

MATAGORDA COUNTY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2014

Prepared by
Cathy Ezell, Matagorda County Auditor



Matagorda County
Comprehensive Annual Financial Report
For The Year Ended December 31, 2014

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Introductory Section





**CATHY EZELL
COUNTY AUDITOR
MATAGORDA COUNTY
1700 SEVENTH STREET, ROOM 326
BAY CITY, TEXAS 77414-5095
(409) 244-7611**

Honorable District Judges of Matagorda County and
Honorable Members of the Matagorda County Commissioners Court:

Chapter 114.025 and chapter 115.045 of the Local Government Code of the State of Texas requires the issuance within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a licensed certified public accountant. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Matagorda County for the fiscal year ended December 31, 2014.

This report consists of management's representations concerning the finances of Matagorda County. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Matagorda County's financial statements in conformity with GAAP. The County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement because the cost of internal controls should not outweigh their benefits,. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Matagorda County's financial statements have been audited by Reed & Associates, PC, certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the year ended December 31, 2014, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended December 31, 2014, are presented in conformity with GAAP. The independent auditor's report is presented as the first item in the financial section of this report.

The independent audit of the financial statements of Matagorda County was part of the broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are included in the Single Audit section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Matagorda County's MD&A can be found immediately following the report of the independent auditors. The financial section also includes government-wide financial statements, fund financial statements, notes, required supplementary information and the combining and individual fund financial statements and schedules. The statistical section of the report includes selected financial and demographic information, which is generally presented on a multi-year basis.

PROFILE OF MATAGORDA COUNTY

The County of Matagorda, created in 1836 is rich in history and tradition. The County is located between Galveston and Corpus Christi along the Gulf Coast and enjoys a diversity of geography from its wide expanse of prairies to the many creeks, rivers, lakes, bays and Gulf of Mexico. Matagorda County occupies an area of 1,115 square miles and serves an estimated population of 36,547. The County is a political subdivision of the State of Texas. Neighboring counties are Brazoria, Wharton and Jackson.

The County operates as specified under the Constitution of the State of Texas and Vernon's Texas Code Annotated, which provide for a Commissioners Court consisting of the County Judge and four County Commissioners, one from each of four geographical precincts. The Commissioners Court is the governing body of the County. The County Judge is elected at large to serve a four-year term and the Commissioners serve four-year staggered terms, two members elected every two years.

The Commissioners Court has certain powers granted to it by the state legislature. Its duties include adoption of the budget, setting of the tax rates, approval of contracts, appointment of certain county officials and the development of policies and orders. The Commissioners Court shares the financial controls of the County with the County Auditor who is appointed according to Texas State statutes for two year terms by the District Judges. The County Auditor holds the basic responsibilities for establishing accounting policies and procedures, maintaining the records of all financial transactions of the County, and "examining and approving" disbursements from county funds prior to their submission to the Commissioners Court for payment.

Matagorda County provides many services not ordinarily provided by any other entity of government and provides additional services in cooperation with other local governmental units. These include volunteer fire departments, libraries and the museum. A primary service is the administration of justice, which includes the county and district courts, justices of the peace, constables, district attorney, clerks of the courts, sheriff, jail, and bailiffs. Other functions performed by the County include juvenile services, maintaining public health and welfare and the construction and maintenance of roads and bridges.

BUDGET

The annual budget serves as the foundation for the County's planning and control. Budgetary control is maintained at the subtotal level of the County budget for the following categories: Personnel, Operating Costs, Capital Outlay and Debt. Expenditures for current operating funds may not exceed available cash balances in such funds at January 1, plus the estimate of revenues for the ensuing year. At any time during the year, Commissioners Court may increase the budget for unexpected revenues, expenditures, or actual beginning fund balances in excess of budgeted estimates, provided that Commissioners Court declares the existence of an emergency necessitating the increase. All annual budget appropriations lapse at year end with the exception of the commissioner's budgets. Prior to year end, the commissioners commit a portion of unrestricted General Fund balance for the unspent portion of their precinct budgets. The County also maintains an encumbrance accounting system for the general fund as one method of maintaining budgetary control. Budget to actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted.

LONG TERM FINANCIAL PLANNING

The long term financial plans of the county consist of continued infrastructure improvement for roads and bridges and efforts to explore avenues for enhanced economic growth. The commissioners' court adopted an updated tax abatement policy to aid in negotiations with potential industrial clients and to continue to attract growth for Matagorda County.

Additional appropriations for courthouse maintenance and repairs were approved to preserve our capital assets to ensure they reach their potential life expectancy.

LOCAL ECONOMY

An understanding of the financial condition of Matagorda County is enhanced through a perspective of the environment in which the County operates. Matagorda County's primary economic bases include utilities, petrochemical processing, transmission, agriculture, commercial fishing and tourism. Matagorda County has outstanding opportunities for industry growth because of its location and proximity to the Gulf of Mexico, the Colorado River and the Gulf Intercoastal Canal waterway as well as rail accessibility.

For several years, Matagorda County has partnered with the South Texas Project Nuclear Operating Company (STP) in providing Emergency Preparedness Training and Operations Drills for the safety of its citizens. This contract is not only financially favorable to the County, but has also provided invaluable emergency preparedness skills and a network of cooperation between the County leaders and departments and its industry neighbors. Through a joint partnership with the South Texas Project and Wharton County Junior College, the South Texas Center for Energy Development continues to serve as a career center for staffing at STP and also offers classes focusing on process-technology and power-technology programs to train students for work at chemical, industrial and nuclear plants.

Matagorda Regional Medical Center (MRMC) serves the community at its 117,000 square-foot facility located on 45 acres of land on Texas 35 west. This two-story acute care hospital has 58 patient rooms, offers expanded services, and attractive and comfortable patient and visitor areas. A 40,000 square foot medical office building has been constructed on the MRMC campus. This two-story facility provided space for a Diagnostic Center for outpatient testing as well as physician clinic space.

The economic outlook for Matagorda County remains positive for the future. Tenaris began construction of a seamless steel pipe manufacturing plant that will have an approximate value of \$1.3 billion. This plant will bring 650 jobs to the county. Also, Dunn Heat Exchanger is under construction. This plant will clean heat exchangers and will bring new employment opportunities to the County. Construction is also beginning on two new hotels in Bay City. The County hopes that with these additions more business opportunities will follow. The South Texas Project Nuclear Operating Company continues toward its plans to build two additional units at the site in the near future. Although the expansion has been delayed while the industry recovers from the aftermath of the nuclear disaster in Japan, the preparation continues. The future construction would bring temporary jobs to the community and upon completion provide approximately 1,000 permanent jobs to Matagorda County. Tourism continues to grow as Matagorda's coastline is developed and discovered by those who enjoy fishing, beach and river activities or just relaxing.

FINANCIAL POLICIES

The County has adopted an investment policy as required by state law and in conformity with state investment statutes. The investment policy as adopted by the County employs the prudent person concept in that priorities were established as to the investment vehicles the County would use. Compliance with the laws of the State of Texas and Safety were established as first priorities, followed by liquidity, low risk and diversification with an active versus passive management philosophy maintaining high professional and ethical standards. The County Treasurer is responsible for administering all of the investment of idle funds in the County. For the last several years, the County's depository has provided better interest rates than comparable liquid investments.

During the fiscal year, the County earned approximately \$0.16 million interest on the funds invested.

In 2011 the County established a Fund Balance Policy in accordance with Governmental Accounting Standards Board Statement 54, adopting new classifications of fund balance, the method for committing fund balance and setting the order in which resources will be expended.

The County is responsible for establishing its tax rate. For the fiscal year ended December 31, 2013, the tax rate to finance general governmental services was \$0.294770 per \$100 valuation and the tax rate for the payment of principal and interest on long-term debt was \$0.004010 per \$100 of valuation.

In addition, the County also has the following financial policies:

- The Commissioners Court of the County shall formally adopt the annual budget prepared by the Budget Officer, members of the Commissioners' court and the County Auditor.
- Expenditures are controlled not to exceed available resources. All elected officials and department heads are required to keep expenditures within allocated budgets.
- Balanced financial operations will be maintained. Adequate internal accounting controls are developed and maintained to safeguard assets and provide reasonable assurance of proper recording of financial transactions.
- The County continues its effort on the replacement and upgrade of software when needed and it has provided funding when possible.
- Delivery of service to the constituents.
- Restrain the debt issuance to keep the tax rate low.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Matagorda County for its comprehensive annual financial report for the fiscal year ended December 31, 2013. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County has received a Certificate of Achievement for the last 10 consecutive years. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

I would like to express my appreciation to members of the Commissioners' Court and to the District Judges for their interest and support in planning and conducting the financial operations of the County in a responsible and professional manner. The timely completion of this report could not have been achieved without the dedicated efforts of the entire staff of the Office of County Auditor and the professional services provided by our independent Auditor, Reed & Associates, P.C.

Respectfully submitted,



Cathy Ezell, County Auditor

Matagorda County, Texas

June 8, 2015



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Matagorda County
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

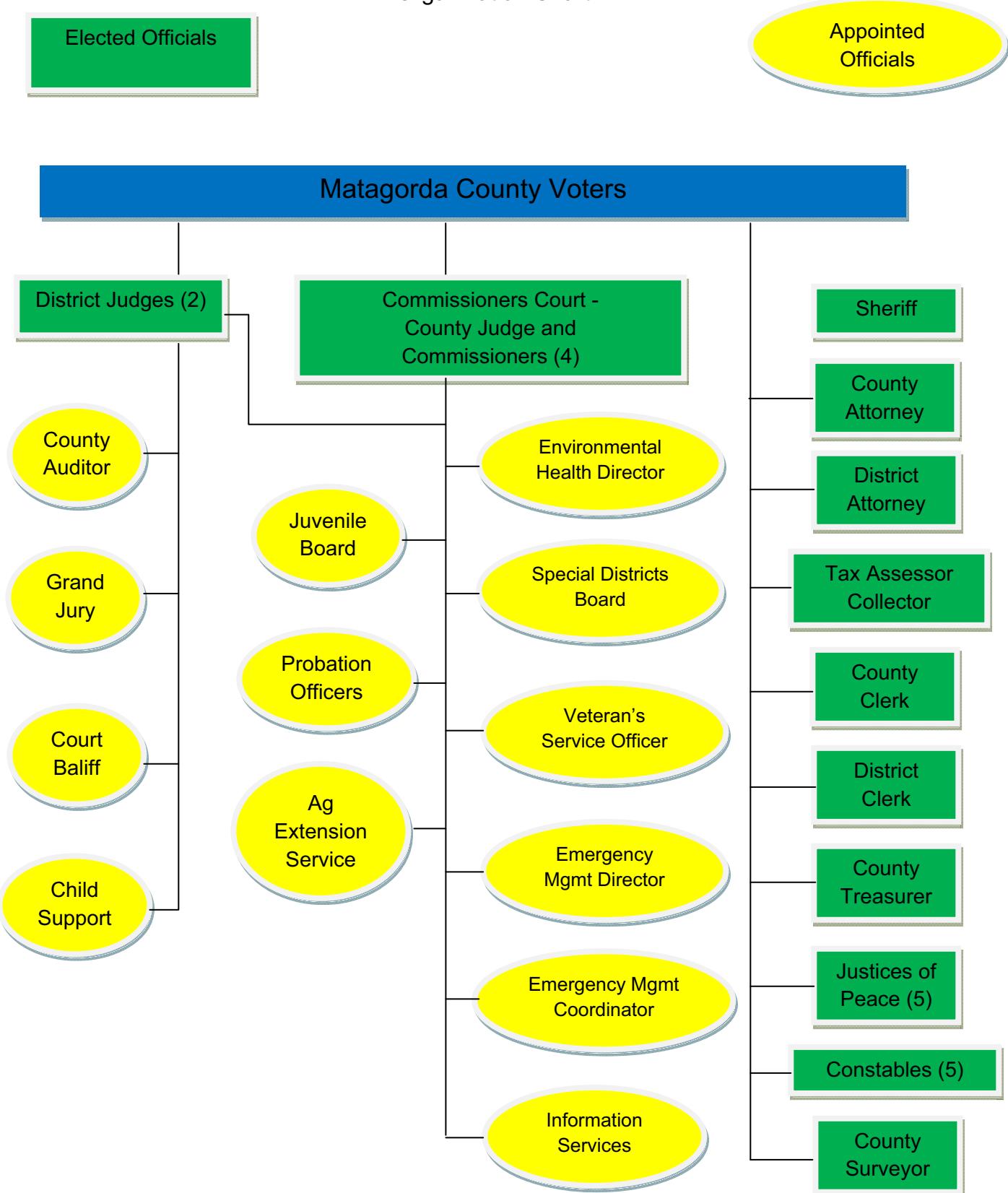
December 31, 2013

A handwritten signature in black ink that reads "Jeffrey P. Eman". The signature is fluid and cursive, with "Jeffrey" on the top line and "P. Eman" on the bottom line.

Executive Director/CEO



MATAGORDA COUNTY Organization Chart



MATAGORDA COUNTY**LIST OF ELECTED AND APPOINTED OFFICIAL****DECEMBER 31, 2014**Elected Officials

Judge, 23rd Judicial District
Judge, 130th Judicial District
County Judge
Commissioner, Precinct #1
Commissioner, Precinct #2
Commissioner, Precinct #3
Commissioner, Precinct #4
County Sheriff
County Attorney
District Attorney
County Tax Collector
County Clerk
District Clerk
County Treasurer
Justice of Peace, Precinct #1
Justice of Peace, Precinct #2
Justice of Peace, Precinct #3
Justice of Peace, Precinct #4
Justice of Peace, Precinct #6
Constable, Precinct #1
Constable, Precinct #2
Constable, Precinct #3
Constable, Precinct #4
Constable, Precinct #6
County Surveyor

Ben Hardin
Craig Estlinbaum
Nate McDonald
Dan Pustka
Kent Pollard
James Gibson
David J. Woodson
Frank Osborne
Denise Fortenberry
Steven Reis
Cristyn Hallmark
Janet Hickl
Jamie Bludau
Tammy McDonald
Jeannette Bell
Suzan Thompson
Jerry Purvis
Mark Finlay
Ray Taggart
Raymond Green
Frank Craft
Pat Jewell
Pete Medina
Tom Ward
James Rother

Appointed Officials

County Auditor
Court Bailiff
Child Support
Ag Extension Agent
Environmental Health Director
Veterans Service Officer
Emergency Management Director
Emergency Management Coordinator
Information Services

Cathy Ezell
Bill Orton
Marlene Wells
Brent Batchelor
Ruben Gonzales
Jason Sanders
Nate McDonald
Doug Matthes
Chris Peikert

Financial Section



Reed & Associates, PC

Certified Public Accountants

2300 Avenue I

Bay City, Texas 77414

(979) 245-7361 ~ auditors@swbell.net

Independent Auditor's Report

To the Commissioners
Matagorda County
1700 Seventh Street
Bay City, Texas 77414

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 the Matagorda County ("the County") as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 County'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 County'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 Matagorda County as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof 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 schedule of funding progress for OPEB benefits identified as Required Supplementary Information in the table of contents 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 the Matagorda County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local "Governments, and Non-Profit Organizations", and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with "Government Auditing Standards", we have also issued our report dated May 20, 2015 on our consideration of Matagorda County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other Matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards" in considering Matagorda County's internal control over financial reporting and compliance.

Respectfully submitted,

Reed & Associates, PC

Digitally signed by Reed & Associates, PC
DN: cn=Reed & Associates, PC, o, ou,
email=auditors@swbell.net, c=US
Date: 2015.06.05 15:49:48 -05'00'

Reed & Associates, PC
Bay City, Texas
May 20, 2015

MATAGORDA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

This discussion and analysis of Matagorda County's financial performance provides a narrative overview of the County's financial activities for the fiscal year ended December 31, 2014. The information presented here should be read in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

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 themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Matagorda 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 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. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Matagorda County is improving or deteriorating.

The *statement of activities* presents information showing how the government's 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 only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave and uncollected taxes).

Both of the government-wide statements distinguish between functions of Matagorda County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business activities). The governmental activities of the County include general government, justice, public safety, corrections and rehabilitation, health and human services, community and economic development, and infrastructure and environmental services.

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. Matagorda 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 three categories: governmental funds, proprietary 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. However, unlike the government-wide financial statements, governmental fund financial statements focus on *current sources and uses of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

MATAGORDA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

The County maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund and the intergovernmental grants fund. Data from the other thirteen 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.

Proprietary funds. *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund (a type of proprietary fund) is used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its self-funded health insurance program. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County uses agency funds to account for various assets held for the benefit of others.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes disclose other pertinent information that, when taken in whole with the financial statements, provide a more detailed picture of the state of the finances of the County.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. The combining statements and individual fund budgetary comparison schedules are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

MATAGORDA COUNTY'S NET POSITION

	2014	2013	Variance
Current and other assets	\$ 32,762,855	\$ 29,415,169	\$ 3,347,686
Capital Assets	<u>18,087,133</u>	<u>16,762,252</u>	<u>1,324,881</u>
Total assets	<u>50,849,988</u>	<u>46,177,421</u>	<u>4,672,567</u>
Current and other liabilities	2,746,168	1,512,649	1,233,519
Long-term liabilities	<u>8,723,087</u>	<u>7,356,562</u>	<u>1,366,525</u>
Total liabilities	<u>11,469,255</u>	<u>8,869,211</u>	<u>2,600,044</u>
Total deferred inflow of resources	<u>15,305,409</u>	<u>14,778,716</u>	<u>526,693</u>
Invested in Capital Assets, net of related debt	17,259,548	15,782,772	1,476,776
Restricted for debt service	14,657	17,817	(3,160)
Restricted for legislative purposes	827,701	798,425	29,276
Unrestricted	<u>5,973,418</u>	<u>5,930,480</u>	<u>42,938</u>
Total net position	<u>\$ 24,075,324</u>	<u>\$ 22,529,494</u>	<u>\$ 1,545,830</u>

MATAGORDA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

Current assets increased \$3,347,686 of which \$1,173,771 represents an increase in taxes receivable due to a large unpaid taxpayer amount currently in dispute. Another \$345,736 represents a large insurance recovery receivable due to an errors & omissions claim. Grant receivables increased over \$590,000 and cash and investments increased \$526,729 as discussed further below.

Current liabilities increased \$1,230,824 and long-term liabilities increased \$1,366,525. Current liabilities is due to the recording of \$150,326 in accrued wages payable as a result of changing to a bi-weekly payroll in July of 2014, recording of \$345,736 in accrued back pay and \$587,626 in grants payable while long-term liabilities is due to the increase in the County's OPEB obligation of \$1,479,468.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Matagorda County, assets exceeded liabilities by \$24,075,324 at the close of the most recent fiscal year.

Seventy-one percent (71%) of the County's net position, \$17,259,548, reflects its investment in capital assets less any debt used to acquire those assets that is still outstanding. The County uses 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.

The County's changes in net position for the years ended December 31, 2014 and 2013 are as follows:

MATAGORDA COUNTY'S CHANGES IN NET POSITION

	12/31/2014	12/31/2013	Variance
Revenues:			
Program revenues:			
Fees, fines and charges for services	\$ 6,845,074	\$ 6,181,981	\$ 663,093
Operating grants and contributions	1,322,719	5,511,435	(4,188,716)
Capital Grants and Contributions	2,870,484	165,879	2,704,605
General revenues:			
Property taxes	14,269,367	13,732,189	537,178
Miscellaneous	107,161	97,781	9,380
Unrestricted investment earnings	182,468	165,217	17,251
Total revenues	25,597,273	25,854,482	(257,209)
Expenses:			
General government	4,030,366	3,564,536	465,830
Justice system	3,652,376	3,492,513	159,863
Public safety	3,892,339	3,612,977	279,362
Corrections & rehabilitation	2,334,817	2,261,328	73,489
Health and human services	1,418,957	1,390,657	28,300
Community & economic development	1,160,109	1,136,304	* 23,805
Infrastructure and environmental svcs.	5,228,877	10,419,602	(5,190,725)
Intergovernmental	2,304,056	566,199	1,737,857
Interest on debt	29,542	30,073	(531)
Total expenses	24,051,439	26,474,189	(2,422,750)
Increase (decrease) in net position	1,545,834	(619,707)	2,165,541
Net position - beginning	22,529,490	23,149,201	(619,711)
Net position - ending	\$ 24,075,324	\$ 22,529,494	\$ 1,545,830

* Prior year community & economic development costs and infrastructure & environmental costs were restated to correct a reporting error in prior year audit.

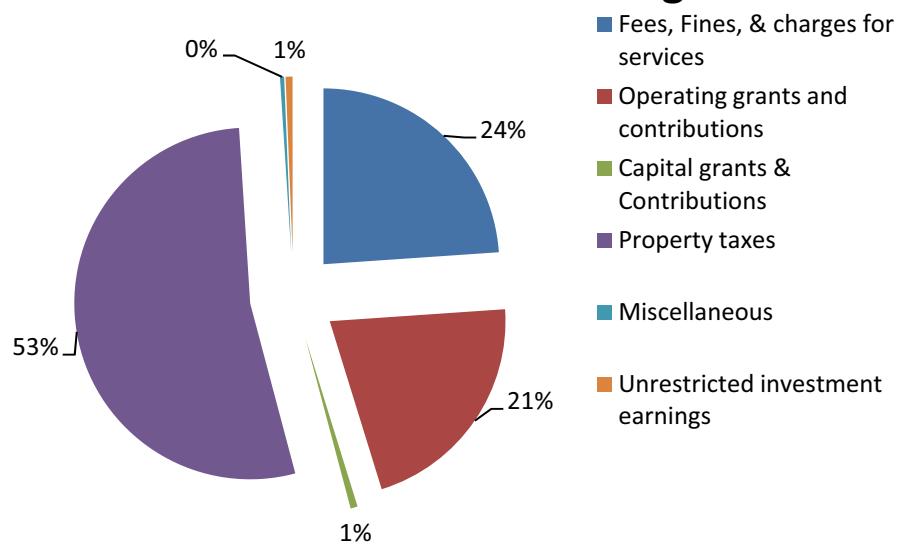
MATAGORDA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

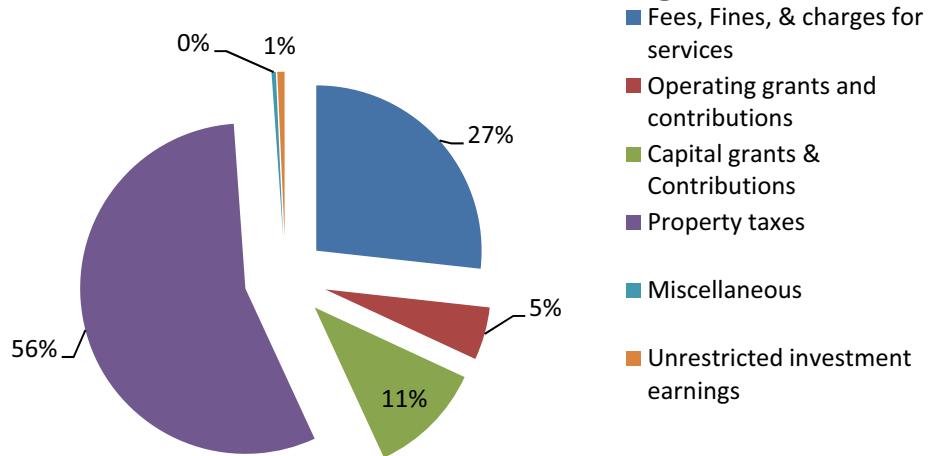
Governmental activities increased the County's net position by \$1,545,834 compared to a prior year reduction of \$619,707. The following are some of the more significant factors contributing to the net change in position:

- Operating and capital grants decreased a net of \$1,484,111 primarily in Community Development Block Grants for various disaster recovery grants and water & sewer grants.
- Fines & fees have increased \$663,093 due to the County taking over the transfer station site from the City and software changes in determining District Clerk outstanding fines and fees.
- Property tax revenue has increased due to an increase in tax rate from .29878 per \$100 to .32099 per \$100
- General government costs increased \$465,830 due primarily to increased health insurance claims for the year.
- Infrastructure and environmental services are down \$5,190,725 due primarily to completion of non-capital grant projects in the prior year in excess of current year while intergovernmental costs increased \$1,737,857 due to additional grant projects during the current year for other entities in excess of prior year grants.

2013 Revenue Percentages

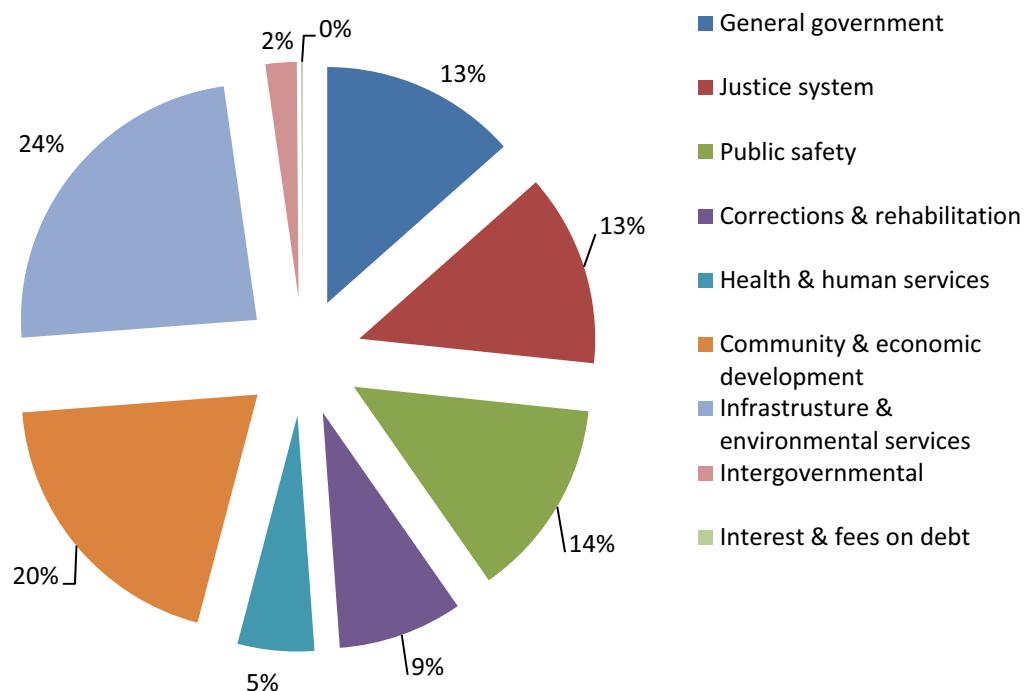


2014 Revenue Percentages

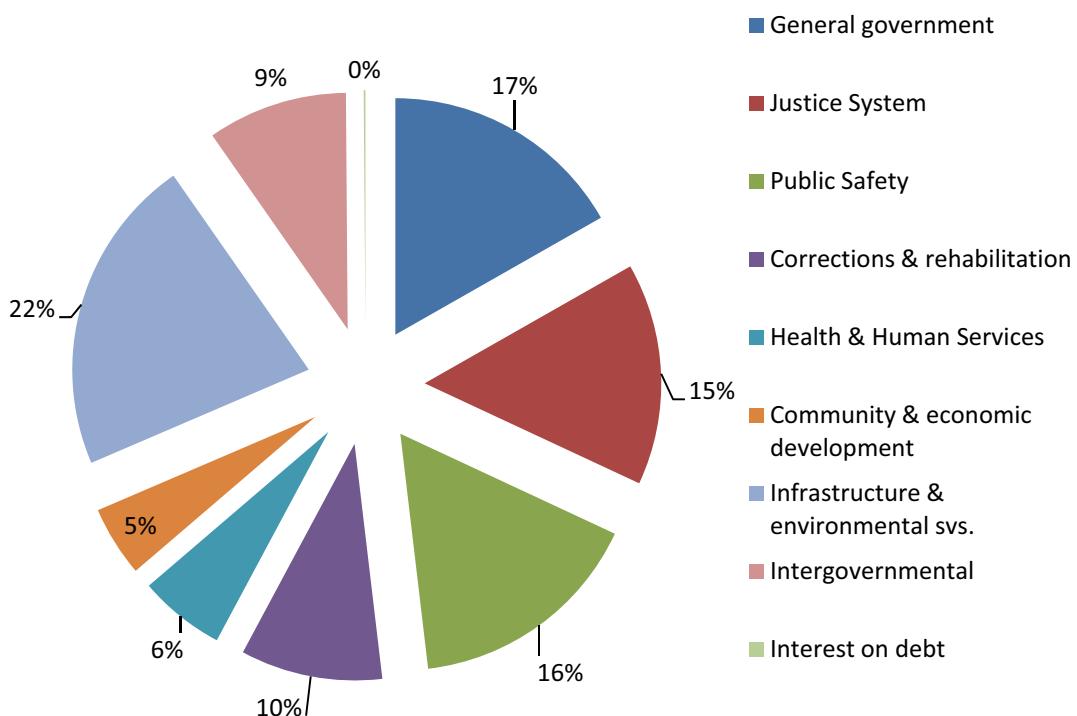


MATAGORDA COUNTY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2014

2013 Expense Percentages



2014 Expense Percentages



MATAGORDA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental funds. The general government functions are reported in the General, Intergovernmental, Special Revenue, and Debt Service funds. The focus of the County's *governmental funds* is to provide information on current sources, uses, and balances of *spendable* resources. Such information is useful in determining the County's financing requirements. In particular, *unreserved 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 \$11,027,294. Approximately 71% of this amount (7.9 million) constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is divided among committed fund balance of \$1,654,219, restricted fund balance of \$829,824 and nonspendable fund balance of \$617,348. The County's ability to spend each of these types of fund balance is more limited than with unassigned fund balance, and the limitations on spending are discussed more fully in the notes to the financial statements.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$7,925,903, while total fund balance was \$10,197,470. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 40% of total general fund expenditures, and total fund balance represents 51% of that same amount.

The fund balance of Matagorda County's general fund increased by \$546,787 compared to a net increase of \$1,340,182 the prior year. Following are some of the more significant factors noted:

- Although as discussed above the County tax levy for the year was up due to an increase in the tax rate, tax collections were down for the year over \$480,000 as a result of a large taxpayer dispute in taxable values. This taxpayer did not pay the levy amount for the year but an amount much smaller in anticipation of winning the lawsuit over values.
- Charges for services were up over \$180,000 due in large part to the County assuming the responsibilities of the transfer station from the City as discussed earlier. This resulted in a corresponding increase in infrastructure and environmental services as well.
- Public safety costs were up over \$225,000 primarily in payroll costs.

Proprietary funds. The County has only one proprietary fund type which is an internal service fund. This internal service fund is used to account for a self-funded health insurance program. The fund for 2014 had an operating loss of \$351,208 as compared to last year's income of \$215,314. While revenue remained fairly consistent, claims expense and prescriptions increased by \$590,807.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Commissioners' Court approved several increases to budgeted revenues and appropriations. The most significant amendment was to intergovernmental revenue of \$1,651,995 for various federal and state grants with a resulting offset of \$918,000 to community & economic development and \$542,839 to infrastructure & environmental services. Infrastructure and environmental services were amended further for \$988,977 adding the prior year committed funds to each of the four precincts budgets upon completion of the audit.

Actual expenditures were less than appropriations. The actual expenditures were under spent as a result of incomplete federal and state grant projects as noted above as well as under spent precinct budgets due to the carry-forward of unspent amounts each year.

MATAGORDA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014

CAPITAL ASSETS AND LONG-TERM DEBT

The following table lists the County's investment in capital assets (net of accumulated depreciation) as of December 31, 2014

MATAGORDA COUNTY'S CAPITAL ASSETS

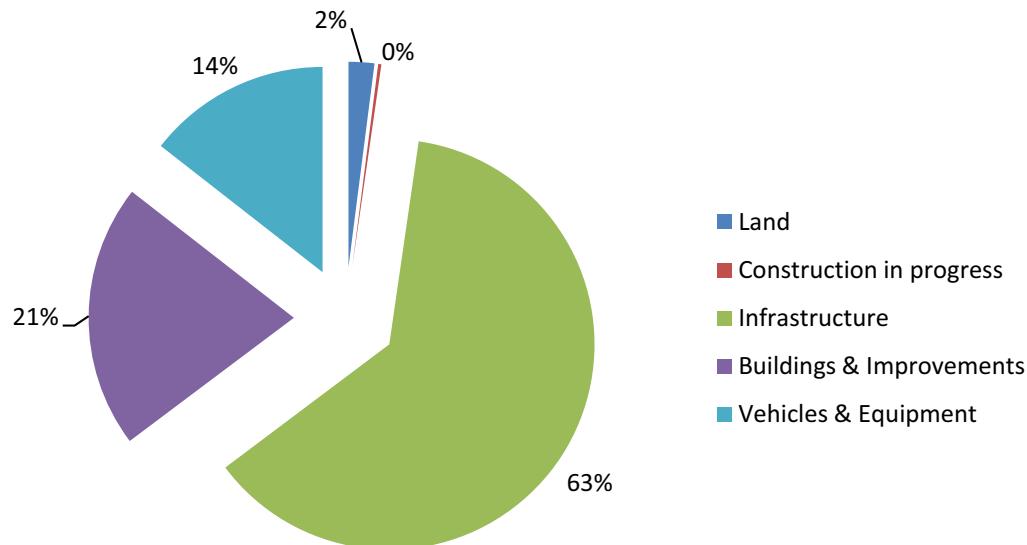
	Balances 12/31/2013	Increases	Decreases	Balances 12/31/2014
Land	\$ 1,349,101	\$ -	\$ -	\$ 1,349,101
Construction in Progress	165,879	646,564	165,879	646,564
Infrastructure	41,485,561	1,916,824	1,403,560	41,998,825
Buildings and improvements	13,800,822	-	-	13,800,822
Vehicles and equipment	9,604,649	716,151	64,862	10,255,938
	<u>66,406,012</u>	<u>3,279,539</u>	<u>1,634,301</u>	<u>68,051,250</u>
Less accumulated depreciation	<u>(49,643,762)</u>	<u>(1,738,435)</u>	<u>(1,418,079)</u>	<u>(49,964,118)</u>
	<u><u>\$ 16,762,250</u></u>	<u><u>\$ 1,541,104</u></u>	<u><u>\$ 216,222</u></u>	<u><u>\$ 18,087,132</u></u>

Capital assets. The County's investment in capital assets for its governmental activities as of December 31, 2014 amounts to \$18,087,132 (net of accumulated depreciation). This investment in capital assets includes land; buildings and improvements; equipment and vehicles; and infrastructure for roads and bridges. Overall, the capital assets increased by \$1,324,882. Some of the more significant transactions are noted below:

- Reworking of existing roads and bridges.
- Purchase of law enforcement vehicles.
- Purchase of equipment for road construction
- Depreciation expense of \$1,738,435

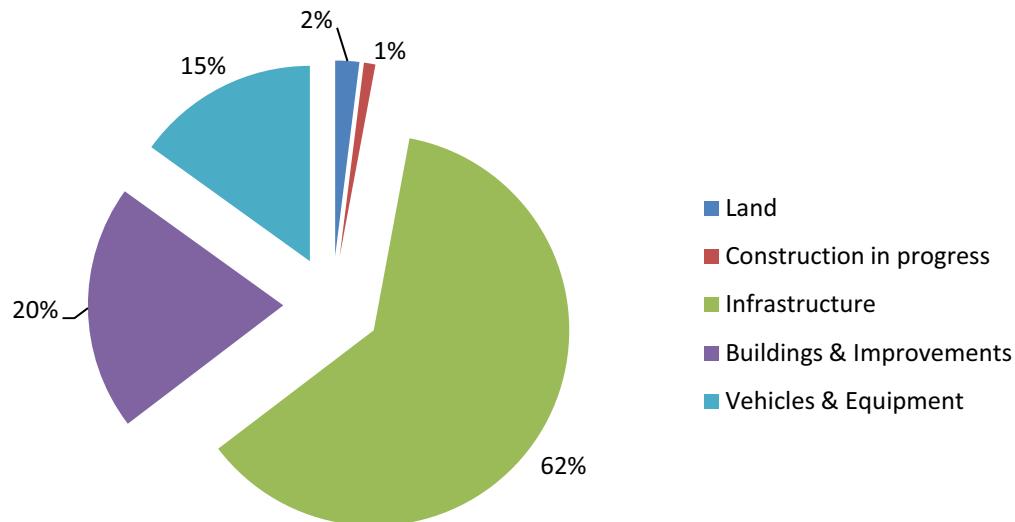
Additional information of Matagorda County's capital assets can be found in note D of this report.

2013 Percent Net Capital Assets



MATAGORDA COUNTY
*MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014*

2014 Percent Net Capital Assets



Long-term debt. In September of 2006 the county issued Certificates of Obligation in the amount of \$1,515,000 for the purpose of expansion of the jail facility. The obligation will be paid semiannually over a period of ten years at an interest rate of 4.69%. During the current fiscal year, the County's debt decreased by \$165,000 as a result of a scheduled payment and the outstanding balance as of December 31, 2014 is \$3,550,000. The County has entered into a long-term capital leases from 2011-2014 for the purchase of precinct equipment. The balance remaining as of December 31, 2014 is \$472,585.

Additional information on Matagorda County's long-term debt can be found in note J of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective and controlled use of the County's resources. Through the budget the County Commissioners set the direction of the County, allocate its resources and establish its priorities. The 2015 budget was adopted on August 25, 2014 with General Fund expenditures of \$20,944,797 million, and a revenue budget of \$20,944,797 million.

The Commissioners' Court adopted a maintenance and operation tax rate of .35384 per \$100 assessed valuation. The court also adopted an interest and sinking tax rate of .00483.

The main factors affecting the 2015 Budget were as follows:

- An increase in budgeted revenue for emergency response fee.
- A slight increase in expected tax revenues in the amount of \$22,772 as a result of increased values.
- An increase in budgeted payroll and benefits, 4% for employees, and elected and appointed officials.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Office of the Matagorda County Auditor, 1700 7th Street, Room 326, Bay City, Texas 77414, or call (979) 244-7611.

Basic Financial Statements



MATAGORDA COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,127,665
Receivables (net of allowances for uncollectibles):	
Taxes receivable	13,163,640
Other receivables	3,922,373
Prepaid items	617,348
Interest receivable	18,023
Purchased interest receivable	1,761
Investments	8,912,045
Capital Assets (net of accumulated depreciation):	
Land	1,349,101
Construction in progress	646,564
Buildings	7,821,032
Improvements	262,899
Infrastructure	5,084,213
Equipment	2,923,324
Total Assets	<u>50,849,988</u>
LIABILITIES	
Accounts payable	1,687,288
Claims payable	114,020
Due to other governments	212,484
Due to others	304,392
Accrued interest payable	15,896
Unearned revenue	368,355
Escrow reserves	43,733
Noncurrent Liabilities:	
Due within one year	416,288
Due in more than one year	<u>8,306,799</u>
Total Liabilities	<u>11,469,255</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue - current taxes	<u>15,305,409</u>
Total deferred inflows of resources	<u>15,305,409</u>
NET POSITION:	
Net Investment in Capital Assets	17,259,548
Restricted For:	
Debt Service	14,657
Legislative Purposes	827,701
Unrestricted	5,973,418
Total Net Position	<u>\$ 24,075,324</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Government Activities:					
General government	\$ 4,030,366	\$ 1,325,694	\$ 65,887	\$ --	\$ (2,638,785)
Justice system	3,652,376	1,374,752	544,499	--	(1,733,125)
Public safety	3,892,339	3,398,955	120,821	--	(372,563)
Corrections and rehabilitation	2,334,817	140,975	2,978	--	(2,190,864)
Health and human services	1,418,957	72,083	--	--	(1,346,874)
Community and economic development	1,160,109	180,042	135,153	--	(844,914)
Infrastructure and environmental services	5,228,877	352,573	44,322	975,487	(3,856,495)
Intergovernmental	2,304,056	--	409,059	1,894,997	--
Interest and fees on debt	29,542	--	--	--	(29,542)
Total governmental activities	\$ 24,051,439	\$ 6,845,074	\$ 1,322,719	\$ 2,870,484	\$ (13,013,162)
General Revenues:					
Property taxes					14,269,367
Miscellaneous					107,161
Unrestricted investment earnings					182,468
Total General Revenues					14,558,996
Change in Net Position					1,545,834
Net Position - Beginning					22,529,490
Net Position - Ending					\$ 24,075,324

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,585,042	\$ 1,053,656	\$ 4,638,698
Receivables (net of allowances for uncollectibles):			
Taxes	12,988,992	174,648	13,163,640
Other receivables	3,249,975	670,268	3,920,243
Prepaid items	617,348	--	617,348
Due from other funds	10,498	15,349	25,847
Interest receivable	18,023	--	18,023
Purchased Interest receivable	1,761	--	1,761
Investments	8,912,045	--	8,912,045
Total Assets	<u>\$ 29,383,684</u>	<u>\$ 1,913,921</u>	<u>\$ 31,297,605</u>
LIABILITIES			
Accounts payable	\$ 990,101	\$ 668,776	\$ 1,658,877
Due to other governments	212,483	1	212,484
Due to other funds	14,394	11,453	25,847
Due to others	239,921	64,471	304,392
Unearned revenue	947,326	--	947,326
Escrow reserves	43,733	--	43,733
Total Liabilities	<u>2,447,958</u>	<u>744,701</u>	<u>3,192,659</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - delinquent taxes	1,639,782	132,461	1,772,243
Unearned revenue - current taxes	15,098,474	206,935	15,305,409
Total deferred inflows of resources	<u>16,738,256</u>	<u>339,396</u>	<u>17,077,652</u>
FUND BALANCES (DEFICITS)			
Non-spendable:			
Prepaid items	617,348	--	617,348
Restricted for:			
Debt service	--	2,123	2,123
Legislative purposes	--	827,701	827,701
Committed for:			
Precincts	1,654,219	--	1,654,219
Unassigned	7,925,903	--	7,925,903
Total Fund Balances (Deficits)	<u>10,197,470</u>	<u>829,824</u>	<u>11,027,294</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 29,383,684</u>	<u>\$ 1,913,921</u>	<u>\$ 31,297,605</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**TO THE STATEMENT OF NET POSITION**DECEMBER 31, 2014*

Total fund balances - governmental funds balance sheet	\$ 11,027,294
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	18,087,133
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,659,457
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	1,159,356
Payables for capital leases which are not due in the current period are not reported in the funds.	(472,585)
Payables for interest which is not due in the current period is not reported in the funds.	(15,896)
Payables for notes which are not due in the current period are not reported in the funds.	(355,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(311,337)
Payables for other post employment benefits which are not due in the current period are not reported in the fun	(7,584,165)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>881,067</u>
Net position of governmental activities - Statement of Net Position	\$ <u>24,075,324</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 13,117,200	\$ 169,386	\$ 13,286,586
Licenses and permits	805,842	--	805,842
Intergovernmental	568,929	2,896,944	3,465,873
Charges for services	4,676,853	246,166	4,923,019
Fines	406,122	--	406,122
Investment income	182,265	7,131	189,396
Miscellaneous	342,025	808,076	1,150,101
Total revenues	20,099,236	4,127,703	24,226,939
EXPENDITURES			
Current:			
General government	2,953,995	158,175	3,112,170
Justice system	2,827,748	412,166	3,239,914
Public safety	3,426,063	11,226	3,437,289
Corrections and rehabilitation	2,127,960	31,076	2,159,036
Health and human services	1,297,399	--	1,297,399
Community and economic development	1,017,685	7,409	1,025,094
Infrastructure and environmental services	5,252,783	--	5,252,783
Intergovernmental	--	2,304,056	2,304,056
Capital outlay	678,083	984,230	1,662,313
Debt service:			
Principal	138,265	165,000	303,265
Interest and fees on debt	4,339	20,519	24,858
Total expenditures	19,724,320	4,093,857	23,818,177
Excess (deficiency) of revenues over (under) expenditures	374,916	33,846	408,762
OTHER FINANCING SOURCES (USES)			
Transfers in	27,500	7,000	34,500
Transfers out	(7,000)	(27,500)	(34,500)
Capital lease proceeds	151,371	--	151,371
Total other financing sources (uses)	171,871	(20,500)	151,371
Net change in fund balances	546,787	13,346	560,133
Fund balances - beginning	9,650,683	816,478	10,467,161
Fund balances - ending	\$ 10,197,470	\$ 829,824	\$ 11,027,294

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014*

Net change in fund balances - total governmental funds	\$ 560,133
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,113,661
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,788,778)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	982,781
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	138,265
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	165,000
(Increase) decrease in accrued interest from beginning of period to end of period.	(4,684)
The net revenue (expense) of internal service funds is reported with governmental activities.	(338,304)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(38,952)
Other post employment benefits are reported as the amount earned in the SOA but as the amount paid in the f	(1,479,468)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	387,552
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	<u>(151,372)</u>
Change in net position of governmental activities - Statement of Activities	\$ <u>1,545,834</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
DECEMBER 31, 2014

	Nonmajor Internal Service Fund	Insurance Fund
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,488,967	
Other receivables	2,130	
Total Assets	<u>\$ 1,491,097</u>	
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 28,411	
Claims payable	114,020	
Deferred revenue	189,310	
Total Liabilities	<u>331,741</u>	
NET POSITION		
Unrestricted	1,159,356	
Total net position	<u>\$ 1,159,356</u>	

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

*STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014*

	Nonmajor Internal Service Fund	Insurance Fund
OPERATING REVENUES		
Employer contributions	\$ 2,542,981	
Employee contributions	190,145	
Retiree/Cobra contributions	78,356	
Special district contributions	239,505	
Total Operating Revenues	<u>3,050,987</u>	
OPERATING EXPENSES		
Administrative expenses	532,885	
Retiree premiums	302,747	
Claims expense	1,913,435	
Prescriptions	653,128	
Total Operating Expenses	<u>3,402,195</u>	
Operating Income (Loss)	<u>(351,208)</u>	
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue	12,904	
Total Non-operating Revenues (Expenses)	<u>12,904</u>	
Change in Net Position	(338,304)	
Total net position - beginning	1,497,660	
Total net position - ending	<u>\$ 1,159,356</u>	

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Nonmajor Internal Service Fund
	Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from interfund services provided	\$ 2,740,481
Cash received from external users	317,861
Cash payments for administration	(807,781)
Cash payments for claims	(2,610,279)
Net Cash Provided (Used) by Operating Activities	<u>(359,718)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Interfund loan	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and dividends on investments	12,905
Net Cash Provided (Used) for Investing Activities	<u>12,905</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(346,813)
Cash and Cash Equivalents at Beginning of Year	1,835,780
Cash and Cash Equivalents at End of Year	<u>\$ 1,488,967</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (351,208)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Change in Assets and Liabilities:	
(Increase) decrease in accounts receivable	(2,130)
(Increase) decrease in prepaid expenses	24,475
Increase (decrease) in accounts payable	27,851
Increase (decrease) in interfund balance	(24,475)
Increase (decrease) in claims payable	(43,716)
Increase (decrease) in deferred revenue	9,485
Total Adjustments	<u>(8,510)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (359,718)</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 1,365,453
Total Assets	<u>\$ 1,365,453</u>
LIABILITIES	
Due to other governments	\$ 201,649
Due to others	<u>1,163,804</u>
Total Liabilities	<u>1,365,453</u>
NET POSITION	
Unrestricted	--
Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

A. Summary of Significant Accounting Policies

1. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

2. Reporting entity

Matagorda County was established in 1836 by the Republic of Texas. Commissioners elected from each of four precincts serve as the governing body with the elected County Judge as the head of this body. The Commissioners and County Judge oversee all functions of general government applicable to the County as provided by state statutes. The County's basic financial statements include the accounts of all its operations. The County evaluated whether any other entity should be included in these financial statements using the criteria as set forth in GASB Statement No. 14, "The Financial Reporting Entity." Based on these criteria, the County has no component units. Additionally, the County is not a component unit of any other reporting entity as defined by the GASB Statement.

3. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

4. Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Additionally, the County reports the following fund types:

Internal service funds account for health benefits provided to County employees, retirees and dependents. Contributions to the fund consist of charges to the participating entities for covered employees along with contributions from employees and retirees.

The agency fund accounts for District Clerk, County Clerk and Inmate trust funds held for the benefit of others and the Tax Assessor Collector funds collected on behalf of others.

During the course of operations the County has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

5. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the County.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

6. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and following special revenue funds: district attorney legal/law, sheriff & jail discretionary, county clerk presevation & automation, countywide records mgmt preservation, courthouse security, justice court technology, district clerk records mgmt preservation and county & district court technology. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, department and category. The department heads may make transfers of appropriations within a category; however, transfers of appropriations between categories require the approval of Commissioners Court. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the category level.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, the four precinct unexpended budgets are re-appropriated and become part of the subsequent year's budget pursuant to action by Commissioners Court.

7. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Cash and cash equivalents

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

Investments

Investments for the County are reported at fair value (generally based on quoted market prices) except for the position in Government Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

Inventories and prepaid items

Inventories on the balance sheet are stated at historical cost. Inventory items are recorded as expenditures when they are consumed on a first in first out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures or expenses when consumed rather than when purchased.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the County chose to include items from 1980 forward as permitted by GASB. The County was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the County constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Asset Class	Estimated Useful Lives
Infrastructure	15-40
Buildings	40-60
Improvements	10-20
Vehicles & office equipment	3-8
Other Equipment	5-20

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County does not have any items that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The items "unavailable" and "unearned" revenue are reported in the governmental funds balance sheet and only "unearned" in the government-wide statement of net position. The "unavailable" source represents the uncollected delinquent taxes receivable while the "unearned" represents the October 1 tax levy used to finance next years budget. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available and earned for governmental funds and earned for government-wide.

Net position flow assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the County's highest level of decision-making authority. The Commissioners Court is the highest level of decision-making authority for the County that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken, the adoption of a resolution to remove or revise the limitation.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. Although Commissioners Court has not authorized another to assign fund balance, they may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

8. Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) fees, fines, and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Compensated absences

It is the County's policy to permit employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Accumulated sick leave lapses when employees leave the employ of the County and, upon separation from service, no monetary obligation exists.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to the County and employees for health insurance. Operating expenses for the internal service fund includes the cost of medical claims, prescriptions and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

B. Deposits and Investments

Cash deposits with financial institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of The County to require full collateralization of all County investments and funds on deposit with a depository bank, other than

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

investments, which are obligations of the U.S. government and its agencies and instrumentalities. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC. The County's cash deposits at December 31, 2014 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

Investments:

Within the guidelines provided in Government Code 10 (Chapter 2256), Public Funds Investment Act (short title), and subject to such other restrictions as may be imposed by the Commissioners Court by resolution or order, the Commissioners Court of Matagorda County, Texas is authorized to invest in obligations of or guaranteed by governmental entities, certificates of deposit, repurchase agreements, commercial paper, mutual funds and public fund investments pools.

The County's investment at December 31, 2014 are shown below.

Investment or Investment Type	Weighted Avg Maturity in yrs	Rating	Fair Value	Portfolio %
Certificates of Deposit	0.53	FDIC	\$ 3,254,927	21.05%
State Agencies	0.07	AA+	478,749	3.10%
US Agencies	0.95	AA+	4,729,708	30.58%
US Agencies	0.06	Not Rated	448,661	2.90%
Total Investments			8,912,045	
Money Market Funds (included in cash)	0.00	FDIC	6,552,833	42.37%
	1.61		\$ 15,464,878	100.00%

Analysis of specific deposit and investment risks:

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

Credit Risk - the risk that an issuer or other counterparty to an investment will not fulfil its obligations. It is the policy of the County to only invest in securities meeting the minimum rating by the Public Funds Investment Act and local policy. The Investment Officer will monitor, on at least a weekly basis, the credit rating and should that rating fall below accepted levels; the Investment Officer will immediately advise the County of the loss of rating and the possible loss of principal. The Investment Officer and the County shall take all prudent measures consistent with this policy to liquidate any investment that does not have at least the minimum required rating.

Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment. The County limits its exposure to interest rate risk by diversifying its investments by security type and institution. County policy will be that the maximum allowable stated maturity of an individual investment for operating funds shall not exceed five years, unless a temporary extension of maturities is approved by the Board of Directors. The maximum average maturity shall be two years.

Concentration of Credit Risk - the risk of loss attributed to the magnitude of a government's investment in a single user. Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specified class of securities. The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy and the securities markets. Diversification strategies shall be established and reviewed annually. At a minimum, diversification standards by security type and issuer shall be:

Security Type	Max % of Portfolio
US Obligations	Not to exceed 80%
US Agencies/Instrumentalities	Not to exceed 80%
State Obligations	Not to exceed 80%
State Agencies/Instrumentalities	Not to exceed 80%

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

Certificates of Deposits (including Brokered CDs)	Not to exceed 40%
Commercial Paper	Not to exceed 25%
Repurchase Agreements	Not to exceed 40%
Money Market Funds	100%
Local Government Investment Pools	100%

C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the major funds and the nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts:

	Nonmajor		
	General	Governmental	Totals
Taxes	\$ 13,108,208	\$ 175,093	\$ 13,283,301
Less allowance	(119,216)	(445)	(119,661)
	<u>\$ 12,988,992</u>	<u>\$ 174,648</u>	<u>\$ 13,163,640</u>
Other Receivables	\$ 61,291	\$ 1,200	\$ 62,491
Taxes and Tax Statements	1,607,699	21,682	1,629,381
Grants	32,610	647,386	679,996
Insurance Recoveries	345,736		
Fines and Fees	8,531,039	--	8,531,039
Less allowance	(7,328,400)	--	(7,328,400)
	<u>\$ 3,249,975</u>	<u>\$ 670,268</u>	<u>\$ 3,574,507</u>

With the exception of property taxes, fines and fees, all receivables are expected to be collected within one year.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,349,101	--	\$ --	\$ 1,349,101
Construction in Progress	165,879	646,564	165,879	646,564
	<u>1,514,980</u>	<u>646,564</u>	<u>165,879</u>	<u>1,995,665</u>
Capital assets being depreciated:				
Infrastructure	41,485,562	1,916,824	1,403,560	41,998,826
Buildings and improvements	13,800,822	--	--	13,800,822
Vehicles and equipment	9,604,649	716,151	64,862	10,255,938
Total capital assets being depreciated	<u>64,891,033</u>	<u>2,632,975</u>	<u>1,468,422</u>	<u>66,055,586</u>
Less accumulated depreciation for:				
Infrastructure	37,375,424	892,406	1,353,217	36,914,613
Buildings and improvements	5,411,655	305,237	--	5,716,892
Vehicles and equipment	6,856,684	540,792	64,862	7,332,614
Total accumulated depreciation	<u>49,643,763</u>	<u>1,738,435</u>	<u>1,418,079</u>	<u>49,964,119</u>
Total capital assets being depreciated, net	<u>15,247,270</u>	<u>894,540</u>	<u>50,343</u>	<u>16,091,467</u>
Governmental activities capital assets, net	<u>\$ 16,762,250</u>	<u>\$ 1,541,104</u>	<u>\$ 216,222</u>	<u>\$ 18,087,132</u>

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

Depreciation expense of \$1,738,435 and net asset disposals of \$50,343 were charged to functions as follows:

General government	\$ 175,984
Justice system	172,428
Public safety	178,376
Corrections and rehabilitation	111,644
Health and human services	68,658
Community and economic development	56,100
Infrastructure and environmental services	1,025,588
	<u>\$ 1,788,778</u>

E. Pension Obligations

Plan Description

The County's pension plan ("Plan") is a non-traditional, joint contributory, defined benefit plan which provides retirement, disability and death benefits to Plan members and beneficiaries through its affiliation with the Texas County and District Retirement System ("TCDRS"), an agent multiple-employer public employee retirement system with 656 members. TCDRS operates under the authority of Texas Government Code, Title 8, Subtitle G. The Texas legislature has the authority to establish or amend benefit provisions and the governing body of the County adopts the plan provisions within the options and constraints established by the legislature. TCDRS issues a publicly available financial report that includes financial statements and required supplementary information for TCDRS. That report may be obtained by writing to Texas County District Retirement System, P.O. Box 2034, Austin, TX 78768-2034 or calling (800) 823-7782.

Funding Policy

Plan members are required to contribute 7% of their annual covered salary. The County is required to contribute at an actuarially determined rate; the current rate is 14.97% of annual covered payroll. The contribution requirements of plan members and the County are established and may be amended by the TCDRS Board of Trustees.

Annual Pension Cost and net pension asset

The County's annual pension cost, percentage contributed and net pension asset for the current and two preceding years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
12/31/14	\$ 1,023,704	100%	--
12/31/13	\$ 953,628	100%	--
12/31/12	\$ 846,713	100%	--

Funded Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 30,259,619
Actuarial value of plan assets	\$ 23,778,307
Unfunded or (overfunded) actuarial accrued liability	\$ 6,481,312
Funded ratio (actuarial value of plan assets/AAL)	78.58%
Covered payroll (annual payroll of active employees)	\$ 7,542,912
UAAL or (OAAL) as a percentage of covered payroll	85.93%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

The ARC for the plan was determined as part of the December 31, 2013 actuarial valuation using the following methods and assumptions:

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Actuarial cost method	entry age
Amortization method	level, closed
Remaining amortization	20
Inflation rate	3.00%
Asset valuation method	5 yr smoothed
Investment return	8.00%
Projected salary increases	4.90%
Cost of living adjustments	None

F. Other Postemployment Benefit (OBEB) Obligations

Plan Description

The County, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a single-employer defined benefit plan to provide certain postretirement healthcare benefits to all retired employees who qualified under the Texas County District Retirement System and are currently receiving retirement (pension) income. Such benefits are not available to members' spouses or dependents; rather, only to former employees as previously described. Specific details of the Plan include the provision of certain hospitalization, major medical insurance and prescription drug coverage. These benefits are provided through insurance companies. The County is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Because the Plan consists solely of the County's firm commitment to provide OPEB through the payment of premiums on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Funding Policy

The County pays the cost of the postemployment health care benefits for retirees during the life of the retiree. Retirees may elect to continue health care benefits for their spouse and family at their own expense. Substantially all of the government's employees may become eligible for these benefits if they reach normal retirement age while working for the government. The plan is financed on a pay as you go basis.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table illustrates the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation:

Annual required contribution (ARC)	\$ 2,282,370
Interest on prior year net OPEB obligation	182,911
Amortization of prior year net OPEB obligation	(259,308)
<u>Total annual OPEB cost</u>	<u>2,205,973</u>
Contributions made	(726,505)
Increase in net OPEB obligation	1,479,468
Net OPEB obligation - beginning of year	6,104,697
<u>Net OPEB obligation - end of year</u>	<u>\$ 7,584,165</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014, 2013 and 2012 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation End of Year
12/31/12	\$ 1,798,851	\$ 553,995	30.80%	\$ 4,572,764
12/31/13	\$ 2,205,973	\$ 674,040	30.56%	\$ 6,104,697
12/31/14	\$ 2,205,973	\$ 726,505	32.93%	\$ 7,584,165

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Funding Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the Plan was not funded. The actuarial present value of accrued liability for past and future service benefits equaled \$19,565,090 and there were \$0 in actuarial valued assets, resulting in an unfunded actuarial accrued liability (UAAL) of the same. The total payroll (annual payroll of active employees) was \$8,162,581, and the ratio of the UAAL to the covered payroll equaled 239.69%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the County maintains no Plan assets, information relative to Plan asset required disclosures is not applicable.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the County and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and Plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The annual required contribution rate for the plan was determined as part of the January 1, 2013 actuarial valuation using the following methods and assumptions:

Actuarial cost method	proj unit cost
Amortization method	level, open
Remaining amortization	30 years
Inflation rate	3.00%
Asset valuation method	None
Investment return	1.00%
Projected salary increases	None
Cost of living adjustments	None
Healthcare cost trend rate	9.00%

G. Risk Management

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2014, the County obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities via interlocal agreement and forming a risk pool ("Pool"). The Pool is a legally separate entity operating as a common risk management and insurance program and is administered by TriStar Risk Management. The Pool provides third party liability, public officials liability, automobile liability, workers compensation, blanket crime coverage and property coverage. The County pays an annually determined premium to the pool for its share of the above insurance coverage. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will reinsurance through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. Latest audited financial statements for the self-insured pool can be obtained by contacting PO Box 327, Bay City, Tx 77404-0327.

The County continues to carry insurance for other risks of loss through a group purchasing cooperative. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

H. Health Care Coverage

During the year ended December 31, 2014 employees of the County were covered by a health insurance plan (the Plan). The County contributed monthly per employee, spouse, child and family to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents in excess of the County contribution. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the County and the third party administrator is renewable October 1, 2015, and terms of coverage and contribution costs are included in the contractual provisions. In accordance with state statute, the County was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Association of Counties Health Employee Benefit Program and Blue Cross Blue Shield of Texas, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$100,000 and for aggregate loss. Other governmental entities and/or their employees contributed to the self-insurance pool which was operated under contractual provisions of Article 4413(32c), Interlocal Cooperation Act. Each member to the extent its benefit plan is self-insured, remains responsible for the payment of benefits under the benefit plan in the event HEBP fails to make such payments.

The internal service fund is funded by charges to the County's other funds and other governmental units and is based upon a predetermined fixed amount per employee, spouse, child and family. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The County considers claims paid in the three months following the fiscal year end to be a reasonable estimate of claims liability.

Changes in the balance of claims liabilities during the past three years are as follows:

	2012	2013	2014
Unpaid claims, beginning	\$ 313,815	\$ 201,333	\$ 157,736
Claims incurred	1,935,932	1,975,656	1,913,435
Claims paid	(2,048,514)	(2,019,253)	(1,957,151)
Unpaid claims, ending	\$ 201,233	\$ 157,736	\$ 114,020

I. Lease Obligations

The County entered into lease agreements as lessee for financing the acquisition of road equipment valued at \$755,600. The equipment has a twenty year estimated useful life with year to date depreciation of \$58,843. These lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2014 were as follows:

<u>Year ending December 31,</u>	Governmental Activities
2015	\$ 190,585
2016	190,585
2017	52,906
Total minimum lease payments	434,076
Less: amount representing interest	(21,355)
Present value of minimum lease payments	\$ 412,721

J. Long-Term Obligations

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended December 31, 2014, are as follows:

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

	Beginning Balance				Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>						
Certificates of Obligation	\$ 520,000	\$ --	\$ 165,000	\$ 355,000	175,000	
Capital leases*	459,478	151,371	138,264	472,585	179,172	
Compensated absences *	272,387	283,885	224,935	331,337	62,116	
Net OPEB Obligation*	6,104,697	2,205,973	726,505	7,584,165	--	
Total governmental activities	\$ 7,356,562	\$ 2,641,229	\$ 1,254,704	\$ 8,743,087	\$ 416,288	

* The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Capital leases	Governmental	General
Compensated absences	Governmental	General
Net OPEB Obligation	Governmental	General

Debt service requirements on long-term debt at December 31, 2014, are as follows:

Certificates of obligation of \$1,515,000, issued August 15, 2006 bearing interest at 4.69% and maturing March 15, 2016 were issued for the purpose of jail expansion.

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 175,000	\$ 12,546	\$ 187,546
2016	180,000	4,221	184,221
Totals	\$ 355,000	\$ 16,767	\$ 371,767

K. Fund Balance

In the November 28, 2011 mintues, the Commissioners agreed to commit fund balances for each of the four precincts unspent budgeted funds at year end to be added to the subsequent years approved budget upon completion of the audit.

The following schedule presents details of restricted net position for legislative purposes at December 31, 2014:

	Other Governmental Funds
<u>Restricted for legislative purposes:</u>	
District attorney legal/law	\$ 126,263
Sheriff & jail discretionary	25,269
County clerk preservation & automation	457,449
Countywide records management preservation	59,257
Courthouse security	32,091
Justice court technology	38,838
District clerk records management preservation	46,379
County & district court technology	32,789
Historical commission	6,289
Local emergency planning	3,077
	\$ 827,701

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

L. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	\$ 10,498
Nonmajor governmental funds	General	14,394
Nonmajor governmental funds	Nonmajor governmental funds	955
		<u>\$ 25,847</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. With the exception of \$50 which represents imprest funds, all interfund balances are expected to be collected in the subsequent year.

M. Interfund Transfers

During the year, nonmajor governmental funds transferred \$27,500 in resources to the general fund to reimburse for supplemental pay using specially earmarked funds and the general fund transferred \$7,000 to nonmajor governmental funds to supplement resources.

N. Contingencies

The County participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

The Appraisal District is currently defendant in a property valuation lawsuit for 2011-2014 taxable values with Tres Palacios Gas Storage, LLC. The 2011 valuation year has settled resulting in a refund of taxes by each taxing entity involved paid to Tres Palacios Gas Storage, LLC in 2015. The remaining years have not been settled at this time. It is the opinion of counsel the result could have a material fiscal impact on the County, but the amount is indeterminable at this time.

O. Closure and Postclosure Care Cost

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions. The County stopped receiving waste prior to October 9, 1993 at over 90% capacity used and officially closed in July, 2007. Post-closure costs are subject to change resulting from inflation, deflation, technology and/or changes in applicable laws and regulations and are expected to be nominal for the next five years after certification of the completion of closure. Therefore, no liability has been recorded in these financial statements.

P. Jointly Governed and Related Organizations

1. The County is accountable for the following related organizations in that they appoint the Commissioners:

Matagorda County Drainage District No. 1
Matagorda County Drainage District No. 2
Matagorda County Drainage District No. 3

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2014

Matagorda County Drainage District No. 4
Matagorda County Conservation & Reclamation District
Matagorda County Hospital District

The County is not financially accountable for the above organizations nor does the County's accountability for these organizations extend significantly beyond making the appointments. Accordingly, financial information for these entities is excluded from the County's financial statements.

Latest audited financial statements for these entities may be obtained by writing 1700 7th Street, Room 302, Bay City, Tx 77414-5091.

2. The Adult Probation division is operated as a multi-county department doing business as 23rd Judicial District Community Supervision and Correction Department (CSCD) Matagorda and Wharton Counties. The CSCD services both Matagorda and Wharton Counties with each county providing required office space for the operations of the Department and substantially all of the Department's funding provided by the State.

The Department's board consists of the two District Judges for Matagorda and Wharton Counties. Matagorda County is not able to appoint a voting majority to the Department's board or otherwise impose its will. The Department is not fiscally dependent on Matagorda County since the County's role is ministerial in nature. As a result, the Department is considered to be legally separate from Matagorda County and thus not a part of the reporting entity of Matagorda County.

Q. Prior Period Adjustment

The County determined certain employees were underpaid from 2010 through June of 2014. As a result, a liability of \$345,736 was recorded on the books. It was also determined this amount was covered by errors & omissions insurance and a resulting \$345,736 receivable for insurance recoveries was recorded. Of this amount, \$28,183 was recorded in the current year operations as it pertained to 2014 while the remaining \$317,554 was recorded as a prior period adjustment to the general fund balance with -0- effect.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.



MATAGORDA COUNTY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 14,583,464	\$ 13,933,196	\$ 13,117,200	\$ (815,996)
Licenses and permits	814,100	814,100	805,842	(8,258)
Intergovernmental	291,800	1,943,795	568,929	(1,374,866)
Charges for services	3,747,740	4,567,583	4,676,853	109,270
Fines	372,000	372,000	406,122	34,122
Investment income	130,000	130,000	182,265	52,265
Miscellaneous	120,550	265,052	342,025	76,973
Total revenues	<u>20,059,654</u>	<u>22,025,726</u>	<u>20,099,236</u>	<u>(1,926,490)</u>
EXPENDITURES				
GENERAL GOVERNMENT				
County Judge:				
Personnel	171,097	185,754	186,617	(863)
Operating costs	8,300	8,300	7,438	862
Total County Judge	<u>179,397</u>	<u>194,054</u>	<u>194,055</u>	<u>(1)</u>
Commissioners Court				
Personnel	38,838	24,181	10,515	13,666
Operating costs	102,500	125,370	121,706	3,664
Total Commissioners Court	<u>141,338</u>	<u>149,551</u>	<u>132,221</u>	<u>17,330</u>
Information Services:				
Personnel	128,506	128,506	130,382	(1,876)
Operating costs	230,966	218,966	217,042	1,924
Capital outlay	25,000	51,000	50,470	530
Total Information Services	<u>384,472</u>	<u>398,472</u>	<u>397,894</u>	<u>578</u>
County Courthouse:				
Personnel	87,385	94,817	89,406	5,411
Operating costs	261,372	321,052	228,881	92,171
Capital outlay	--	26,645	26,645	--
Total County Courthouse	<u>348,757</u>	<u>442,514</u>	<u>344,932</u>	<u>97,582</u>
County Office Building:				
Operating costs	111,800	103,103	86,407	16,696
Capital outlay	--	17,192	17,190	2
Total County Office Building	<u>111,800</u>	<u>120,295</u>	<u>103,597</u>	<u>16,698</u>
Unallocable by Department:				
Insurance	83,033	83,083	60,215	22,868
Appraisal fees	20,252	20,354	20,353	1
Retiree Insurance	195,671	195,671	205,880	(10,209)
Other costs	83,579	20,442	556	19,886
Total Unallocable by Department	<u>382,535</u>	<u>319,550</u>	<u>287,004</u>	<u>32,546</u>
County Clerk:				
Personnel	337,568	337,568	335,914	1,654
Operating costs	35,800	35,800	29,858	5,942
Total County Clerk	<u>373,368</u>	<u>373,368</u>	<u>365,772</u>	<u>7,596</u>

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
County Auditor:				
Personnel	396,678	373,904	363,758	10,146
Operating costs	11,400	23,274	21,082	2,192
Capital outlay	--	--	176	(176)
Total County Auditor	408,078	397,178	385,016	12,162
County Treasurer:				
Personnel	182,251	179,654	178,918	736
Operating costs	22,475	20,695	21,430	(735)
Total County Treasurer	204,726	200,349	200,348	1
Special Districts				
Personnel	46,059	26,599	24,917	1,682
Operating costs	4,750	4,750	2,277	2,473
Total Special Districts	50,809	31,349	27,194	4,155
County Tax Assessor Collector:				
Personnel	498,220	498,220	478,743	19,477
Operating costs	80,900	82,267	65,945	16,322
Capital outlay	--	3,050	3,050	--
Total Tax Assessor Collector	579,120	583,537	547,738	35,799
Elections:				
Personnel	21,053	39,253	36,620	2,633
Operating costs	49,000	50,376	29,135	21,241
Total Elections	70,053	89,629	65,755	23,874
TOTAL GENERAL GOVERNMENT	3,234,453	3,299,846	3,051,526	248,320
JUSTICE SYSTEM				
District Court:				
Personnel	178,228	178,228	173,851	4,377
Operating costs	56,050	56,069	50,288	5,781
Capital outlay	--	1,750	1,750	--
Total District Court	234,278	236,047	225,889	10,158
County Court:				
Operating costs	19,500	19,500	16,353	3,147
Total County Court	19,500	19,500	16,353	3,147
Court Expenses:				
Personnel	58,935	58,935	58,429	506
Operating costs	302,120	308,843	246,501	62,342
Total Court Expenses	361,055	367,778	304,930	62,848
Capital Trials				
Operating costs	85,312	85,312	46,319	38,993
Total Capital Trials	85,312	85,312	46,319	38,993

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
District Clerk:				
Personnel	266,900	266,900	254,733	12,167
Operating costs	21,225	21,225	21,560	(335)
Total District Clerk	288,125	288,125	276,293	11,832
District Attorney:				
Personnel	571,041	552,089	527,688	24,401
Operating costs	62,750	64,553	63,121	1,432
Capital outlay	--	4,875	1,750	3,125
Total District Attorney	633,791	621,517	592,559	28,958
County Attorney:				
Personnel	218,407	212,617	212,575	42
Operating costs	17,925	18,715	17,728	987
Total County Attorney	236,332	231,332	230,303	1,029
Justice of the Peace #1				
Personnel	146,025	146,025	146,094	(69)
Operating costs	11,100	11,100	8,958	2,142
Total Justice of the Peace #1	157,125	157,125	155,052	2,073
Justice of the Peace #2				
Personnel	148,867	148,407	143,103	5,304
Operating costs	22,880	23,290	22,820	470
Total Justice of the Peace #2	171,747	171,697	165,923	5,774
Justice of the Peace #3				
Personnel	114,674	116,174	116,395	(221)
Operating costs	8,750	8,650	8,217	433
Total Justice of the Peace #3	123,424	124,824	124,612	212
Justice of the Peace #4				
Personnel	114,656	115,046	115,375	(329)
Operating costs	8,990	8,600	6,250	2,350
Total Justice of the Peace #4	123,646	123,646	121,625	2,021
Justice of the Peace #6				
Personnel	27,273	27,273	28,113	(840)
Operating costs	6,550	6,550	4,710	1,840
Total Justice of the Peace #6	33,823	33,823	32,823	1,000
Law Library:				
Operating costs	21,000	21,000	17,336	3,664
Total Law Library	21,000	21,000	17,336	3,664
Child Support:				
Personnel	84,739	75,747	46,428	29,319
Operating costs	3,200	3,200	1,971	1,229
Total Child Support	87,939	78,947	48,399	30,548
Juvenile Probation Board:				
Personnel	33,835	33,845	33,844	1
Total Juvenile Probation Board	33,835	33,845	33,844	1

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Juvenile Probation:				
Personnel	43,952	43,952	40,614	3,338
Operating costs	223,750	223,750	147,496	76,254
Total Juvenile Probation	267,702	267,702	188,110	79,592
Unallocable by Department:				
Insurance	81,355	81,404	75,529	5,875
Appraisal fees	19,844	19,943	19,943	--
Autopsies	55,000	53,899	44,931	8,968
Retiree Insurance	104,997	104,997	110,475	(5,478)
Total unallocable by Department	261,196	260,243	250,878	9,365
TOTAL JUSTICE SYSTEM	3,139,830	3,122,463	2,831,248	291,215
PUBLIC SAFETY				
Constable Precinct #1:				
Personnel	18,974	18,974	19,223	(249)
Operating costs	15,520	16,020	4,296	11,724
Total Constable Precinct #1	34,494	34,994	23,519	11,475
Constable Precinct #2:				
Personnel	21,556	21,556	21,625	(69)
Operating costs	11,750	11,750	10,844	906
Total Constable Precinct #2	33,306	33,306	32,469	837
Constable Precinct #3:				
Personnel	13,336	13,336	13,255	81
Operating costs	4,730	4,730	4,730	--
Total Constable Precinct #3	18,066	18,066	17,985	81
Constable Precinct #4:				
Personnel	13,336	13,336	13,245	91
Operating costs	4,065	4,065	3,986	79
Total Constable Precinct #4	17,401	17,401	17,231	170
Constable Precinct #6:				
Personnel	18,976	18,976	19,047	(71)
Operating costs	5,900	6,551	6,522	29
Total Constable Precinct #6	24,876	25,527	25,569	(42)
County Sheriff:				
Personnel	2,285,482	2,327,712	2,351,248	(23,536)
Operating costs	412,550	435,403	411,353	24,050
Capital outlay	100,000	211,207	211,205	2
Total County Sheriff	2,798,032	2,974,322	2,973,806	516
Department of Public Safety:				
Operating costs	6,000	6,000	2,774	3,226
Total Department of Public Safety	6,000	6,000	2,774	3,226

MATAGORDA COUNTY
GENERAL FUND
**BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014**

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Game Wardens:				
Operating costs	33,400	33,400	33,127	273
Total Game Wardens	33,400	33,400	33,127	273
Fire Protection:				
Operating costs	49,000	86,253	64,866	21,387
Total Fire Protection	49,000	86,253	64,866	21,387
Emergency Management:				
Personnel	120,754	120,754	121,720	(966)
Operating costs	37,020	97,020	85,026	11,994
Total Emergency Management	157,774	217,774	206,746	11,028
Unallocable by department:				
Insurance	84,161	84,212	78,135	6,077
Appraisal fees	20,528	20,631	20,631	--
Retiree insurance	133,448	133,448	140,410	(6,962)
Total unallocable by department	238,137	238,291	239,176	(885)
TOTAL PUBLIC SAFETY	3,410,486	3,685,334	3,637,268	48,066
CORRECTIONS & REHABILITATION				
County Jail:				
Personnel	1,643,211	1,585,280	1,614,549	(29,269)
Operating costs	424,020	466,719	424,375	42,344
Capital outlay	--	22,788	22,788	--
Total County Jail	2,067,231	2,074,787	2,061,712	13,075
Adult Probation:				
Operating costs	2,500	2,500	2,200	300
Total Adult Probation	2,500	2,500	2,200	300
Unallocable by department:				
Insurance	52,676	52,708	48,903	3,805
Appraisal fees	12,848	12,913	12,913	--
Retiree insurance	23,779	23,779	25,020	(1,241)
Total unallocable by department	89,303	89,400	86,836	2,564
TOTAL CORRECTIONS & REHABILITATION	2,159,034	2,166,687	2,150,748	15,939
HEALTH & HUMAN SERVICES				
Health Department:				
Personnel	268,297	265,141	259,469	5,672
Operating costs	49,435	94,539	75,164	19,375
Total Health Department	317,732	359,680	334,633	25,047
Animal Control:				
Personnel	75,097	75,097	72,761	2,336
Operating costs	89,201	89,201	68,750	20,451
Total Animal Control	164,298	164,298	141,511	22,787

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Mental Health:				
Operating costs	35,419	35,419	35,419	--
Total Mental Health	35,419	35,419	35,419	--
Ambulance Service:				
Operating costs	599,775	599,775	592,575	7,200
Total Ambulance Service	599,775	599,775	592,575	7,200
Aid to Others:				
Economic Action Committee	33,000	33,000	33,000	--
Edith Armstrong Center	8,400	8,400	8,400	--
Friends of the Elderly	10,900	10,900	10,900	--
Cemetery	3,000	3,000	3,000	--
Indigent Burials	2,000	2,000	1,100	900
Total Aid to Others	57,300	57,300	56,400	900
Veteran's Service Officer:				
Personnel	65,514	65,951	66,784	(833)
Operating costs	7,900	7,874	7,041	833
Total Veteran's Service Officer	73,414	73,825	73,825	--
Unallocable by department:				
Insurance	32,393	32,413	30,075	2,338
Appraisal fees	7,901	7,941	7,941	--
Retiree insurance	23,779	23,779	25,020	(1,241)
Total unallocable by department	64,073	64,133	63,036	1,097
TOTAL HEALTH & HUMAN SERVICES	1,312,011	1,354,430	1,297,399	57,031
COMMUNITY & ECONOMIC DEVELOPMENT				
521 Park:				
Operating costs	5,400	5,400	4,808	592
Total 521 Park	5,400	5,400	4,808	592
Marine Department:				
Personnel	93,966	93,966	85,930	8,036
Operating costs	71,700	989,700	83,280	906,420
Total Marine Department	165,666	1,083,666	169,210	914,456
Aid to Others:				
Economic Development	60,000	62,001	62,000	1
Bay City Library	200,000	200,000	200,000	--
Palacios Library	66,000	66,000	66,000	--
Matagorda County Museum	52,000	52,000	52,000	--
Economic Development	6,000	6,000	6,000	--
Historical Commission Markers	7,000	--	--	--
Service Center	3,591	3,591	3,591	--
Total Aid to Others	394,591	389,592	389,591	1

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

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	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Agricultural Extension Service:				
Personnel	179,390	178,688	120,781	57,907
Operating costs	23,200	23,200	21,209	1,991
Total Agricultural Extension Service	202,590	201,888	141,990	59,898
Home Economist Service:				
Personnel	116,734	124,954	124,441	513
Operating costs	5,500	5,500	5,068	432
Total Home Economist Service	122,234	130,454	129,509	945
County Fairgrounds:				
Personnel	45,817	45,817	36,381	9,436
Operating costs	76,100	86,100	73,433	12,667
Total County Fairgrounds	121,917	131,917	109,814	22,103
Unallocable by department:				
Insurance	26,469	26,485	24,574	1,911
Appraisal fees	6,456	6,489	6,489	--
Retiree insurance	39,632	39,632	41,700	(2,068)
Total unallocable by department	72,557	72,606	72,763	(157)
TOTAL COMMUNITY & ECONOMIC DEVELOPMENT	1,084,955	2,015,523	1,017,685	997,838
INFRASTRUCTURE & ENVIRONMENTAL SERVICES				
Transfer Station:				
Personnel	24,657	105,507	103,125	2,382
Operating costs	10,800	297,020	215,819	81,201
Capital outlay	--	31,535	31,299	236
Total Transfer Station	35,457	434,062	350,243	83,819
Commissioner Precinct #1:				
Personnel	461,062	470,673	418,093	52,580
Operating costs	766,153	1,222,747	704,713	518,034
Capital outlay	--	14,942	--	14,942
Debt	75,898	75,898	75,898	--
Total Commissioner Precinct #1	1,303,113	1,784,260	1,198,704	585,556
Commissioner Precinct #2:				
Personnel	521,472	521,472	440,334	81,138
Operating costs	759,594	1,188,566	775,196	413,370
Capital outlay	22,000	22,000	13,225	8,775
Total Commissioner Precinct #2	1,303,066	1,732,038	1,228,755	503,283
Commissioner Precinct #3:				
Personnel	513,809	513,809	448,150	65,659
Operating costs	722,554	1,024,112	526,483	497,629
Capital outlay	--	298,535	298,535	--
Debt	66,706	66,706	66,706	--
Total Commissioner Precinct #3	1,303,069	1,903,162	1,339,874	563,288

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

Page 8 of 8

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Commissioner Precinct #4:				
Personnel	479,712	507,012	391,567	115,445
Operating costs	823,378	1,182,275	766,468	415,807
Total Commissioner Precinct #4	1,303,090	1,689,287	1,158,035	531,252
Unallocable by department:				
Insurance	242,714	242,862	225,337	17,525
Appraisal fees	59,202	59,498	59,498	--
Retiree insurance	169,174	169,174	178,000	(8,826)
Total unallocable by department	471,090	471,534	462,835	8,699
TOTAL INFRASTRUCTURE & ENVIRONMENTAL SVCS	5,718,885	8,014,343	5,738,446	2,275,897
Total Expenditures	20,059,654	23,658,626	19,724,320	3,934,306
Excess (deficiency) of revenues over (under) expenditures	--	(1,632,900)	374,916	2,007,816
OTHER FINANCING SOURCES (USES)				
Transfers in	--	26,626	27,500	874
Transfers out	--	(7,000)	(7,000)	--
Capital lease proceeds	--	148,535	151,371	2,836
Total other financing sources (uses)	--	168,161	171,871	3,710
Net change in fund balances	--	(1,464,739)	546,787	2,011,526
Fund balances - beginning	9,650,683	9,650,683	9,650,683	--
Fund balances - ending	\$ 9,650,683	\$ 8,185,944	\$ 10,197,470	\$ 2,011,526

MATAGORDA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

YEAR ENDED DECEMBER 31, 2014

TEXAS COUNTY DISTRICT RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	\$ 23,280,940	\$ 29,303,369	\$ 6,022,429	79.45%	\$ 7,547,030	79.80%
12/31/12	23,865,066	30,232,069	6,367,003	78.94%	7,228,971	88.08%
12/31/13	23,778,307	30,259,619	6,481,312	78.58%	7,542,912	85.93%

OTHER POST EMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Proj Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	\$ --	\$ 15,613,317	\$ 15,613,317	--	\$ 6,651,848	234.7%
1/1/2013	--	19,565,090	19,565,090	--	8,162,581	239.7%
1/1/2013	--	19,565,090	19,565,090	--	8,162,581	239.7%

MATAGORDA COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014

Budgetary Basis of Accounting

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The County adopted a budget for the General fund using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.



MATAGORDA COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Note)
ASSETS			
Cash and cash equivalents	\$ 1,020,898	\$ 32,758	\$ 1,053,656
Receivables (net of allowances for uncollectibles):			
Taxes	--	174,648	174,648
Other receivables	648,586	21,682	670,268
Due from other funds	10,857	4,492	15,349
Total Assets	<u>\$ 1,680,341</u>	<u>\$ 233,580</u>	<u>\$ 1,913,921</u>
LIABILITIES			
Accounts payable	\$ 668,776	\$ --	\$ 668,776
Due to other governments	1	--	1
Due to other funds	6,606	4,847	11,453
Due to others	64,471	--	64,471
Total Liabilities	<u>739,854</u>	<u>4,847</u>	<u>744,701</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - delinquent taxes	112,786	19,675	132,461
Unearned revenue - current taxes	--	206,935	206,935
Total deferred inflows of resources	<u>112,786</u>	<u>226,610</u>	<u>339,396</u>
FUND BALANCES (DEFICITS)			
Restricted for:			
Debt service	--	2,123	2,123
Legislative purposes	827,701	--	827,701
Total Fund Balances (Deficits)	<u>827,701</u>	<u>2,123</u>	<u>829,824</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 1,680,341</u>	<u>\$ 233,580</u>	<u>\$ 1,913,921</u>

MATAGORDA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See)
REVENUES			
Taxes	\$ --	\$ 169,386	\$ 169,386
Intergovernmental	2,896,944	--	2,896,944
Charges for services	246,166	--	246,166
Investment income	6,929	202	7,131
Miscellaneous	808,076	--	808,076
Total revenues	<u>3,958,115</u>	<u>169,588</u>	<u>4,127,703</u>
EXPENDITURES			
Current:			
General government	158,175	--	158,175
Justice system	412,166	--	412,166
Public safety	11,226	--	11,226
Corrections and rehabilitation	31,076	--	31,076
Community and economic development	7,409	--	7,409
Intergovernmental	2,304,056	--	2,304,056
Capital outlay	984,230	--	984,230
Debt service:			
Principal	--	165,000	165,000
Interest and fees on debt	--	20,519	20,519
Total expenditures	<u>3,908,338</u>	<u>185,519</u>	<u>4,093,857</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,777</u>	<u>(15,931)</u>	<u>33,846</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	7,000	--	7,000
Transfers out	(27,500)	--	(27,500)
Total other financing sources (uses)	<u>(20,500)</u>	<u>--</u>	<u>(20,500)</u>
Net change in fund balances	29,277	(15,931)	13,346
Fund balances - beginning	798,424	18,054	816,478
Fund balances - ending	<u>\$ 827,701</u>	<u>\$ 2,123</u>	<u>\$ 829,824</u>

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

District Attorney Legal/Law -- This fund is used to account for the transactions related to hot check fees of the district attorney's office, funds awarded to the County from forfeitures and state funds for the district attorney.

Sheriff & Jail Discretionary -- This fund is used to account for the transactions related to forfeited funds and inmate commissary sales.

County Clerk Preservation & Automation -- This fund is used to account for the fees collected by the County Clerk for preservation and automation.

Countywide Records Management & Preservation -- This fund is used to account for fees collected by the County Clerk for records management and preservation.

Courthouse Security -- This fund is used to account for fees collected by the County Court, District Court and JP Court for courthouse security.

Justice Court Technology -- This fund is used to account for fees collected by the District Clerk specifically for justice court technology.

District Clerk Records Management & Preservation --This fund is used to account for fees collected by the District Clerk for records management and preservation.

County and District Court Technology -- This fund is used to account for fees collected by the County Clerk specifically for county and district court technology.

Intergovernmental Grants – This fund is used to account for federal and state grants passed through to other governments.

Historical Commission Grant -- This fund is used to account for grant proceeds and local match for the purpose of conducting an historic resource survey in Matagorda County.

CDBG Disaster Recovery – This fund is used to account for the receipts and disbursements related to the Texas Community Development grant for recovery from residentially declared disasters to rebuild the affected areas and provide crucial seed money to start the recovery process

Matagorda Water and Sewer -- This fund is used to account for the receipts and disbursements related to the Community Development Block Grant for the purpose of wastewater system improvements within the Matagorda County limits in Matagorda, Texas.

Local Emergency Planning -- This fund was created to account for the activities of the Matagorda County Local Emergency Planning Committee (LEPC) which is to carry out those responsibilities specified by Public Law (PL) 99-499 and to implement other emergency plans or strategies as deemed appropriate.

Juvenile Probation Fund -- This fund is used to account for Texas Juvenile Probation Commission grant funds for administering the juvenile probation program.

MATAGORDA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2014

	District Attorney Legal/Law	Sheriff & Jail Discretionary	County Clerk Preservation & Automation	Countywide Records Mgmt Preservation
ASSETS				
Cash and cash equivalents	\$ 128,314	\$ 87,809	\$ 471,184	\$ 59,178
Receivables (net of allowances for uncollectibles):				
Other receivables	--	--	705	79
Due from other funds	--	--	955	--
Total Assets	<u>\$ 128,314</u>	<u>\$ 87,809</u>	<u>\$ 472,844</u>	<u>\$ 59,257</u>
LIABILITIES				
Accounts payable	\$ --	\$ 69	\$ 15,395	\$ --
Due to other governments	--	1	--	--
Due to other funds	--	50	--	--
Due to others	2,051	62,420	--	--
Total Liabilities	<u>2,051</u>	<u>62,540</u>	<u>15,395</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - delinquent taxes	--	--	--	--
Total deferred inflows of resources	--	--	--	--
FUND BALANCES (DEFICITS)				
Restricted for:				
Legislative purposes	126,263	25,269	457,449	59,257
Total Fund Balances (Deficits)	<u>126,263</u>	<u>25,269</u>	<u>457,449</u>	<u>59,257</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 128,314</u>	<u>\$ 87,809</u>	<u>\$ 472,844</u>	<u>\$ 59,257</u>

Courthouse Security	Justice Court Technology	District Clerk Records Mgmt Preservation	County & District Court Technology	Inter Governmental Grants
\$ 28,742	\$ 41,994	\$ 46,263	\$ 32,687	\$ --
143	56	116	102	46,695
9,902	--	--	--	--
<u>\$ 38,787</u>	<u>\$ 42,050</u>	<u>\$ 46,379</u>	<u>\$ 32,789</u>	<u>\$ 46,695</u>
\$ 140	\$ 3,212	\$ --	\$ --	\$ 46,695
--	--	--	--	--
6,556	--	--	--	--
--	--	--	--	--
<u>6,696</u>	<u>3,212</u>	<u>--</u>	<u>--</u>	<u>46,695</u>
--	--	--	--	--
--	--	--	--	--
<u>32,091</u>	<u>38,838</u>	<u>46,379</u>	<u>32,789</u>	<u>--</u>
<u>32,091</u>	<u>38,838</u>	<u>46,379</u>	<u>32,789</u>	<u>--</u>
<u>\$ 38,787</u>	<u>\$ 42,050</u>	<u>\$ 46,379</u>	<u>\$ 32,789</u>	<u>\$ 46,695</u>

MATAGORDA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2014

	Historical Commission Grant	CDBG Disaster Recovery
ASSETS		
Cash and cash equivalents	\$ 6,289	\$ --
Receivables (net of allowances for uncollectibles):		
Other receivables	--	447,349
Due from other funds	--	--
Total Assets	<u>6,289</u>	<u>447,349</u>
LIABILITIES		
Accounts payable	\$ --	\$ 447,349
Due to other governments	--	--
Due to other funds	--	--
Due to others	--	--
Total Liabilities	<u>--</u>	<u>447,349</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - delinquent taxes	--	--
Total deferred inflows of resources	<u>--</u>	<u>--</u>
FUND BALANCES (DEFICITS)		
Restricted for:		
Legislative purposes	<u>6,289</u>	<u>--</u>
Total Fund Balances (Deficits)	<u>6,289</u>	<u>--</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 6,289</u>	<u>\$ 447,349</u>

Matagorda Water & Sewer	Local Emergency Planning	Juvenile Probation Fund	Total Nonmajor Special Revenue Funds
\$ --	\$ 3,077	\$ 115,361	\$ 1,020,898
153,341	--	--	648,586
--	--	--	10,857
<u>\$ 153,341</u>	<u>\$ 3,077</u>	<u>\$ 115,361</u>	<u>\$ 1,680,341</u>
\$ 153,341	\$ --	\$ 2,575	\$ 668,776
--	--	--	1
--	--	--	6,606
--	--	--	64,471
<u>153,341</u>	<u>--</u>	<u>2,575</u>	<u>739,854</u>
--	--	112,786	112,786
--	--	<u>112,786</u>	<u>112,786</u>
--	3,077	--	827,701
--	<u>3,077</u>	<u>--</u>	<u>827,701</u>
<u>\$ 153,341</u>	<u>\$ 3,077</u>	<u>\$ 115,361</u>	<u>\$ 1,680,341</u>

MATAGORDA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2014

	District Attorney Legal/Law	Sheriff & Jail Discretionary	County Clerk Preservation & Automation	Countywide Records Mgmt Preservation
REVENUES				
Intergovernmental	\$ --	\$ --	\$ --	\$ --
Charges for services	40,219	1,859	152,253	12,248
Investment income	735	75	3,414	400
Miscellaneous	--	37,135	--	--
Total revenues	40,954	39,069	155,667	12,648
EXPENDITURES				
Current:				
General government	--	--	136,511	--
Justice system	4,038	--	--	--
Public safety	--	7,555	--	--
Corrections and rehabilitation	--	31,076	--	--
Community and economic development	--	--	--	--
Intergovernmental	--	--	--	--
Capital outlay	--	--	5,243	--
Total expenditures	4,038	38,631	141,754	--
Excess (deficiency) of revenues over (under) expenditures	36,916	438	13,913	12,648
OTHER FINANCING SOURCES (USES)				
Transfers in	--	--	--	--
Transfers out	(27,500)	--	--	--
Total other financing sources (uses)	(27,500)	--	--	--
Net change in fund balances	9,416	438	13,913	12,648
Fund balances - beginning	116,847	24,831	443,536	46,609
Fund balances - ending	\$ 126,263	\$ 25,269	\$ 457,449	\$ 59,257

Courthouse Security	Justice Court Technology	District Clerk Records Mgmt Preservation	County & District Court Technology	Inter Governmental Grants
\$ --	\$ --	\$ --	\$ --	\$ 400,059
19,394	7,105	7,121	5,967	--
223	428	330	225	--
--	--	--	--	9,000
<u>19,617</u>	<u>7,533</u>	<u>7,451</u>	<u>6,192</u>	<u>409,059</u>
21,664	--	--	--	--
--	26,599	1,815	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	409,059
3,500	--	--	--	--
<u>25,164</u>	<u>26,599</u>	<u>1,815</u>	<u>--</u>	<u>409,059</u>
<u>(5,547)</u>	<u>(19,066)</u>	<u>5,636</u>	<u>6,192</u>	<u>--</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
(5,547)	(19,066)	5,636	6,192	--
37,638	57,904	40,743	26,597	--
<u>\$ 32,091</u>	<u>\$ 38,838</u>	<u>\$ 46,379</u>	<u>\$ 32,789</u>	<u>\$ --</u>

MATAGORDA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2014

	Historical Commission Grant	CDBG Disaster Recovery
REVENUES		
Intergovernmental	\$ 3,355	\$ 1,835,502
Charges for services	--	--
Investment income	--	--
Miscellaneous	--	26,759
Total revenues	<u>3,355</u>	<u>1,862,261</u>
EXPENDITURES		
Current:		
General government	--	--
Justice system	--	--
Public safety	--	--
Corrections and rehabilitation	--	--
Community and economic development	7,409	--
Intergovernmental	--	886,774
Capital outlay	--	975,487
Total expenditures	<u>7,409</u>	<u>1,862,261</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,054)</u>	<u>--</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	7,000	--
Transfers out	--	--
Total other financing sources (uses)	<u>7,000</u>	<u>--</u>
Net change in fund balances	2,946	--
Fund balances - beginning	3,343	--
Fund balances - ending	<u>\$ 6,289</u>	<u>\$ --</u>

Matagorda Water & Sewer	Local Emergency Planning	Juvenile Probation Fund	Total Nonmajor Special Revenue Funds
\$ 279,466	\$ --	\$ 378,562	\$ 2,896,944
--	--	--	246,166
--	22	1,077	6,929
728,757	6,350	75	808,076
<u>1,008,223</u>	<u>6,372</u>	<u>379,714</u>	<u>3,958,115</u>
--	--	--	158,175
--	--	379,714	412,166
--	3,671	--	11,226
--	--	--	31,076
--	--	--	7,409
1,008,223	--	--	2,304,056
--	--	--	984,230
<u>1,008,223</u>	<u>3,671</u>	<u>379,714</u>	<u>3,908,338</u>
--	2,701	--	49,777
--	--	--	7,000
--	--	--	(27,500)
--	--	--	(20,500)
--	2,701	--	29,277
--	376	--	798,424
\$ --	\$ 3,077	\$ --	\$ 827,701

MATAGORDA COUNTY

DA LEGAL LAW

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 45,000	\$ 40,219	\$ (4,781)
Investment income	400	735	335
 Total revenues	 45,400	 40,954	 (4,446)
EXPENDITURES			
JUSTICE SYSTEM			
District Attorney:			
Operating costs	16,300	4,038	12,262
Total District Attorney	16,300	4,038	12,262
 TOTAL JUSTICE SYSTEM	 16,300	 4,038	 12,262
 Total Expenditures	 16,300	 4,038	 12,262
Excess (deficiency) of revenues over (under) expenditures	29,100	36,916	7,816
Transfers out	(27,500)	(27,500)	--
Total other financing sources (uses)	(27,500)	(27,500)	--
 Net change in fund balances	 1,600	 9,416	 7,816
Fund balances - beginning	116,847	116,847	--
Fund balances - ending	\$ 118,447	\$ 126,263	\$ 7,816

MATAGORDA COUNTY
SHERIFF & JAIL DISCRETIONARY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 4,000	\$ 1,859	\$ (2,141)
Investment income	100	75	(25)
Miscellaneous	38,000	37,135	(865)
Total revenues	<u>42,100</u>	<u>39,069</u>	<u>(3,031)</u>
EXPENDITURES			
PUBLIC SAFETY			
County Sheriff:			
Operating costs	13,100	7,555	5,545
Total County Sheriff	<u>13,100</u>	<u>7,555</u>	<u>5,545</u>
TOTAL PUBLIC SAFETY	<u>13,100</u>	<u>7,555</u>	<u>5,545</u>
CORRECTIONS & REHABILITATION			
County Jail:			
Operating costs	29,000	31,076	(2,076)
Total County Jail	<u>29,000</u>	<u>31,076</u>	<u>(2,076)</u>
TOTAL CORRECTIONS & REHABILITATION	<u>29,000</u>	<u>31,076</u>	<u>(2,076)</u>
Total Expenditures	<u>42,100</u>	<u>38,631</u>	<u>3,469</u>
Excess (deficiency) of revenues over (under) expenditures	--	438	438
Net change in fund balances	--	438	438
Fund balances - beginning	24,831	24,831	--
Fund balances - ending	<u>\$ 24,831</u>	<u>\$ 25,269</u>	<u>\$ 438</u>

MATAGORDA COUNTY

COUNTY CLERK PRESERVATION & AUTOMATION

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 153,500	\$ 152,253	\$ (1,247)
Investment income	4,000	3,414	(586)
Total revenues	<u>157,500</u>	<u>155,667</u>	<u>(1,833)</u>
EXPENDITURES			
GENERAL GOVERNMENT			
County Clerk:			
Operating costs	148,095	136,511	11,584
Capital outlay	5,244	5,243	1
Total County Clerk	<u>153,339</u>	<u>141,754</u>	<u>11,585</u>
TOTAL GENERAL GOVERNMENT	<u>153,339</u>	<u>141,754</u>	<u>11,585</u>
Total Expenditures	<u>153,339</u>	<u>141,754</u>	<u>11,585</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,161</u>	<u>13,913</u>	<u>9,752</u>
Net change in fund balances	4,161	13,913	9,752
Fund balances - beginning	443,536	443,536	--
Fund balances - ending	<u>\$ 447,697</u>	<u>\$ 457,449</u>	<u>\$ 9,752</u>

MATAGORDA COUNTY

COUNTYWIDE RECORDS MANAGEMENT/PRESERVATION

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 10,000	\$ 12,248	\$ 2,248
Investment income	1,250	400	(850)
Total revenues	<u>11,250</u>	<u>12,648</u>	<u>1,398</u>
EXPENDITURES			
GENERAL GOVERNMENT			
County Courthouse:			
Operating costs	11,250	--	11,250
Total County Courthouse	<u>11,250</u>	<u>--</u>	<u>11,250</u>
TOTAL GENERAL GOVERNMENT	<u>11,250</u>	<u>--</u>	<u>11,250</u>
Total Expenditures	<u>11,250</u>	<u>--</u>	<u>11,250</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>12,648</u>	<u>12,648</u>
Net change in fund balances	--	12,648	12,648
Fund balances - beginning	46,609	46,609	--
Fund balances - ending	<u>\$ 46,609</u>	<u>\$ 59,257</u>	<u>\$ 12,648</u>

MATAGORDA COUNTY
COURTHOUSE SECURITY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 21,300	\$ 19,394	\$ (1,906)
Investment income	1,000	223	(777)
Total revenues	<u>22,300</u>	<u>19,617</u>	<u>(2,683)</u>
EXPENDITURES			
GENERAL GOVERNMENT			
County Courthouse:			
Personnel	15,000	19,662	(4,662)
Operating costs	13,500	2,002	11,498
Capital outlay	3,500	3,500	--
Total County Courthouse	<u>32,000</u>	<u>25,164</u>	<u>6,836</u>
TOTAL GENERAL GOVERNMENT	<u>32,000</u>	<u>25,164</u>	<u>6,836</u>
Total Expenditures	<u>32,000</u>	<u>25,164</u>	<u>6,836</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,700)</u>	<u>(5,547)</u>	<u>4,153</u>
Net change in fund balances	<u>(9,700)</u>	<u>(5,547)</u>	<u>4,153</u>
Fund balances - beginning	<u>37,638</u>	<u>37,638</u>	<u>--</u>
Fund balances - ending	<u>\$ 27,938</u>	<u>\$ 32,091</u>	<u>\$ 4,153</u>

MATAGORDA COUNTY
JUSTICE COURT TECHNOLOGY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 8,500	\$ 7,105	\$ (1,395)
Investment income	500	428	(72)
Total revenues	<u>9,000</u>	<u>7,533</u>	<u>(1,467)</u>
EXPENDITURES			
JUSTICE SYSTEM			
Justice Court Technology:			
Operating costs	26,601	26,599	2
Total Justice Court Technology	<u>26,601</u>	<u>26,599</u>	<u>2</u>
TOTAL JUSTICE SYSTEM			
	<u>26,601</u>	<u>26,599</u>	<u>2</u>
Total Expenditures	<u>26,601</u>	<u>26,599</u>	<u>2</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,601)</u>	<u>(19,066)</u>	<u>(1,465)</u>
Net change in fund balances	(17,601)	(19,066)	(1,465)
Fund balances - beginning	57,904	57,904	--
Fund balances - ending	<u>\$ 40,303</u>	<u>\$ 38,838</u>	<u>\$ (1,465)</u>

MATAGORDA COUNTY

DISTRICT CLERK RECORDS MGMT/PRESERVATION

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 5,600	\$ 7,121	\$ 1,521
Investment income	200	330	130
Total revenues	<u>5,800</u>	<u>7,451</u>	<u>1,651</u>
EXPENDITURES			
JUSTICE SYSTEM			
District Clerk:			
Operating costs	5,800	1,815	3,985
Total District Clerk	<u>5,800</u>	<u>1,815</u>	<u>3,985</u>
TOTAL JUSTICE SYSTEM	<u>5,800</u>	<u>1,815</u>	<u>3,985</u>
Total Expenditures	<u>5,800</u>	<u>1,815</u>	<u>3,985</u>
Excess (deficiency) of revenues over (under) expenditures	--	<u>5,636</u>	<u>5,636</u>
Net change in fund balances	--	5,636	5,636
Fund balances - beginning	40,743	40,743	--
Fund balances - ending	<u>\$ 40,743</u>	<u>\$ 46,379</u>	<u>\$ 5,636</u>

MATAGORDA COUNTY
COUNTY & DISTRICT COURT TECHNOLOGY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 7,500	\$ 5,967	\$ (1,533)
Investment income	160	225	65
Total revenues	<u>7,660</u>	<u>6,192</u>	<u>(1,468)</u>
EXPENDITURES			
GENERAL GOVERNMENT			
County Clerk:			
Operating costs	2,750	--	2,750
Total County Clerk	<u>2,750</u>	<u>--</u>	<u>2,750</u>
TOTAL GENERAL GOVERNMENT	<u>2,750</u>	<u>--</u>	<u>2,750</u>
JUSTICE SYSTEM			
District Clerk:			
Operating costs	4,860	--	4,860
Total District Clerk	<u>4,860</u>	<u>--</u>	<u>4,860</u>
TOTAL JUSTICE SYSTEM	<u>4,860</u>	<u>--</u>	<u>4,860</u>
Total Expenditures	<u>7,610</u>	<u>--</u>	<u>7,610</u>
Excess (deficiency) of revenues over (under) expenditures	50	6,192	6,142
Net change in fund balances	50	6,192	6,142
Fund balances - beginning	26,597	26,597	--
Fund balances - ending	<u>\$ 26,647</u>	<u>\$ 32,789</u>	<u>\$ 6,142</u>



Fiduciary Funds

Fiduciary funds are used to account for funds held in a trustee or agency capacity for the benefit of others and therefore cannot be used to support the government's own programs. Fiduciary funds include pension trust funds, investment funds, private-purpose trust funds and agency funds. The County is only combining agency funds as defined below.

County Clerk Trust Fund -- This fund is used to account for County Court awards for the benefit of minors or others considered by the County Court to be incapable of handling the award individually.

District Clerk Trust Fund -- This fund is used to account for District Court awards for the benefit of minors or others considered by the District Court to be incapable of handling the award individually.

Inmate Trust Fund -- This fund is used to account for money held on behalf of inmates booked into the County jail.

Tax Assessor Collector -- This fund is used as a clearing account for the receipt and disbursement of tax collected by the County Tax Assessor Collector on behalf of other governmental entities.

MATAGORDA COUNTY**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES****AGENCY FUNDS****DECEMBER 31, 2014**

	County Clerk Trust	District Clerk Trust
ASSETS		
Cash and cash equivalents	\$ 14,178	\$ 1,129,274
Total Assets	<u>\$ 14,178</u>	<u>\$ 1,129,274</u>
LIABILITIES		
Due to other governments	\$ --	\$ --
Due to others	<u>14,178</u>	<u>1,129,274</u>
Total Liabilities	<u>14,178</u>	<u>1,129,274</u>
NET POSITION		
Unrestricted	--	--
Total Net Position	<u>--</u>	<u>--</u>

Inmate Trust Fund	Tax Assessor Collector	Total Agency Funds
\$ 19,270	\$ 202,731	\$ 1,365,453
\$ 19,270	\$ 202,731	\$ 1,365,453
\$ -- 19,270 19,270	\$ 201,649 1,082 202,731	\$ 201,649 1,163,804 1,365,453
\$ --	\$ --	\$ --

MATAGORDA COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

YEAR ENDED DECEMBER 31, 2014

	Balance December 31 2013	Additions	Deductions	Balance December 31 2014
COUNTY CLERK TRUST FUNDS				
ASSETS				
Cash & investments	\$ 30,455	\$ 5,051	\$ 21,328	\$ 14,178
Total Assets	<u>\$ 30,455</u>	<u>\$ 5,051</u>	<u>\$ 21,328</u>	<u>\$ 14,178</u>
LIABILITIES				
Due to others	\$ 30,455	\$ 484	\$ 16,761	\$ 14,178
Total Liabilities	<u>\$ 30,455</u>	<u>\$ 484</u>	<u>\$ 16,761</u>	<u>\$ 14,178</u>
DISTRICT CLERK TRUST FUNDS				
ASSETS				
Cash & investments	\$ 1,117,215	\$ 2,302,267	\$ 2,290,208	\$ 1,129,274
Total Assets	<u>\$ 1,117,215</u>	<u>\$ 2,302,267</u>	<u>\$ 2,290,208</u>	<u>\$ 1,129,274</u>
LIABILITIES				
Due to others	\$ 1,117,215	\$ 2,250,041	\$ 2,237,982	\$ 1,129,274
Total Liabilities	<u>\$ 1,117,215</u>	<u>\$ 2,250,041</u>	<u>\$ 2,237,982</u>	<u>\$ 1,129,274</u>
INMATE TRUST FUND				
ASSETS				
Cash & investments	\$ 27,620	\$ 202,591	\$ 210,941	\$ 19,270
Total Assets	<u>\$ 27,620</u>	<u>\$ 202,591</u>	<u>\$ 210,941</u>	<u>\$ 19,270</u>
LIABILITIES				
Due to others	\$ 27,620	\$ 202,591	\$ 210,941	\$ 19,270
Total Liabilities	<u>\$ 27,620</u>	<u>\$ 202,591</u>	<u>\$ 210,941</u>	<u>\$ 19,270</u>
TAX ASSESSOR COLLECTOR				
ASSETS				
Cash & investments	\$ 158,279	\$ 76,005,637	\$ 75,961,185	\$ 202,731
Total Assets	<u>\$ 158,279</u>	<u>\$ 76,005,637</u>	<u>\$ 75,961,185</u>	<u>\$ 202,731</u>
LIABILITIES				
Due to other governments	\$ 158,271	\$ 76,004,563	\$ 75,961,185	\$ 201,649
Due to others	8	1,074	--	1,082
Total Liabilities	<u>\$ 158,279</u>	<u>\$ 76,005,637</u>	<u>\$ 75,961,185</u>	<u>\$ 202,731</u>
TOTAL AGENCY FUNDS:				
ASSETS				
Cash & investments	\$ 1,333,569	\$ 78,515,546	\$ 78,483,662	\$ 1,365,453
Total Assets	<u>\$ 1,333,569</u>	<u>\$ 78,515,546</u>	<u>\$ 78,483,662</u>	<u>\$ 1,365,453</u>
LIABILITIES				
Due to other governments	\$ 158,271	\$ 76,004,563	\$ 75,961,185	\$ 201,649
Due to others	1,175,298	2,454,190	2,465,684	1,163,804
Total Liabilities	<u>\$ 1,333,569</u>	<u>\$ 78,458,753</u>	<u>\$ 78,426,869</u>	<u>\$ 1,365,453</u>

STATISTICAL SECTION

This part of the Matagorda County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Contents	Page
Financial Trends	73-76
These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	
Revenue Capacity	77-80
These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	
Debt Capacity	81-84
These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	85-86
These schedules offer demographic and economic indicators to help the reader understand how the County's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	87-89
These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



MATAGORDA COUNTY
NET POSITION BY COMPONENT
LAST TEN YEARS
(ACCRUAL BASIS OF ACCOUNTING)

MATAGORDA COUNTY
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNT)

Eiscal Year

Expenses	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities:										
General government	\$ 2,744,598	\$ 2,591,435	\$ 2,374,168	\$ 2,965,507	\$ 2,800,507	\$ 2,916,150	\$ 3,238,152	\$ 3,573,090	\$ 3,564,536	\$ 4,030,366
Justice system	3,032,205	3,275,243	2,931,754	2,965,507	3,402,444	3,673,061	3,617,128	3,393,214	3,492,513	3,652,376
Public safety	3,722,659	3,264,707	3,231,579	3,245,747	3,846,603	3,301,813	3,441,085	3,379,800	3,612,977	3,892,339
Corrections and rehabilitation	2,343,039	2,477,072	2,638,771	2,363,299	2,229,983	2,396,883	2,246,252	2,036,930	2,261,328	2,347,817
Health and human services	1,175,751	1,281,386	1,180,400	1,219,112	1,283,782	1,397,815	1,364,578	1,354,286	1,390,657	1,418,957
Community and economic development	1,132,587	1,166,824	1,325,564	1,167,753	1,597,919	2,002,482	2,289,523	1,324,645	5,213,574	1,160,109
Infrastructure and environmental services	3,993,968	3,823,361	6,896,776	5,922,408	6,335,128	7,742,526	6,881,349	5,671,712	6,342,332	5,228,877
Intergovernmental	--	--	--	--	--	--	280,001	2,604,849	566,199	2,304,056
Interest on Long-Term Debt	2,621	23,980	66,736	59,224	53,070	46,788	40,020	37,868	30,073	29,542
Total governmental activities expenses	\$ 18,147,428	\$ 17,904,308	\$ 20,645,388	\$ 19,246,756	\$ 21,549,436	\$ 23,477,498	\$ 23,408,088	\$ 23,376,394	\$ 26,474,189	\$ 24,051,439

Program Revenues

Government Activities

General Revenues and Other Chances in Net Position

MATAGORDA COUNTY

FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
General Fund						
Non-Spendable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 282,669
Committed	--	--	--	--	--	\$ 292,680
Unassigned	--	--	--	--	--	\$ 931,516
Unreserved	\$ 10,481,450	\$ 10,063,575	\$ 7,542,080	\$ 7,496,109	\$ 7,419,087	\$ 6,684,356
Total General Fund	<u>\$ 10,481,450</u>	<u>\$ 10,063,575</u>	<u>\$ 7,542,080</u>	<u>\$ 7,496,109</u>	<u>\$ 7,419,087</u>	<u>\$ 6,967,025</u>
All Other Governmental Funds						
Restricted	\$ --	\$ --	\$ --	\$ 52	\$ --	\$ 817
Reserved	--	--	--	--	--	\$ 4,924
Unreserved, Reported In:						
Special Revenue Funds	\$ 796,122	\$ 898,220	\$ 968,729	\$ 1,066,974	\$ 1,072,242	\$ 1,092,752
Debt Service Funds	--	--	(33,467)	--	--	--
Total All Other Governmental Funds	<u>\$ 796,122</u>	<u>\$ 898,272</u>	<u>\$ 935,262</u>	<u>\$ 1,067,791</u>	<u>\$ 1,077,166</u>	<u>\$ 1,100,257</u>

MATAGORDA COUNTY
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 8,330,557	\$ 8,341,847	\$ 9,147,597	\$ 9,903,450	\$ 11,124,689	\$ 11,422,107	\$ 12,219,087	\$ 12,766,067	\$ 13,790,874	\$ 13,286,586
Licenses and permits	830,979	828,052	833,238	842,590	818,549	813,885	794,878	780,770	805,842	
Intergovernmental	1,794,052	1,010,040	1,729,944	1,694,349	2,478,021	2,130,808	2,255,663	4,273,126	5,679,217	3,465,873
Charges for services	4,541,652	5,475,765	5,098,908	4,838,363	4,524,898	4,959,784	4,622,755	4,445,502	4,692,877	4,923,019
Fines	313,281	415,787	340,318	407,980	415,196	358,715	409,390	379,955	359,083	406,122
Investment income	480,942	744,641	840,854	411,266	272,525	368,082	246,270	146,783	170,191	189,396
Miscellaneous	220,429	331,482	557,011	347,093	273,743	523,112	270,267	262,134	323,794	1,150,101
Total Revenues	<u>16,511,892</u>	<u>17,147,614</u>	<u>18,547,870</u>	<u>18,445,091</u>	<u>19,907,621</u>	<u>20,576,493</u>	<u>20,816,171</u>	<u>23,068,445</u>	<u>25,796,806</u>	<u>24,226,939</u>
Expenditures										
General administration	2,169,018	2,218,233	2,359,736	2,439,805	2,646,612	2,683,735	2,805,567	3,067,887	3,262,721	3,112,170
Justice	2,571,259	2,786,928	2,803,386	2,740,721	3,155,191	3,389,233	3,295,213	3,070,179	3,138,020	3,239,914
Public safety	2,878,613	2,807,335	2,881,351	2,984,941	3,547,744	2,967,366	3,090,014	2,996,188	3,206,246	3,437,289
Corrections and rehabilitation	1,988,531	2,092,130	2,550,113	2,147,703	2,018,431	2,161,546	2,087,751	1,906,351	2,102,157	2,159,036
Environmental protection	--	--	--	--	--	--	--	--	--	--
Health and human services	998,854	1,068,561	1,130,644	1,141,036	1,208,428	1,316,134	1,261,528	1,254,709	1,283,214	1,297,399
Community and economic dev	982,734	978,022	988,856	1,093,049	1,223,005	1,223,185	1,267,022	1,034,598	991,326	1,025,094
Infrastructure and environmental	3,635,842	4,293,688	4,376,057	4,541,745	5,063,458	5,722,007	5,088,387	4,821,509	8,985,216	5,252,783
Intergovernmental	--	--	--	--	--	--	--	290,001	2,613,425	566,199
Capital outlay	1,342,358	2,705,570	3,691,545	1,083,682	927,524	1,358,599	1,388,221	1,059,886	1,145,088	2,304,056
Debt service:										1,662,313
Principal	96,744	25,129	181,466	125,000	130,000	135,000	145,000	212,555	278,751	303,265
Interest	2,621	2,745	69,221	60,853	54,873	48,659	42,093	39,325	32,758	24,858
Total Expenditures	<u>16,666,574</u>	<u>18,978,341</u>	<u>21,032,375</u>	<u>18,353,535</u>	<u>19,975,266</u>	<u>21,005,464</u>	<u>20,730,797</u>	<u>22,076,612</u>	<u>24,991,696</u>	<u>23,818,177</u>
Excess of Revenues Over (Under) Expenditures	(154,682)	(1,830,727)	(2,484,505)	86,556	(67,645)	(428,971)	85,374	991,833	805,110	408,762
Other Financing Sources (Uses)										
Flow thru in	12,297	--	--	--	--	--	--	--	--	--
Flow thru out	(12,297)	--	--	--	--	--	--	--	--	--
Certificates of obligation	--	1,515,000	--	--	--	--	--	--	--	--
Capital lease proceeds	79,119	--	--	--	--	--	--	188,820	40,695	456,965
Transfers In	7,000	698,736	2,794,384	489,115	67,612	53,450	70,053	(70,053)	(40,695)	33,500
Transfers Out	(7,000)	(698,736)	(2,794,384)	(489,115)	(67,612)	(53,450)	(70,053)			(33,500)
Total Other Financing Sources (Uses)	<u>79,119</u>	<u>1,515,000</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>188,820</u>	<u>--</u>	<u>456,965</u>
Net Change in Fund Balances	<u>\$ (75,563)</u>	<u>\$ (315,727)</u>	<u>\$ (2,484,505)</u>	<u>\$ 86,556</u>	<u>\$ (67,645)</u>	<u>\$ (428,971)</u>	<u>\$ 274,194</u>	<u>\$ 991,833</u>	<u>\$ 1,262,075</u>	<u>\$ 560,133</u>
Debt Service As A Percentage Of Noncapital Expenditures	0.65%	0.17%	1.45%	1.08%	0.97%	0.93%	0.97%	1.27%	1.40%	1.60%

MATAGORDA COUNTY
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Assessed Real Property	Assessed Non-real Property	Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value	
							Estimated Actual Taxable Value	Percentage of Actual Taxable Value
2004/05	\$ 1,528,321,761	\$ 1,423,438,755	\$ (400,342,742)	\$ 2,551,417,774	0.3180	\$ 2,551,417,774		100.000%
2005/06	2,717,106,070	459,670,380	(511,752,684)	2,665,023,766	0.3090	2,665,023,766		100.000%
2006/07	3,276,215,172	551,077,039	(463,734,746)	3,363,557,465	0.26829	3,363,557,465		100.000%
2007/08	3,580,834,451	426,262,334	(461,540,256)	3,545,556,529	0.27593	3,545,556,529		100.000%
2008/09	4,381,977,682	95,029,605	(491,074,920)	3,985,932,367	0.27518	3,985,932,367		100.000%
2009/10	3,533,533,063	1,116,722,810	(510,369,654)	4,139,886,219	0.27498	4,139,886,219		100.000%
2010/11	3,412,943,688	1,553,978,640	(552,937,135)	4,413,985,193	0.27478	4,413,985,193		100.000%
2011/12	4,085,451,154	950,761,254	(546,317,547)	4,489,894,861	0.28162	4,489,894,861		100.000%
2012/13	3,997,000,381	1,127,092,670	(560,957,690)	4,563,135,361	0.29878	4,563,135,361		100.000%
2013/14	2,347,521,763	2,791,886,570	(559,982,098)	4,579,426,235	0.32099	4,579,426,235		100.000%

Source: Matagorda County Appraisal District

MATAGORDA COUNTY
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN FISCAL YEARS

Fiscal Year	Matagorda County			Overlapping Rates						Total Direct and Overlapping
	Operating	Debt	Total Direct Rate	City	Utility Districts	Special Districts	Schools	Operating	Debt	
2004/05	\$ 0.31800	\$ --	\$ 0.31800	0.62000 \$ 0.04300 \$ 0.14100 \$ 0.13000 \$ 0.09100 \$ 0.03000 \$ 1.41500 \$ 0.11000 \$						2.89800
2005/06	0.30900	--	0.30900	0.60500 0.04600	0.13600 0.10400	0.08300 0.03000	0.45500 0.09500			2.86300
2006/07	0.26264	0.00565	0.26829	0.60500 0.04300	0.12700 0.05800	0.07100 0.03000	1.28000 0.09800			2.58029
2007/08	0.26978	0.00615	0.27593	0.60500 0.04300	0.11920 0.07650	0.07100 0.03000	1.00790 0.16156			2.39009
2008/09	0.27055	0.00463	0.27518	0.59400 0.03400	0.11600 0.07600	0.07000 0.03000	1.01900 0.12700			2.34118
2009/10	0.27055	0.00443	0.27498	0.61300 0.03000	0.12300 0.08700	0.06700 0.03000	1.03800 0.12900			2.39198
2010/11	0.27055	0.00423	0.27478	0.65100 0.03800	0.12600 0.08300	0.06900 0.03000	1.04700 0.11800			2.43678
2011/12	0.27750	0.00412	0.28162	0.67500 0.03900	0.13600 0.08200	0.07100 0.03000	1.04700 0.12700			2.48862
2012/13	0.29477	0.00401	0.29878	0.67614 0.03875	0.16723 0.09308	0.06706 0.03000	1.04700 0.36091			2.77895
2013/14	0.31695	0.00404	0.32099	0.66676 0.04615	0.18419 0.08677	0.06903 0.02951	1.04247 0.15824			2.60411

Source: County Tax Assessor and Palacios ISD Tax Assessor

MATAGORDA COUNTY

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

<u>Taxpayer</u>	2013/2014			2004/2005		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
NRG Texas Power LLC	\$ 1,095,581,730	1	23.92%	\$ 183,812,490	2	7.20%
Inergy LP	386,949,572	2	8.45%			--
Texas Brine Company LLC	143,867,680	3	3.14%			--
Equistar Chemicals LP	131,018,580	4	2.86%	28,481,372	9	1.12%
Williams Fld Svcs - Gulf Coast Co.	107,373,420	5	2.34%			--
Oxea Corporation	69,148,220	6	1.51%			--
Midtex Gas Storage Company	62,519,510	7	1.37%		9	--
Celanese LTD Chemical Division	40,891,960	8	0.89%	71,459,100	4	2.80%
AEP Texas Central Company	33,786,380	9	0.74%	37,115,780	6	1.45%
Flint Hills Resources Inv	32,736,020	10	0.71%	29,554,760	7	1.16%
Texas Gen Co LP (FKA Reliant)	--	--	--	408,112,146	1	16.00%
Texas Genco Holding, Inc.	--	--	--	160,504,531	3	6.29%
AEP Central Power & Light STP	--	--	--	58,106,126	5	2.28%
BP America Production Co.	--	--	--	29,538,710	8	1.16%
Transcontinental Gas Pipeline	--	--	--	21,424,840	10	0.84%
Total	\$ 2,103,873,072		45.94%	\$ 1,028,109,855		40.30%
Total Taxable Assessed Value	\$ 4,579,426,235			\$ 2,551,417,774		

Source: Matagorda County Tax Assessor

MATAGORDA COUNTY
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS

Tax Year/ Fiscal Year	Taxes Levied for the Fiscal Year	Adjustments	Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Amount	Total Collections to Date Percentage of Levy
				Amount	Percentage of Levy			
2004/2005	\$ 8,123,105	\$ 66,432	\$ 8,189,537	\$ 8,015,644	97.88%	\$ 139,137	\$ 8,154,781	99.58%
2005/2006	8,178,222	(3,364)	8,174,858	8,047,767	98.45%	105,787	8,153,554	99.74%
2006/2007	9,039,485	(25,502)	9,013,983	8,895,062	98.68%	96,258	8,991,320	99.75%
2007/2008	9,783,727	21,561	9,805,288	9,653,410	98.45%	128,979	9,782,389	99.77%
2008/2009	10,968,961	(6,929)	10,962,032	10,797,638	98.50%	131,252	10,928,890	99.70%
2009/2010	11,384,047	(35,245)	11,348,802	11,155,160	98.29%	148,629	11,303,789	99.60%
2010/2011	12,129,877	(25,849)	12,104,028	11,923,482	98.51%	133,597	12,057,079	99.61%
2011/2012	12,644,542	(16,495)	12,628,047	12,461,310	98.68%	105,241	12,566,551	99.51%
2012/2013	13,635,349	(3,338)	13,632,011	13,471,772	98.82%	57,250	13,529,022	99.24%
2013/2014	14,701,308	(567,382)	14,133,926	12,961,537	91.71%	--	12,961,537	91.71%

Sources: Matagorda County Tax Assessor

MATAGORDA COUNTY*RATIOS OF OUTSTANDING DEBT BY TYPE**LAST TEN FISCAL YEARS*

Fiscal Year	Governmental Activities			Percentage of Personal Income (1)	Per Capita Total Debt (1)
	Certificates of Obligation	Capital Leases	Total Governmental Activities		
2005	\$ --	\$ 51,595	\$ 51,595	0.01%	1
2006	1,515,000	26,466	1,541,466	0.18%	39
2007	1,360,000	--	1,360,000	0.16%	34
2008	1,235,000	--	1,235,000	0.13%	33
2009	1,105,000	--	1,105,000	0.12%	30
2010	970,000	--	970,000	0.09%	26
2011	825,000	188,820	1,013,820	0.09%	27
2012	675,000	126,265	801,265	0.07%	22
2013	520,000	459,478	979,478	0.09%	27
2014	355,000	620,634	975,634	0.08%	27

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) Personal income and per capita can be found in the schedule of demographic and economic statistics on page 85.

MATAGORDA COUNTY

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund (2)	Total	Actual Taxable Value of Property (3)	Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)
2005	\$ --	\$ --	\$ --	--	\$ --	--
2006	1,515,000	52	1,515,052	--	--	--
2007	1,360,000	--	1,360,000	0.05%	34	
2008	1,235,000	817	1,234,183	0.04%	33	
2009	1,105,000	4,924	1,100,076	0.03%	30	
2010	970,000	7,505	962,495	0.02%	26	
2011	825,000	11,363	813,637	0.02%	22	
2012	675,000	13,787	661,213	0.01%	18	
2013	520,000	18,055	501,945	0.01%	14	
2014	355,000	14,657	340,343	0.01%	9	

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

- (1) This is the general bonded debt of governmental funds
- (2) This is the amount restricted for debt service principal payments
- (3) Estimated actual value of taxable property can be found on page 77.
- (4) Population data can be found in the schedule of demographic and economic statistics on page 85.

MATAGORDA COUNTY

DIRECT AND OVERLAPPING

GOVERNMENTAL ACTIVITIES DEBT

AS OF DECEMBER 31, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid With Property Taxes			
City of Bay City	7,825,000	100.000%	7,825,000
Tidehaven Independent School District	48,555,000	100.000%	48,555,000
Palacios Independent School District	4,680,000	94.076%	4,402,750
Bay City Independent School District	16,999,156	100.000%	16,999,156
Matagorda Independent School District	5,009,456	100.000%	5,009,456
Matagorda County Navigation District #1	2,520,000	100.000%	2,520,000
Caney Creek Municipal Utility District	3,079,000	100.000%	3,079,000
Beach Road Municipal Utility District	395,000	100.000%	395,000
Other Debt			
Bay City Independent School District Capital Lease	4,009,951	100.000%	4,009,951
Bay City Independent School District Notes Payable	857,433	100.000%	857,433
Matagorda Independent School District Notes Payable	126,727	100.000%	126,727
Matagorda Independent School District Capital Lease	34,376	100.000%	34,376
Van Vleck Independent School District Capital Lease	635,340	100.000%	635,340
City of Bay City Notes Payable	176,867	100.000%	176,867
City of Palacios	43,100	100.000%	43,100
Subtotal, Overlapping Debt			<u>94,669,156</u>
County Direct Debt:			
Capital Lease			620,634
Certificates of Obligation			355,000
			<u>975,634</u>
Total Direct and Overlapping Debt			<u>\$ 95,644,790</u>

Sources: Assessed value data used to estimate applicable percentages provided by Matagorda County Appraisal District
Debt outstanding data provided by each governmental unit.

MATAGORDA COUNTY
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ --	\$ 399,753,565	\$ 504,533,620	\$ 531,833,479	\$ 597,889,855	\$ 620,982,933	\$ 1,103,496,298	\$ 1,122,473,715	\$ 1,140,783,840	\$ 1,144,856,559
Total Net Debt Applicable to Limit	--	1,514,948	1,360,000	1,234,183	1,100,076	977,505	813,637	661,213	501,945	349,747
Legal Debt Margin	--	398,238,617	503,173,620	530,599,296	596,789,779	620,005,428	1,102,682,661	1,121,812,502	1,140,281,895	1,144,506,812
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	--	0.38%	0.27%	0.23%	0.18%	0.16%	0.07%	0.06%	0.04%	0.03%

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed Value	\$ 4,579,426,235
Debt Limit (25% of Assessed Value)	\$ 1,144,856,559
Debt Applicable to Limit:	
General Obligation Bonds	355,000
Less: Amount Set Aside for Repayment of General Obligation Debt	(5,253)
Total Net Debt Applicable to Limit	349,747
Legal Debt Margin	\$ 1,144,506,812

Sources: Matagorda County Appraisal District and County annual audit report.

MATAGORDA COUNTY
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Population	39,205	39,529	37,122	36,860	37,265	36,978	36,763	36,809	36,547	36,592
Personal Income (thousands)	\$ 850,375	\$ 858,520	\$ 926,647	\$ 959,353	\$ 1,073,586	\$ 1,124,476	\$ 1,211,531	\$ 1,225,279	\$ 1,231,490	\$ 1,296,291
Per Capita Income	\$ 21,690	\$ 21,719	\$ 24,962	\$ 26,027	\$ 28,809	\$ 30,409	\$ 32,955	\$ 33,287	\$ 33,696	\$ 35,426
School Enrollment	7,934	7,884	7,685	7,453	7,373	7,182	7,159	7,096	7,009	7,022
Unemployment	14.0%	8.2%	7.2%	6.0%	7.0%	10.3%	16.4%	9.4%	9.1%	6.7%

Note: This data represents a one year lag from the fiscal year end as this type of information is never available for the current year under audit.

Sources: Personal income per capita and population provided by Bureau of Economic Analysis; school enrollment provided by Texas Education Agency website to include five independent school districts located within the county. Unemployment provided by Texas LMCI Tracer 2.

MATAGORDA COUNTY

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

<u>Top Employers</u>	2014	2014	2005	2005
	Employment	Percentage of Total County Employment	Employment	Percentage of Total County Employment
South Texas Project	1,170	7.65%	1,181	7.63%
Bay City ISD	521	3.41%	602	3.89%
Wal-Mart	116	0.76%	*	--
Matagorda Hospital	260	1.70%	318	2.05%
Palacios ISD	241	1.58%	235	1.52%
City of Bay City	179	1.17%	258	1.67%
Matagorda County	227	1.48%	313	2.02%
Lyondell	145	0.95%	190	1.23%
Oxea	162	1.06%	**	--
Van Vleck ISD	150	0.98%	150	0.97%
Tidehaven ISD	130	0.85%	149	0.96%
HEB	102	0.67%	97	0.63%
McAda Drilling Fluids	66	0.43%	63	0.41%
Total	<u>3,469</u>	<u>22.68%</u>	<u>3,556</u>	<u>22.96%</u>
Total County Employment		15,295		15,486

Sources:

Each employer

Texas LMCI Tracer - Total County employment for current year

Labor Force - Total County employment nine years ago

* Top employers employment data not available

** Opened 2007

MATAGORDA COUNTY
FULL-TIME-EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	Full-Time-Equivalent Employees as of Year End					
	2005	2006	2007	2008	2009	2010
General government	33	33	33	34	34	34
Justice system	35	35	34	37	37	34
Public safety	45	46	47	47	48	49
Corrections and rehabilitation	31	30	32	34	35	35
Community & economic development	10	10	10	10	10	10
Health & human services	7	7	7	7	7	7
Infrastructure & environmental services	34	33	34	34	35	37
Total	195	194	197	203	205	208

Source: County Treasurer and Auditor Office

MATAGORDA COUNTY
 OPERATING INDICATORS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Function/Program	Fiscal Year					
	2005	2006	2007	2008	2009	2010
General Government						
Births filed	310	291	322	420	389	404
Deaths filed	258	239	290	261	258	273
Marriage license applications	277	251	300	261	265	321
Registered voters	20,746	21,049	20,818	21,725	20,806	21,116
Auto titles	6,115	6,103	5,934	5,833	5,489	4,513
Justice						
District Court						
Civil cases filed	978	984	951	848	764	399
Civil case dispositions	1,021	1,023	961	994	933	414
Criminal cases filed	446	557	540	526	538	718
Criminal case dispositions	423	517	514	518	548	879
County Court						
Civil cases filed	77	94	63	73	52	64
Civil case dispositions	55	31	50	59	30	65
Criminal cases filed	1,362	1,323	1,371	983	935	968
Criminal case dispositions	1,455	1,467	1,594	1,085	1,073	1,096
Justice of the Peace						
Civil cases filed	413	328	328	592	408	363
Civil case dispositions	126	127	176	244	166	141
Criminal cases filed	7,082	8,426	5,878	6,591	6,599	5,351
Criminal case dispositions	4,600	6,241	4,450	4,450	5,153	3,848
Public Safety						
Total calls for service	8,043	7,847	8,235	7,957	7,851	7,863
Total arrests	695	588	775	890	744	970
Corrections and Rehabilitation						
Number of inmates per year	2,901	2,852	2,472	1,553	1,582	1,732
Health and Human Services						
Food permits issued	278	274	260	245	245	250
Food inspections	685	606	443	333	362	*
Septic permits issued	121	138	134	160	104	123
Building permits issued	338	436	368	449	367	375
Electrical permits issued	306	510	510	496	210	446

* Information not available

MATAGORDA COUNTY
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

Function/Program	Fiscal Year					
	2005	2006	2007	2008	2009	2010
General Government County buildings	40	40	42	42	42	42
Public Safety Sheriff vehicles Fire and ambulance	43 39	48 39	43 48	47 48	48 48	55 48
Infrastructure and Env. Svcs County roads (miles) County bridges	*	1,126 87	1,126 87	1,126 87	1,126 87	1,126 87
Community and Economic Development Number of county parks	8	9	9	9	9	9

* Information not available.

Sources: HGAC & TxDot and County Commissioner inventory report.



Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.



Reed & Associates, PC

Certified Public Accountants

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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

Commissioners
Matagorda County
1700 Seventh Street
Bay City, Texas 77414

Members of the Commissioners:

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 Matagorda County, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Matagorda County's basic financial statements, and have issued our report thereon dated May 20, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2014-1, 2014-2 and 2014-3, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Matagorda County's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2014-4.

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,

**Reed & Associates,
PC**



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Reed & Associates, PC

Bay City, Texas

May 20, 2015

Reed & Associates, PC

Certified Public Accountants

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Bay City, Texas 77414

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

Commissioners
Matagorda County
1700 Seventh Street
Bay City, Texas 77414

Members of the Commissioners:

Report on Compliance for Each Major Federal Program

We have audited the Matagorda County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Matagorda County's major federal program for the year ended December 31, 2014. Matagorda County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Matagorda County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Matagorda County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

Reed & Associates,
PC

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Reed & Associates, PC
Bay City, Texas
May 20, 2015

MATAGORDA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>			
Internal control over financial reporting:				
One or more material weaknesses identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	None Reported
Noncompliance material to financial statements noted?	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No

2. Federal Awards

Internal control over major programs:				
One or more material weaknesses identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	None Reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

Yes No

B. Financial Statement Findings

2014-1 Condition: Controls over application of time to comp time, straight time or overtime is not operating effectively.

Criteria: Controls should be in place and operating to ensure time is applied to the appropriate categories of comp time, straight time or overtime and properly calculated for pay.

Effect: Incorrectly calculated pay due to application of time to the incorrect categories.

Recommendations: All employees with payroll processing duties should receive thorough training on County policies for applying hours to comp time, straight time or overtime. These calculations should be randomly spot checked to ensure the policies are being followed and calculations are mathematically correct.

MATAGORDA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

2014-2 Condition: Cash was not always reconciled in a timely manner and not all errors have been identified and corrected.

Criteria: Controls should be in place and operating to ensure bank reconciliations are prepared timely, errors are researched immediately and any needed corrections are made to the general ledger. Corrections to the general ledger should be followed up to ensure they are made appropriately and adjusted general ledger balances agree with the reconciled balances.

Effect: General ledger balances did not always agree with the actual reconciled balances. Some bank errors have not been followed up and corrected.

Recommendations: Appropriate personnel need to receive thorough training on how to reconcile bank statements or assign the duties to someone who has that knowledge. After reconciling and making any necessary adjustments, the general ledger should be reviewed to ensure all necessary adjustments have been made and that the general ledger balance agrees with the reconciliation. This should be done each month before proceeding to the next month.

2014-3 Condition: Not all GAAP entries were identified for inclusion in the audit report.

Criteria: Management should record or identify all GAAP entries for inclusion in the audit report.

Effect: Material adjustments were needed to adjust the financial statements accordingly.

Recommendations: Appropriate personnel should review the balance sheet accounts at year end to ensure all accounts agree with applicable worksheets, subsidiary ledgers or other documentation. If the documentation is not available and adjustments are needed at a later date, the entries should be made available as applicable during the audit for inclusion in the report.

2014-4 Condition: Payroll forms W-2 and forms 1099 were not submitted to the appropriate federal departments in a timely manner. The 4 quarterly forms 941 did not agree with the totals reported on forms W-2 for the year.

Criteria: There are federal reporting deadlines for forms W-2 - wage and tax statements and forms 1099 - other payments. Federal agencies expect the quarterly reporting of wages on forms 941 to agree with the year end reporting of wages on forms W-2.

Effect: Non-compliance with federal filing requirements may result in penalties. The IRS will expect an explanation as to why the quarterly reporting and annual reporting do not agree. Additional penalties may be assessed.

Recommendations: Appropriate personnel should develop procedures to alert them as to applicable deadlines. To avoid any confusion as to responsibility for final submission, the person in charge of the filing should develop a checklist of the various steps and departments involved in the filing and follow up as to the completion of each step to ensure the entire process is completed by the applicable deadline. At the end of each quarter, the totals on form 941 should be compared to grand totals that would be reported on cumulative W-2 forms at that time. Any discrepancies should be researched and resolved prior to moving on to the next quarter.

C. Federal Award Findings and Questioned Costs

NONE

MATAGORDA COUNTY**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Condition: Controls over approved pay, calculated hours worked and application of time to vacation, sick, holiday or comp time are not operating effectively. Recommendations: All employees with payroll processing duties should receive thorough training on County policies for documenting approved pay, documenting hours applied to comp time, calculating extra duty hours, calculating overtime hours and applying time to vacation, sick or holiday. These calculations should be randomly spot checked to ensure the policies are being followed and calculations are mathematically correct.	Not Implemented	The Treasurer's office is responsible for payroll and the Treasurer stated that this would be completed. There has been no training from employees on payroll outside the Treasurer's annual training. The Auditor's office is spot checking these when the payroll edit is being reviewed. However, we need to increase our sampling beyond what is reported to us and what catches our eye when reviewing payroll.



MATAGORDA COUNTY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2014

2014-1 Condition: Controls over application of time to comp time, straight time or overtime is not operating effectively.

Criteria: Controls should be in place and operating to ensure time is applied to the appropriate categories of comp time, straight time or overtime and properly calculated for pay.

Corrective action: Currently the Treasurer is the only one who reviews timesheet before they are entered into payroll for processing, and there are not checks and balances in place for the timesheets. The Auditor's office will receive all timesheets and payroll change notices with the payroll edit to audit a sampling of time during the payroll process to create better checks and balance system.

Contact person and completion date: Commissioners Court or their representative June 30, 2015

2014-2 Condition: Cash was not always reconciled in a timely manner and not all errors have been identified and corrected.

Criteria: Controls should be in place and operating to ensure bank reconciliations are prepared timely, errors are researched immediately and any needed corrections are made to the general ledger. Corrections to the general ledger should be followed up to ensure they are made appropriately and adjusted general ledger balances agree with the reconciled balances.

Corrective action: The Treasurer is required by statute to reconcile the County's bank statements. The Treasurer has been notified on April 26, 2014 that all bank reconciliations should be submitted by 20th of the following month with copies of the full bank statements and all pertinent documentation to the Auditor's office for review. This date still stands and will be met from this point on.

Contact person and completion date: Commissioners Court or their representative July 15, 2015.

2014-3 Condition: Not all GAAP entries were identified for inclusion in the audit report.

Criteria: Management should record or identify all GAAP entries for inclusion in the audit report.

Corrective Action: The Auditor's office will balance to the report identified from the Tax Office and monitor the cash collection receipts more closely in October, November, and December to ensure that tax revenue is being correctly receipted. The Auditor's Office will work with pass through entities for grants to create interlocal agreements that will shift the accounting responsibilities to those pass through entities. The Auditor's office will work closely with the grant administrator to ensure that invoices are processed in a timelier manner, and the Auditor's office will more closely monitor invoices paid between January and March.

Contact Person and completion date: County Auditor, Cathy Ezell completed May 21, 2015. We have already addressed these issues and put the processes in place.

MATAGORDA COUNTY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2014

2014-4 Condition: Payroll forms W-2 and forms 1099 were not submitted to the appropriate federal departments in a timely manner. The 4 quarterly forms 941 did not agree with the totals reported on forms W-2 for the year.

Criteria: There are federal reporting deadlines for forms W-2 - wage and tax statements and forms 1099 - other payments. Federal agencies expect the quarterly reporting of wages on forms 941 to agree with the year end reporting of wages on forms W-2.

Corrective action: Currently the Deputy County Treasurer prepares the quarterly 941 forms and they are approved by the County Treasurer. To help ensure that these reports balance to the payroll reports the Auditor's office will also have to approve the quarterly 941 forms before they are submitted to the federal government. Also, the Auditor's office will review and approve the reconciliation of the quarterly 941 reports to the W-2 wage and tax statements before they are sent to the employees and the federal government. The Treasurer will submit the forms W-2 and forms 1099 to the federal government no later than March 20th of each year where the deadline is March 31st or 11 days before the actual due date for the forms to be submitted to the federal government. Copies of the confirmation forms will be submitted to the Auditor's office to ensure this has been done in a timely manner.

Contact person and completion date: Commissioners Court or their representative, quarterly 941 balancing reviewed by Treasurer and Auditor's office June 30, 2015, balancing of quarterly 941s to forms W-2 January 20, 2016, and submission of forms W-2 and forms 1099 to federal government March 20, 2016.

MATAGORDA COUNTY**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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Federal or State Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through or State Number	Federal or State Expenditures
FEDERAL AWARDS			
U. S. DEPARTMENT OF THE INTERIOR			
Direct Programs:			
Coastal Impact Assistance Program - Matagorda Bay Park	15.668		\$ 50,000
Coastal Impact Assistance Program - Tres Palacios Dredge Material S	15.668		9,525
Coastal Impact Assistance Program - Administration	15.668		22,870
Coastal Impact Assistance Program - Student Understanding	15.668		16,278
Coastal Impact Assistance Program - Palacios Multi-Use Nature Cente	15.668		86,568
Coastal Impact Assistance Program - Gulf Pier	15.668		42,000
Coastal Impact Assistance Program - Palacios Education Pavilion	15.668		99,851
Total Direct Programs			<u>327,092</u>
Passed Through Texas Historical Commission:			
USO Building Renovations	15.904	TX-13-028	47,467
Total Passed Through Texas Historical Commission			<u>47,467</u>
Total U. S. Department of the Interior			<u>374,559</u>
U. S. DEPARTMENT OF JUSTICE			
Direct Program:			
State Criminal Alien Assistance Program	16.606		<u>2,978</u>
Total U. S. Department of Justice			<u>2,978</u>
U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Passed Through Texas General Land Office:			
*Community Development Block Grant - Sargent Road	14.228	12-485-000-6657	626,292
*Community Development Block Grant - Navigation Bulkhead	14.228	12-485-000-6657	860,015
*Community Development Block Grant - Carancahua Street Improvem	14.228	12-287-000-5635	349,195
Total Passed Through Texas General Land Office			<u>1,835,502</u>
Passed Through Texas Department of Agriculture			
*Community Development Block Grant - Matagorda Sewer	14.228	712221	279,466
*Community Development Block Grant - Texas Capital Grant	14.228	713082	65,000
Total Passed Through Texas General Land Office			<u>344,466</u>
Total U. S. Department of Housing & Urban Development			<u>2,179,968</u>
U. S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through Texas Department of Public Safety			
Emergency Management Performance Grant	97.042	14TX-EMPG-0528	35,109
Homeland Security Grant Program	97.067	12-GA-48321-3	58,560
Total Passed Through Texas Department of Public Safety			<u>93,669</u>
Total U. S. Department of Homeland Security			<u>93,669</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Texas Department of Family & Protective Services:			
Foster Care Title IV-E - Welfare	93.658	23940146	3,410
Foster Care Title IV-E - Legal	93.658	23940147	15,810
Total Passed Through Texas Department of Family & Protective Services			<u>19,220</u>
Total U. S. Department of Health and Human Services			<u>19,220</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>2,670,394</u>

MATAGORDA COUNTY**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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Federal or State Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through or State Number	Federal or State Expenditures
STATE AWARDS			
TEXAS CRIMINAL JUSTICE DIVISION			
Smart Moves	N/A	SF-14-J20-25720-02	21,924
Courthouse Security	N/A	CE-13-A10-27414-01	26,640
Total Office of the Governor Criminal Justice Division			<u>48,564</u>
TEXAS DEPARTMENT OF PUBLIC SAFETY			
Operation Border Star	N/A	LBSP-13-41	<u>14,783</u>
TEXAS GENERAL LAND OFFICE			
Beach Maintenance	N/A	13-414-006-6964	18,635
Beach Access	N/A	13-429-000-7888	3,445
Total Texas General Land Office			<u>22,080</u>
TEXAS INDIGENT DEFENSE COMMISSION			
Indigent Defense	N/A	212-13-161	<u>34,581</u>
TEXAS JUVENILE JUSTICE DIVISION			
Commitment Reduction Program	N/A	TJJD-C-2014-161	32,733
State Aid	N/A	TJJD-A-2014-161	210,468
Commitment Reduction Program	N/A	TJJD-C-2015-161	7,140
State Aid	N/A	TJJD-A-2015-161	83,329
Mental Health	N/A	TJJD-N-2014-161	41,825
Mental Health	N/A	TJJD-N-2015-161	3,091
Total Texas Juvenile Justice Division			<u>378,586</u>
TEXAS DEPARTMENT OF TRANSPORTATION			
Transportation Infrastructure Grant	N/A	CTIF-01-158	<u>13,679</u>
TOTAL EXPENDITURES OF STATE AWARDS			
			<u>512,273</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

MATAGORDA COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2014

1. Basis of Presentation

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

2. Subrecipients

Of the federal expenditures presented in the schedule, Matagorda County provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.228	\$ 65,000
USO Building Renovations	15.904	47,467
Coastal Impact Assistance Program	15.668	262,222
Smart Moves - State Grant	N/A	21,924
Beach Access - State Grant	N/A	3,445

