,981</u>	<u>100</u>	<u>8,081</u>

CONSTRUCTION FUNDS

<u>Capital Projects Fund</u>	<u>Public Facilities Grant Fund</u>	<u>Total Construction Funds</u>	<u>Total Nonmajor Governmental Funds</u>
-	-	-	-
-	-	-	-
-	-	-	1,948
-	-	-	-
5	-	5	13
-	-	-	-
<u>5</u>	<u>-</u>	<u>5</u>	<u>1,961</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	3,672
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	3,672
-	-	-	-
<u>5</u>	<u>-</u>	<u>5</u>	<u>(1,711)</u>
186,000	-	186,000	186,000
-	-	-	-
<u>186,000</u>	<u>-</u>	<u>186,000</u>	<u>186,000</u>
186,005	-	186,005	184,289
(182,780)	-	(182,780)	(172,983)
<u>3,225</u>	<u>-</u>	<u>3,225</u>	<u>11,306</u>

This page is left blank intentionally.

ROAD AND BRIDGE SUB-FUNDS

**MCMULLEN COUNTY, TEXAS
SCHEDULE - COMBINING BALANCE SHEET
ROAD AND BRIDGE SUB-FUNDS
DECEMBER 31, 2012**

	<u>ROAD AND BRIDGE</u>		
	<u>Road and Bridge Precinct 1</u>	<u>Road and Bridge Precinct 2</u>	<u>Road and Bridge Precinct 3</u>
ASSETS			
Cash and Cash Equivalents	176,067	348,112	607,500
Receivables			
Taxes Receivable, Net	550,173	550,173	550,173
Due from County Officials	174,195	174,195	174,195
Total Assets	<u>900,435</u>	<u>1,072,480</u>	<u>1,331,868</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	5,831	90,713	4,256
Unearned Tax Revenues	550,174	550,174	550,174
Advanced Tax Collections	238,472	238,472	238,472
Total Liabilities	<u>794,477</u>	<u>879,359</u>	<u>792,902</u>
FUND BALANCES			
Committed	105,958	193,121	538,966
TOTAL LIABILITIES AND FUND BALANCES	<u>900,435</u>	<u>1,072,480</u>	<u>1,331,868</u>

SUB-FUNDS

Road and Bridge Precinct 4	Road Fund Right of Way	Total Road and Bridge Fund
152,061	16,597	1,300,337
550,173	-	2,200,692
174,195	-	696,780
<u>876,429</u>	<u>16,597</u>	<u>4,197,809</u>
5,115	-	105,915
550,174	-	2,200,696
238,472	-	953,888
<u>793,761</u>	<u>-</u>	<u>3,260,499</u>
82,668	16,597	937,310
<u>876,429</u>	<u>16,597</u>	<u>4,197,809</u>

**MCMULLEN COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ROAD AND BRIDGE SUB-FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>ROAD AND BRIDGE</u>	
	<u>Road and Bridge Precinct 1</u>	<u>Road and Bridge Precinct 2</u>
REVENUES		
Taxes	139,349	139,349
Licenses and Permits	9,442	9,442
Intergovernmental	-	-
Interest Income	426	598
Other	9,008	6,979
Total Revenues	<u>158,225</u>	<u>156,368</u>
EXPENDITURES		
Current		
Public Transportation:		
Road and Bridge	289,880	438,593
Debt Service		
Principal Retirement	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	<u>289,880</u>	<u>438,593</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(131,655)</u>	<u>(282,225)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In - From General Fund	-	-
Transfers In - From Road and Bridge Sub-Funds	115,068	39,122
Transfers Out - To Road and Bridge Sub-Funds	-	-
Total Other Financing Sources (Uses)	<u>115,068</u>	<u>39,122</u>
Net Change in Fund Balances	(16,587)	(243,103)
Fund Balances at Beginning of Year	<u>122,545</u>	<u>436,224</u>
Fund Balances at End of Year	<u>105,958</u>	<u>193,121</u>

SUB-FUNDS

Road and Bridge Precinct 3	Road and Bridge Precinct 4	Road Fund Right of Way	Total Road and Bridge Fund
139,349	139,349	549,580	1,106,976
9,442	9,442	104,188	141,956
-	-	10,515	10,515
877	341	899	3,141
10,907	7,051	165,270	199,215
<u>160,575</u>	<u>156,183</u>	<u>830,452</u>	<u>1,461,803</u>
224,647	240,326	643,961	1,837,407
-	-	48,255	48,255
-	-	5,064	5,064
<u>224,647</u>	<u>240,326</u>	<u>697,280</u>	<u>1,890,726</u>
<u>(64,072)</u>	<u>(84,143)</u>	<u>133,172</u>	<u>(428,923)</u>
-	-	-	-
294,117	46,614	-	494,921
-	-	(494,921)	(494,921)
<u>294,117</u>	<u>46,614</u>	<u>(494,921)</u>	<u>-</u>
230,045	(37,529)	(361,749)	(428,923)
308,921	120,197	378,346	1,366,233
<u>538,966</u>	<u>82,668</u>	<u>16,597</u>	<u>937,310</u>

This page is left blank intentionally.

FIDUCIARY FUNDS

**MCMULLEN COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012**

	Balance 01/01/2012	Additions	Deletions	Balance 12/31/2012
<u>PERMANENT SCHOOL FUND</u>				
ASSETS				
Cash in bank	112,204	19	-	112,223
	<u>112,204</u>	<u>19</u>	<u>-</u>	<u>112,223</u>
LIABILITIES				
Due to others	112,204	19	-	112,223
	<u>112,204</u>	<u>19</u>	<u>-</u>	<u>112,223</u>
<u>PERMANENT UNDISTRIBUTED FUND</u>				
ASSETS				
Cash in bank	90,493	342	-	90,835
	<u>90,493</u>	<u>342</u>	<u>-</u>	<u>90,835</u>
LIABILITIES				
Due to others	90,493	342	-	90,835
	<u>90,493</u>	<u>342</u>	<u>-</u>	<u>90,835</u>
<u>SHERIFFS PENDING ASSET FUND</u>				
ASSETS				
Cash in bank	2	-	-	2
	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
LIABILITIES				
Due to others	2	-	-	2
	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>

MCMULLEN COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

	Balance 01/01/2012	Additions	Deletions	Balance 12/31/2012
<u>COUNTY-DISTRICT CLERK FUND</u>				
ASSETS				
Cash in bank	4,368	-	2,805	1,563
	<u>4,368</u>	<u>-</u>	<u>2,805</u>	<u>1,563</u>
LIABILITIES				
Due to others	4,368	-	2,805	1,563
	<u>4,368</u>	<u>-</u>	<u>2,805</u>	<u>1,563</u>
<u>JUSTICE OF THE PEACE FUND</u>				
ASSETS				
Cash in bank	229	167,895	-	168,124
	<u>229</u>	<u>167,895</u>	<u>-</u>	<u>168,124</u>
LIABILITIES				
Due to others	229	167,895	-	168,124
	<u>229</u>	<u>167,895</u>	<u>-</u>	<u>168,124</u>
<u>TAX ASSESSOR COLLECTOR FUND</u>				
ASSETS				
Cash in bank	16,281	7,039	-	23,320
	<u>16,281</u>	<u>7,039</u>	<u>-</u>	<u>23,320</u>
LIABILITIES				
Due to others	16,281	7,039	-	23,320
	<u>16,281</u>	<u>7,039</u>	<u>-</u>	<u>23,320</u>

MCMULLEN COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

	Balance 01/01/2012	Additions	Deletions	Balance 12/31/2012
<u>DISTRICT CLERK COST ACCOUNT FUND</u>				
ASSETS				
Cash in bank	43,568	-	31,552	12,016
	<u>43,568</u>	<u>-</u>	<u>31,552</u>	<u>12,016</u>
LIABILITIES				
Due to others	43,568	-	31,552	12,016
	<u>43,568</u>	<u>-</u>	<u>31,552</u>	<u>12,016</u>
<u>DISTRICT COURT TRUST FUND</u>				
ASSETS				
Cash in bank	1,866,066	-	1,678,519	187,547
	<u>1,866,066</u>	<u>-</u>	<u>1,678,519</u>	<u>187,547</u>
LIABILITIES				
Due to others	1,866,066	-	1,678,519	187,547
	<u>1,866,066</u>	<u>-</u>	<u>1,678,519</u>	<u>187,547</u>
<u>COUNTY CLERK CONDEMNATION AWARD FUND</u>				
ASSETS				
Cash in bank	250,251	-	18,459	231,792
	<u>250,251</u>	<u>-</u>	<u>18,459</u>	<u>231,792</u>
LIABILITIES				
Due to others	250,251	-	18,459	231,792
	<u>250,251</u>	<u>-</u>	<u>18,459</u>	<u>231,792</u>

MCMULLEN COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

	Balance 01/01/2012	Additions	Deletions	Balance 12/31/2012
<u>DC TRUST FUND</u>				
ASSETS				
Cash in bank	189	-	-	189
	<u>189</u>	<u>-</u>	<u>-</u>	<u>189</u>
LIABILITIES				
Due to others	189	-	-	189
	<u>189</u>	<u>-</u>	<u>-</u>	<u>189</u>
<u>VOTER REGISTRATION CH 19 FUND</u>				
ASSETS				
Cash in bank	50	-	-	50
	<u>50</u>	<u>-</u>	<u>-</u>	<u>50</u>
LIABILITIES				
Due to others	50	-	-	50
	<u>50</u>	<u>-</u>	<u>-</u>	<u>50</u>
<u>TOTAL - AGENCY FUNDS</u>				
ASSETS				
Cash in bank	2,383,701	175,295	1,731,335	827,661
	<u>2,383,701</u>	<u>175,295</u>	<u>1,731,335</u>	<u>827,661</u>
LIABILITIES				
Due to others	2,383,701	175,295	1,731,335	827,661
	<u>2,383,701</u>	<u>175,295</u>	<u>1,731,335</u>	<u>827,661</u>