

SHELBY COUNTY, TEXAS  
Center, Texas

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2012

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INDEPENDENT AUDITORS' REPORT

The Honorable Commissioners'  
Court of Shelby County  
Center, Texas

We have audited the accompanying financial statements of the governmental activities, and the aggregate remaining fund information of Shelby County, Texas (the "County"), as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Texas, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 28, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 5-8 and the budgetary comparison schedules for the General Fund and Special Revenue Fund on pages 26-32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements, schedules listed in the table of contents under supplementary financial information, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
May 28, 2013

## Managements' Discussion and Analysis

This section of the Shelby County, Texas (the "County") financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended September 30, 2012 ("FY 2012"). Readers are encouraged to consider the information presented herein in conjunction with the additional information furnished in our letter of transmittal.

### FINANCIAL HIGHLIGHTS

#### Government-wide Financial Statements - Highlights

The government-wide financial statements report information about the County as a whole using the accrual basis of accounting and the economic resources measurement focus.

- The County's assets exceeded liabilities by \$11,888,183 on a government-wide basis as of September 30, 2012.
- For FY 2012, taxes and other revenues, including program revenues, of the County's governmental activities amounted to \$12,625,768. Expenses, including program expenses, totaled \$13,232,873.

#### Fund Financial Statements - Highlights

The fund financial statements provide detailed information about the County's most significant funds. Fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus.

- The County's governmental funds reported a decrease in fund balance of \$1,063,782 for the fiscal year.
- The County's General Fund reported a fund balance of \$3,451,239, a decrease of \$586,427 from September 30, 2011.

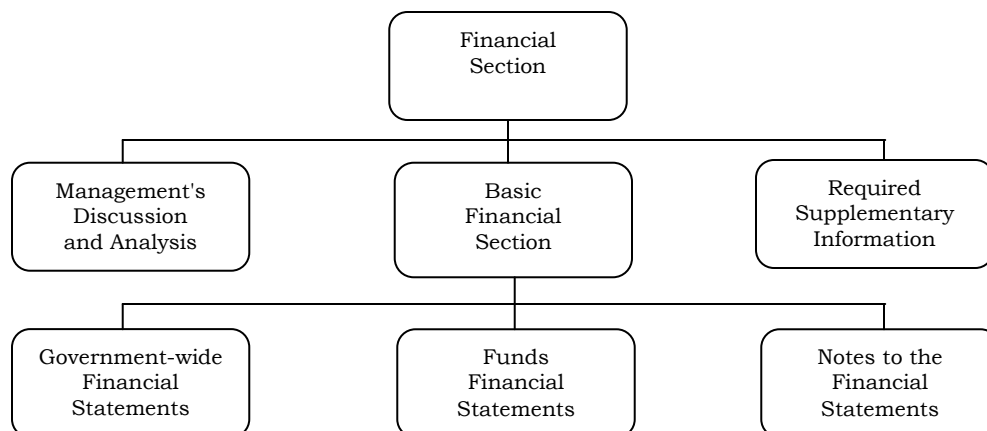
### GENERAL FINANCIAL HIGHLIGHTS

#### Overview of the Financial Statements

The financial section of the financial report includes three parts:

1. Management's Discussion and Analysis
2. Basic Financial Statements
3. Required Supplementary Information

#### COMPONENTS OF THE FINANCIAL SECTION



The basic financial statements are presented in two different formats, each using the required basis and appropriate measurement focus. Each format is its own unique way of looking at County finances. The government-wide statements were required for this year under Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments. These statements provide both long- and short-term financial information regarding the County's finances.

In contrast, the fund financial statements focus on major aspects of the County's current operations. These statements, reported on the modified-accrual basis of accounting, provide more detail about operations than the government-wide statements. Additionally, the basic financial statements include notes to further explain information in the financial statements and provide additional details about specific data.

Following the basic financial statements and notes is the required supplementary information that contains the budgetary comparison schedule for the County General Fund, as well as other budgeted funds of the County.

### Government-wide Financial Statements

The government-wide financial statements report information about the County as a whole using the accrual basis of accounting, a method similar to that used by large private-sector businesses. The format is different from that used by businesses, in that the Statement of Net Assets is shown on a Assets less Liabilities equals Net Assets, instead of a more traditional Assets = Liabilities + Equity format.

The Statement of Net Assets presents information on all of the assets and liabilities of the County, with the difference reported as net assets. Over a period of several years, the change in net assets will provide a barometer of how well the County is doing financially. A trend up would be an indicator of overall good financial health and management; a trend down would be an indicator of deteriorating financial condition and cause for additional management focus on the result. Of course, financial health is not just a numbers game; the reader must carefully consider all the reasons for change, including such causes as a change in the County's property tax base or the condition of facilities or roads, in order to assess overall financial condition.

The Statement of Activities presents information showing how the net assets of the County changed during the fiscal year. All current year revenues and expenses are accounted for in the statement of activities, regardless of when the cash was received or paid.

Although the government-wide financial statements may contain three categories, the County has only one - governmental activities. Governmental activities make up the primary government of the County. The County does not have an enterprise fund (used primarily for utilities) nor does it have discretely presented component units (used primarily for public schools). Within the governmental activities, the County includes its basic services, such as public safety; public works; judicial administration; health and welfare services; and general administration. These types of activities are financed primarily by property and other local taxes, as well as state and federal grants.

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant (i.e., major) funds of the County. Funds are the primary accounting structure used to track specific sources of revenue and spending for particular or specified purposes. To record the monies received and expenditures made, the County uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds:

## Governmental Funds

Governmental funds contain financial information related to the most basic of services, focusing on (1) how cash and other financial assets that may be readily converted into cash flow in and out of the books of record, and (2) the balances remaining at year-end that are available for spending. The financial statement of government funds provide a current year snapshot intended to show the reader whether there are more or less financial resources that can be spent in the near future to finance the daily activities and programs of the County. These statements do not include a long-term view of governmental activities as provided in the government-wide financial statements. A reconciliation statement provides an explanation of the relationship between the two different financial statements. The reconciliation permits the reader to better understand the short-term versus long-term view afforded by the two different types.

## Proprietary Funds

Proprietary funds are internal service funds used to account for the operations that are financed and operated in a manner similar to a business enterprise. Expenditures are recovered primarily through user charges or transfers of budgeted monies from other funds to facilitate payment. Proprietary fund financial statements, like government-wide statements, provide both long- and short-term financial information. The County does not currently have any funds of this type.

## Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of third parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements, since the resources of those funds are not available to support the County's programs or activities. Fiduciary funds in the County consist of agency funds used to account for monies received, held and disbursed on behalf of the state or other local governments.

## Financial Analysis of the County as a Whole

### Statement of Net Assets

The following table presents a summary of the County's net assets as of September 30, 2012 and 2011:

	As of September 30,	
	2012	2011
Assets:		
Current and other assets	\$ 8 262 933	\$ 9 452 057
Capital assets (net)	5 529 914	5 312 353
TOTAL ASSETS	<u>13 792 847</u>	<u>14 764 410</u>
Liabilities:		
Current liabilities	1 714 003	1 887 164
Long-term liabilities	190 661	381 958
TOTAL LIABILITIES	<u>1 904 664</u>	<u>2 269 122</u>
Net Assets:		
Invested in capital assets, net of related debt	5 252 322	4 789 335
Restricted	3 263 130	3 740 484
Unrestricted	3 372 731	3 965 469
TOTAL NET ASSETS	<u>\$ 11 888 183</u>	<u>\$ 12 495 288</u>

As noted earlier, net assets, over time, serve as a barometer of a government's financial position. For the County, assets exceeded liabilities by \$11,888,183 as September 30, 2012, the County's fiscal year-end. This amount represents a decrease of \$607,105 from the net assets at September 30, 2011.

As noted, a portion of the net assets represents our investment in capital assets (e.g., roads, land, buildings, equipment, vehicles, etc., net of depreciation), less the outstanding debt used to acquire those assets.

Unrestricted net assets represent the remaining amount of assets that are neither related to the purchases of capital assets nor restricted for specific uses.

Governmental Activities

Revenues for the governmental fund activities for the County totaled \$12,625,768 for the fiscal year 2012.

Taxes constitute the largest source of County revenues, totaling \$8,148,861 for fiscal year 2012.

The cost of the County's governmental fund activities totaled \$13,232,873. Major contributors to costs include:

	2012	2011
Highways and streets	\$ 5 289 315	\$ 4 562 571
Law enforcement	\$ 3 294 770	\$ 2 790 996
General administration	\$ 1 939 938	\$ 1 587 508
Judicial	\$ 1 195 647	\$ 1 057 795

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to record and provide compliance with government finance-related accounting and legal requirements. The focus of governmental funds is to provide data and information on near-term inflows and outflows of spendable resources, as well as the balances remaining of those resources. This information is used to provide operating and management reports and to meet the reporting requirements of other parties. This would include the use of these statements in long-term financing arrangements. Unassigned fund balance is an appropriate and useful measure in determining the County's net resources available for spending at the end of a fiscal year.

As of September 30, 2012, the County's governmental funds had a combined fund balance totaling \$6,714,369.

The General Fund is the primary operating fund of the County. Unassigned fund balance in the General Fund at September 30, 2012, totaled \$3,451,239. This represents approximately 58.5% of the total expenditures for FY 2012 from the General Fund.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of Shelby County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the County Auditor:

200 San Augustine Street  
Center, Texas 75935



GOVERNMENT-WIDE FINANCIAL STATEMENTS

SHELBY COUNTY, TEXAS  
STATEMENT OF NET ASSETS  
September 30, 2012

	GOVERNMENTAL ACTIVITIES
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 7 260 731
Receivables Net of Allowance for Uncollectibles:	
Taxes	997 584
Other	4 618
<b>TOTAL CURRENT ASSETS</b>	<b>8 262 933</b>
Noncurrent Assets:	
Capital Assets:	
Land	373 550
Streets and infrastructure	13 716 689
Buildings and improvements	3 802 777
Furniture and equipment	6 627 305
Less: Accumulated depreciation	(18 990 407)
<b>TOTAL CAPITAL ASSETS</b>	<b>5 529 914</b>
<b>TOTAL ASSETS</b>	<b>\$ 13 792 847</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 360 268
Accrued liabilities	128 214
Accrued interest payable	2 143
Deferred revenue	1 060 082
Current portion of long-term debt	163 296
<b>TOTAL CURRENT LIABILITIES</b>	<b>1 714 003</b>
Noncurrent Liabilities:	
Notes payable	114 296
Accrued compensation absence	76 365
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>190 661</b>
<b>TOTAL LIABILITIES</b>	<b>1 904 664</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	5 252 322
Restricted	3 263 130
Unrestricted	3 372 731
<b>TOTAL NET ASSETS</b>	<b>\$ 11 888 183</b>

The notes to the financial statements are an integral part of this statement.

SHELBY COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2012

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
Primary Government:					
Governmental Activities:					
General administration	\$ 1 939 938	\$ 1 103 617	\$ 38 025	\$ 773 905	\$ (24 391)
Judicial	1 195 647	510 012	-	-	(685 635)
Law enforcement and corrections	3 294 770	66 248	153 598	-	(3 074 924)
Streets and bridges	5 289 315	738 528	683 780	-	(3 867 007)
Community service	327 516	-	-	-	(327 516)
Nondepartmental	1 185 687	-	-	-	(1 185 687)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 13 232 873</b>	<b>\$ 2 418 405</b>	<b>\$ 875 403</b>	<b>\$ 773 905</b>	<b>(9 165 160)</b>
General Revenues:					
Taxes:					
Property taxes - General					6 896 567
Other tax revenue					1 252 294
Unrestricted investment earnings					91 011
Other unrestricted revenue					318 183
<b>TOTAL GENERAL REVENUES</b>					<b>8 558 055</b>
<b>CHANGE IN NET ASSETS</b>					<b>(607 105)</b>
Net assets, beginning					12 495 288
<b>NET ASSETS, ENDING</b>					<b>\$ 11 888 183</b>

The notes to the financial statements are an integral part of this statement.

SHELBY COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2012

	GENERAL	NON-MAJOR GOVERNMENTAL	TOTAL
<b>ASSETS</b>			
Cash and investments	\$ 3 777 233	\$ 3 483 498	\$ 7 260 731
Property tax receivable	572 810	424 774	997 584
Other receivables	-	4 618	4 618
<b>TOTAL ASSETS</b>	<b>\$ 4 350 043</b>	<b>\$ 3 912 890</b>	<b>\$ 8 262 933</b>
 <b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Accounts payable	\$ 172 628	\$ 187 640	\$ 360 268
Accrued liabilities	90 866	37 348	128 214
Deferred revenue	635 310	424 772	1 060 082
<b>TOTAL LIABILITIES</b>	<b>898 804</b>	<b>649 760</b>	<b>1 548 564</b>
Fund Balances:			
Restricted fund balance	-	3 263 130	3 263 130
Unassigned Reported in:			
General fund	3 451 239	-	3 451 239
<b>TOTAL FUND BALANCES</b>	<b>3 451 239</b>	<b>3 263 130</b>	<b>6 714 369</b>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	 <b>\$ 4 350 043</b>	 <b>\$ 3 912 890</b>	
Capital assets are not recorded in funds, but are included in Statement of Net Assets			5 529 914
Long-term debt is not included in the funds, but are included in Statement of Net Assets			(356 100)
<b>TOTAL NET ASSETS</b>			<b>\$ 11 888 183</b>

The notes to the financial statements are an integral part of this statement.

SHELBY COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2012

	GENERAL	NON-MAJOR FUNDS	TOTAL
Revenues:			
Property taxes	\$ 4 630 076	\$ 2 266 491	\$ 6 896 567
Other taxes	5 262	1 247 032	1 252 294
Fines and fees	920 573	923 693	1 844 266
Interest	65 841	25 170	91 011
Charges for services	502 547	71 592	574 139
Grant and donations	13 238	955 218	968 456
Miscellaneous	132 641	866 394	999 035
TOTAL REVENUES	6 270 178	6 355 590	12 625 768
Expenditures:			
General administration	1 324 891	784 729	2 109 620
Judicial	727 788	423 794	1 151 582
Law enforcement and corrections	2 637 891	575 075	3 212 966
Streets and bridges	-	5 468 972	5 468 972
Community service	-	313 659	313 659
Non-departmental	1 213 508	-	1 213 508
Debt service	-	219 243	219 243
TOTAL EXPENDITURES	5 904 078	7 785 472	13 689 550
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	366 100	(1 429 882)	(1 063 782)
Other Financing Sources (Uses):			
Transfers in (out)	(952 527)	952 527	-
TOTAL OTHER FINANCING SOURCES	(952 527)	952 527	-
NET CHANGE IN FUND BALANCES	(586 427)	(477 355)	(1 063 782)
Fund balances, beginning	4 037 666	3 740 485	7 778 151
FUND BALANCES, ENDING	\$ 3 451 239	\$ 3 263 130	\$ 6 714 369

The notes to the financial statements are an integral part of this statement.

SHELBY COUNTY, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2012

Amounts Reported for Governmental Activities in the Statement of  
Activities are Different Because:

Net change in fund balances - Total governmental funds.	\$ (1 063 782)
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount depreciation exceeded capital outlay expenditures expense.	(595 095)
Other long-term liabilities are not available to pay for current period expenditures.	2 143
Governmental funds reported debt payments as expenses and proceeds as revenues, however, in the statement of net assets these are a change in the liability.	<u>1 049 629</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (607 105)</u>

The notes to financial statements are an integral part of this statement.

SHELBY COUNTY, TEXAS  
STATEMENT OF FIDUCIARY NET ASSETS  
September 30, 2012

	COMBINED FIDUCIARY FUNDS
Assets:	
Cash and cash equivalent	\$ 3 538 833
TOTAL ASSETS	<u>\$ 3 538 833</u>
Liabilities:	
Due to others	\$ 3 538 833
TOTAL LIABILITIES	<u>\$ 3 538 833</u>

The notes to the financial statements are an integral part of this statement.

SHELBY COUNTY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Shelby County, Texas (the "County") reflected in the accompanying financial statements conform to the accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board ("GASB") in *Governmental Accounting and Financial Reporting Standards*. The GASB has issued a codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local government. The financial reporting practices of the County comply with the financial reporting standards established by the GASB.

A. Reporting Entity

The County is a public corporation and political subdivision of the State of Texas. The Commissioners Court, which is made up of four commissioners and the county judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general government (e.g., tax collection), judicial (e.g., courts, juries, district attorney, etc.), public safety (e.g., sheriff, jail), highways and streets, health, education, and public welfare (e.g., juvenile services and assistance to indigents).

The accompanying basic financial statements present the government activities according to criteria in GASB Statement No. 14, *The Financial Reporting Entity*. Under provisions of this Statement, the County is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments.

B. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. Government-wide statements report, except for County fiduciary activity, information on all of the activities of the County. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

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



SHELBY COUNTY, TEXAS  
STATEMENT OF ACTIVITIES - CONTINUED  
September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements

Separate fund financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund and the Special Revenue Fund meet criteria as major governmental funds. Each major fund is reported in separate columns in the fund financial statements.

Governmental activities presented as governmental funds in the fund financial statements:

*General Fund*

This fund is the general operating fund of the County. It is used to account for all financial resources of the County except for those required to be accounted for in another fund.

*Special Revenue Funds*

These funds are used to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes.

*Fiduciary Funds - Trust*

These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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. Major revenue types, which have been accrued, are district clerk and County clerk fees, justice of the peace fees, revenue from investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Governmental fund level financial statements are reported using the current resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measureable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes levied prior to September 30 that became due October 1 have been assessed to finance the budget of the fiscal year beginning October 1 and, accordingly, have need reflected as deferred revenue and taxes receivable in the fund financial statements at September 30. Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

SHELBY COUNTY, TEXAS  
STATEMENT OF ACTIVITIES - CONTINUED  
September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business type activities subject to this same limitation. The County has elected not to follow subsequent private sector guidance.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments. The Commissioners' Court of the County adopted a written investment policy regarding the investment of its funds as defined in *Public Funds Investment Act* (Chapter 2256, Texas Local Government). Such investments include obligations of the United States or its agencies and instrumentalities, certificates of deposits, fully collateralized repurchase agreements, a banker's acceptance, commercial paper, mutual funds and money market mutual funds. The investments of the County are in compliance with its investment policies.

The County invested only in certificates of deposit for the fiscal year 2012. The County records investments at fair market value in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All investment income is recognized as revenue in the appropriate fund's statement of activity or statement of revenues, expenditures and changes in fund balance.

2. Receivables and Payables

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1 and past due after January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible.

Lending or borrowing between funds is reflected as "due to or due from" (current portion) or "advances to/from other funds" (non-current). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund balances are eliminated in the government-wide statements.

3. Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (roads and bridges), are reported in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include County-owned roads and bridges. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

SHELBY COUNTY, TEXAS  
STATEMENT OF ACTIVITIES - CONTINUED  
September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Furniture and fixtures	7
General equipment	5
Trucks	7
Cars	3
Computer hardware	5

4. Compensated Absences

A liability for unused vacation for all full time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under the governmental activities statement of net assets.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Fund Equity

The county implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted Fund Balance - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed Fund Balance - Amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority(i.e., Commission). To be reported as committed, amounts cannot be used for any other purpose unless the County takes the same highest level action to remove or change the constraint.

SHELBY COUNTY, TEXAS  
STATEMENT OF ACTIVITIES - CONTINUED  
September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- Assigned Fund Balance - Amounts the County intends to use for a specific purpose. Intent can be expressed by the Commission or by an official or body to which the Commission delegates the authority.
- Unassigned Fund Balance - Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

II. DEPOSIT, INVESTMENTS AND INVESTMENT POLICIES

Deposits

At September 30, 2012, the carrying amount of the County's deposits totaled \$10,799,564, inclusive of fiduciary funds. All bank balances at year end were entirely covered by federal depository insurance or by collateral held by the depository bank in the County's name. All deposits are held in the County's main depository bank.

Investments

The County's investment policies are in accordance with the laws of the State of Texas. The policies identify authorized investments and investment terms, collateral requirements and safekeeping requirements for collateral. The County's investments are categorized as either (1) insured and registered for which the securities are held by the County's agent in the name of the County, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the name of the County, or (3) uninsured and unregistered for which the securities are held by the Counter-party or by its trust department or agent but not in the name of the County. The investments of the County fall under category 1.

III. PROPERTY TAXES AND OTHER RECEIVABLES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied prior to September 30, become due on October 1 and are delinquent after January 31. The County bills and collects its own property taxes.

At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Property Taxes Receivable:	
General fund	\$ 572 810
Special revenue fund	424 774
TOTAL DEFERRED REVENUE	<u>\$ 997 584</u>

SHELBY COUNTY, TEXAS  
STATEMENT OF ACTIVITIES - CONTINUED  
September 30, 2012

III. PROPERTY TAXES AND OTHER RECEIVABLES - CONTINUED

In the government-wide financial statements, deferred revenue of \$997,584 is comprised entirely of property taxes levied for FY 2012. The County is authorized by the tax laws of the State of Texas to levy taxes up to \$.80 per \$100 of assessed valuation for general governmental services and the payment of principal and interest on certain permanent improvement long-term debt. Taxes may be levied in unlimited amounts for the payment of principal and interest on road bond long-term debt issued under Article 3, Section 52 of the Texas constitution.

Receivables as of year-end for the governmental activities including the applicable allowances for uncollectible accounts, as required by GASB Statement No. 34 are as follows:

	GENERAL	SPECIAL REVENUE	TOTAL
Receivables:			
Taxes	\$ 673 894	\$ 499 735	\$ 1 173 629
Less: Allowances for uncollectibles	(101 084)	(74 961)	(176 045)
NET RECEIVABLES	\$ 572 810	\$ 424 774	\$ 997 584

IV. CAPITAL ASSETS

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. Depreciation policies were adopted to include the useful lives and classification by asset type. Infrastructure assets are valued in two ways: either actual historical cost where the amount can be determined from existing records or using current cost deflated to the year of construction. Once historical cost is determined, regardless of how it is determined, the asset is depreciated over its useful life.

A summary of changes in capital assets follows:

	BALANCE 10/01/2011	ADDITIONS	DELETIONS	BALANCE 09/30/2012
Governmental Activities:				
Land	\$ 366 050	\$ 7 500	\$ -	\$ 373 550
Infrastructure	13 716 689	-	-	13 716 689
Buildings and improvements	3 728 845	73 932	-	3 802 777
Vehicles and equipment	5 913 331	731 974	(18 000)	6 627 305
Accumulated depreciation	(18 412 562)	(595 095)	17 250	(18 990 407)
TOTAL ASSETS	\$ 5 312 353	\$ 218 311	\$ (750)	\$ 5 529 914

Depreciation is expensed by function within the Statement of Activities as follows:

General administration	\$ 93 199
Judicial	50 875
Law enforcement and corrections	141 943
Streets and bridges	241 610
Community service	13 857
Non-departmental	53 611
	\$ 595 095

SHELBY COUNTY, TEXAS  
STATEMENT OF ACTIVITIES - CONTINUED  
September 30, 2012

V. LONG-TERM DEBT

Notes Payable

The County is obligated under various notes payable for road and bridge equipment vehicles.

The following is a summary of note obligation transactions of the County for the year ended September 30, 2012:

	TERM	INTEREST RATE	BALANCE 09/30/11	ADDITIONS	PAYMENTS	BALANCE 09/30/12
Various equipment notes payable	1-3 years	3.25 - 4.5%	\$ 518 851	\$ -	\$ (241 258)	\$ 277 593

Required future payments:

	PRINCIPAL	INTEREST	TOTAL
2013	\$ 163 296	\$ 8 800	\$ 172 096
2014	114 297	3 604	117 901
	\$ 277 593	\$ 12 404	\$ 289 997

VI. RETIREMENT PLAN

Plan Description

Shelby County provides retirement, disability, and death benefits for all employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 601 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written requests from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

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

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

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is based on the covered payroll of employee members. Under the TCDRS Act, the contributions rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 8.06% for the year 2012, and 7.59% for 2012.

SHELBY COUNTY, TEXAS  
STATEMENT OF ACTIVITIES - CONTINUED  
September 30, 2012

VI. RETIREMENT PLAN - CONTINUED

The contribution rate payable by the employee members for calendar year 2012 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost

For the employer's accounting year ending September 30, 2012 the annual pension cost for the TCDRS plan for its employee's totaled \$333,242 and the County's contributions totaled \$611,476.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as December 31, 2011 and December 31, 2010, the basis for determining the contribution rates for calendar years 2012 and 2011. The December 31, 2011 actuarial valuation is the most recent valuation.

ACTUARIAL VALUATION INFORMATION

Actuarial valuation date	12/31/2009	12/31/2010	12/31/2011
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period	20 years	20 years	20 years
Asset valuation method	SAF: 10-year smoothed value ESF: Fund value	SAF: 10-year smoothed value ESF: Fund value	SAF: 10-year smoothed value ESF: Fund value
Actuarial Assumptions:			
Investment return	8.00%	8.00%	8.00%
Projected salary increases <sup>1</sup>	5.30%	5.40%	5.40%
Inflation	3.50%	3.50%	3.50%
Cost-of-living adjustment	0.00%	0.00%	0.00%

<sup>1</sup> Includes inflation at the stated rate

Trend Information for the Retirement Plan  
For the Employees of Shelby County

ACCOUNTING YEAR ENDING	ANNUAL PENSION COST	PERCENTAGE IF APC CONTRIBUTED	NET PENSION OBLIGATION
September 30, 2010	\$ 294 067	100%	\$ -
September 30, 2011	\$ 272 173	100%	\$ -
September 30, 2012	\$ 333 242	100%	\$ -

SHELBY COUNTY, TEXAS  
STATEMENT OF ACTIVITIES - CONTINUED  
September 30, 2012

VI. RETIREMENT PLAN - CONTINUED

Schedule of Funding Progress for the Retirement Plan  
For the Employees of Shelby County

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED AAL (UAAL)	FUNDED RATIO	ANNUAL COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
12/31/2006	\$ 4 524 401	\$ 4 872 091	\$ 347 690	92.86%	\$ 3 671 452	9.47%
12/31/2007	\$ 5 181 285	\$ 5 610 812	\$ 429 527	92.34%	\$ 3 521 897	12.20%
12/31/2008	\$ 5 282 239	\$ 6 161 354	\$ 879 115	85.73%	\$ 3 782 802	23.24%
12/31/2009	\$ 6 119 697	\$ 6 920 713	\$ 801 016	88.43%	\$ 3 854 090	20.78%
12/31/2010	\$ 6 346 943	\$ 7 289 859	\$ 942 916	87.07%	\$ 3 888 187	24.25%
12/31/2011	\$ 6 462 678	\$ 8 026 319	\$ 1 183 641	85.25%	\$ 3 974 778	29.78%

VII. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County maintains a limited amount of commercial insurance coverage for these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims did not exceed this commercial insurance coverage during the current fiscal year.

VIII. CONTINGENT LIABILITIES

Accounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this although the County expects such amounts, if any, to be immaterial.

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

IX. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 28, 2013, the date the financial statements were available to be issued.



REQUIRED SUPPLEMENTAL INFORMATION

SHELBY COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended September 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
<b>Revenues:</b>				
Property taxes	\$ 4 532 893	\$ 4 532 893	\$ 4 630 076	\$ 97 183
Other taxes	5 000	5 000	5 262	262
Fines	478 000	478 000	458 389	(19 611)
Fees of office	624 000	624 000	462 184	(161 816)
Interest	80 000	80 000	65 841	(14 159)
Grants	-	-	13 238	13 238
Commissions	287 982	287 982	502 547	214 565
Miscellaneous	61 000	61 000	132 641	71 641
<b>TOTAL REVENUES</b>	<u>6 068 875</u>	<u>6 068 875</u>	<u>6 270 178</u>	<u>201 303</u>
<b>Expenditures:</b>				
<b>General Administration Expenditures:</b>				
<b>County Agents:</b>				
Payroll expense	65 386	62 534	62 046	488
Operating expense	24 593	27 445	24 949	2 496
<b>TOTAL COUNTY AGENTS</b>	<u>89 979</u>	<u>89 979</u>	<u>86 995</u>	<u>2 984</u>
<b>County Auditor:</b>				
Payroll expense	77 615	91 471	91 761	(290)
Operating expense	11 400	8 963	8 963	-
<b>TOTAL COUNTY AUDITOR</b>	<u>89 015</u>	<u>100 434</u>	<u>100 724</u>	<u>(290)</u>
<b>County Clerk:</b>				
Payroll expense	265 764	265 764	210 474	55 290
Operating expense	70 600	75 000	56 500	18 500
<b>TOTAL COUNTY CLERK</b>	<u>336 364</u>	<u>340 764</u>	<u>266 974</u>	<u>73 790</u>
<b>County Clerk Election Deputy:</b>				
Payroll expense	39 912	39 912	32 585	7 327
Operating expense	35 088	35 088	18 344	16 744
<b>TOTAL COUNTY CLERK ELECTION DEPUTY</b>	<u>75 000</u>	<u>75 000</u>	<u>50 929</u>	<u>24 071</u>
<b>County Judge:</b>				
Payroll expense	94 984	90 646	86 102	4 544
Operating expense	13 400	17 737	11 181	6 556
<b>TOTAL COUNTY JUDGE</b>	<u>108 384</u>	<u>108 383</u>	<u>97 283</u>	<u>11 100</u>
<b>District Clerk:</b>				
Payroll expense	220 060	222 060	193 860	28 200
Operating expense	75 050	73 050	45 206	27 844
<b>TOTAL DISTRICT CLERK</b>	<u>295 110</u>	<u>295 110</u>	<u>239 066</u>	<u>56 044</u>
<b>Courthouse Manager:</b>				
Payroll expense	18 360	18 360	18 421	(61)
Operating expense	23 711	23 711	23 300	411
<b>TOTAL COURTHOUSE MANAGER</b>	<u>42 071</u>	<u>42 071</u>	<u>41 721</u>	<u>350</u>
<b>Tax Assessor Collector:</b>				
Payroll expense	285 825	288 749	283 157	5 592
Operating expense	49 000	46 076	40 066	6 010
<b>TOTAL TAX ASSESSOR COLLECTOR</b>	<u>334 825</u>	<u>334 825</u>	<u>323 223</u>	<u>11 602</u>
<b>County Treasurer:</b>				
Payroll expense	99 467	99 394	80 542	18 852
Operating expense	7 050	7 123	5 777	1 346
<b>TOTAL COUNTY TREASURER</b>	<u>106 517</u>	<u>106 517</u>	<u>86 319</u>	<u>20 198</u>
<b>Commissioner Secretary:</b>				
Payroll expense	33 948	33 948	16 485	17 463
Operating expense	6 100	6 100	3 478	2 622
<b>TOTAL COMMISSIONER SECRETARY</b>	<u>40 048</u>	<u>40 048</u>	<u>19 963</u>	<u>20 085</u>

SHELBY COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - CONTINUED  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended September 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Veterans Officer:				
Payroll expense	9 282	9 282	10 643	(1 361)
Operating expense	2 550	2 550	1 051	1 499
TOTAL VETERANS OFFICER	<u>11 832</u>	<u>11 832</u>	<u>11 694</u>	<u>138</u>
TOTAL GENERAL ADMINISTRATION	<u>1 529 145</u>	<u>1 544 963</u>	<u>1 324 891</u>	<u>220 072</u>
Judicial Expenditures:				
County Attorney:				
Payroll expense	155 257	193 220	179 001	14 219
Operating expense	13 900	13 900	10 645	3 255
TOTAL COUNTY ATTORNEY	<u>169 157</u>	<u>207 120</u>	<u>189 646</u>	<u>17 474</u>
District Attorney:				
Payroll expense	273 348	270 848	246 352	24 496
Operating expense	29 900	32 400	21 257	11 143
TOTAL DISTRICT ATTORNEY	<u>303 248</u>	<u>303 248</u>	<u>267 609</u>	<u>35 639</u>
District Judges:				
Payroll expense	47 293	47 307	45 487	1 820
Operating expense	11 400	11 386	7 908	3 478
TOTAL DISTRICT JUDGES	<u>58 693</u>	<u>58 693</u>	<u>53 395</u>	<u>5 298</u>
Justice of the Peace #1:				
Payroll expense	70 673	74 067	74 267	(200)
Operating expense	8 085	8 259	8 258	1
TOTAL JUSTICE OF THE PEACE #1	<u>78 758</u>	<u>82 326</u>	<u>82 525</u>	<u>(199)</u>
Justice of the Peace #2:				
Payroll expense	29 331	29 341	28 095	1 246
Operating expense	3 015	3 005	2 546	459
TOTAL JUSTICE OF THE PEACE #2	<u>32 346</u>	<u>32 346</u>	<u>30 641</u>	<u>1 705</u>
Justice of the Peace #3:				
Payroll expense	29 241	29 241	28 009	1 232
Operating expense	4 116	4 116	2 237	1 879
TOTAL JUSTICE OF THE PEACE #3	<u>33 357</u>	<u>33 357</u>	<u>30 246</u>	<u>3 111</u>
Justice of the Peace #4:				
Payroll expense	35 667	35 517	34 373	1 144
Operating expense	4 607	4 757	4 401	356
TOTAL JUSTICE OF THE PEACE #4	<u>40 274</u>	<u>40 274</u>	<u>38 774</u>	<u>1 500</u>
Justice of the Peace #5:				
Payroll expense	31 356	31 058	30 363	695
Operating expense	4 952	5 250	4 589	661
TOTAL JUSTICE OF THE PEACE #5	<u>36 308</u>	<u>36 308</u>	<u>34 952</u>	<u>1 356</u>
TOTAL JUDICIAL EXPENDITURES	<u>752 141</u>	<u>793 672</u>	<u>727 788</u>	<u>65 884</u>
Law Enforcement and Corrections				
Expenditures:				
Constable Pct #1:				
Payroll expense	53 324	52 585	51 732	853
Operating expense	7 837	8 575	8 253	322
TOTAL CONSTABLE PCT #1	<u>61 161</u>	<u>61 160</u>	<u>59 985</u>	<u>1 175</u>
Constable Pct #2:				
Payroll expense	53 324	53 324	51 732	1 592
Operating expense	9 180	9 180	3 170	6 010
TOTAL CONSTABLE PCT #2	<u>62 504</u>	<u>62 504</u>	<u>54 902</u>	<u>7 602</u>
Constable Pct #3:				
Payroll expense	53 324	53 340	51 732	1 608
Operating expense	7 836	7 820	7 591	229
TOTAL CONSTABLE PCT #3	<u>61 160</u>	<u>61 160</u>	<u>59 323</u>	<u>1 837</u>

SHELBY COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - CONTINUED  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended September 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Constable Pct #4:				
Payroll expense	53 324	53 324	51 732	1 592
Operating expense	7 921	7 921	5 776	2 145
TOTAL CONSTABLE PCT #4	<u>61 245</u>	<u>61 245</u>	<u>57 508</u>	<u>3 737</u>
Constable Pct #5:				
Payroll expense	53 324	53 340	51 732	1 608
Operating expense	7 837	7 820	7 601	219
TOTAL CONSTABLE PCT #5	<u>61 161</u>	<u>61 160</u>	<u>59 333</u>	<u>1 827</u>
DPS Secretary:				
Payroll expense	44 970	45 210	43 594	1 616
Operating expense	6 000	5 759	4 649	1 110
TOTAL DPS SECRETARY	<u>50 970</u>	<u>50 969</u>	<u>48 243</u>	<u>2 726</u>
County Sheriff:				
Payroll expense	1 669 072	1 604 151	1 608 465	(4 314)
Operating expense	558 384	631 405	631 262	143
TOTAL COUNTY SHERIFF	<u>2 227 456</u>	<u>2 235 556</u>	<u>2 239 727</u>	<u>(4 171)</u>
Adult Probation:				
Operating expense	-	22 940	21 855	1 085
TOTAL ADULT PROBATION	<u>-</u>	<u>22 940</u>	<u>21 855</u>	<u>1 085</u>
Juvenile Probation:				
Payroll expense	43 875	-	-	-
Operating expense	10 963	58 338	37 015	21 323
TOTAL JUVENILE PROBATION	<u>54 838</u>	<u>58 338</u>	<u>37 015</u>	<u>21 323</u>
TOTAL LAW ENFORCEMENT AND CORRECTIONS EXPENDITURES	<u>2 663 435</u>	<u>2 675 032</u>	<u>2 637 891</u>	<u>37 141</u>
Non-departmental expenditures	1 774 438	2 879 937	1 213 508	1 666 429
TOTAL EXPENDITURES	<u>6 719 159</u>	<u>7 893 604</u>	<u>5 904 078</u>	<u>1 989 526</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(650 284)</u>	<u>(1 824 729)</u>	<u>366 100</u>	<u>2 190 829</u>
Other Financing Sources (Uses):				
Transfers in (out)	(1 169 710)	-	(952 527)	(952 527)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1 169 710)</u>	<u>-</u>	<u>(952 527)</u>	<u>(952 527)</u>
NET CHANGE IN FUND BALANCES	(1 819 994)	(1 824 729)	(586 427)	1 238 302
Fund balances, beginning	<u>4 037 666</u>	<u>4 037 666</u>	<u>4 037 666</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 2 217 672</u>	<u>\$ 2 212 937</u>	<u>\$ 3 451 239</u>	<u>\$ 1 238 202</u>

See independent auditors' report.

SHELBY COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - ROAD AND BRIDGE #1  
For the Year Ended September 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 376 445	\$ 376 445	\$ 397 936	\$ 21 491
Other taxes	272 434	272 434	286 694	14 260
Fines and fees	352 556	352 556	184 632	(167 924)
Interest	6 031	6 031	3 538	(2 493)
Miscellaneous	312 738	312 738	170 213	(142 525)
TOTAL REVENUES	<u>1 320 204</u>	<u>1 320 204</u>	<u>1 043 013</u>	<u>(277 191)</u>
Expenditures:				
Payroll expense	388 289	389 687	329 921	59 766
Operating expense	1 706 515	1 590 659	1 165 907	424 752
Debt service	-	114 858	114 858	-
TOTAL EXPENDITURES	<u>2 094 804</u>	<u>2 095 204</u>	<u>1 610 686</u>	<u>484 518</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(774 600)</u>	<u>(775 000)</u>	<u>(567 673)</u>	<u>207 327</u>
Other Financing Sources (Uses):				
Transfers in (out)	-	-	264 858	264 858
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>264 858</u>	<u>264 858</u>
NET CHANGE IN FUND BALANCES	(774 600)	(775 000)	(302 815)	472 185
Fund balances, beginning	<u>554 484</u>	<u>554 484</u>	<u>554 484</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ (220 116)</u>	<u>\$ (220 516)</u>	<u>\$ 251 669</u>	<u>\$ 472 185</u>

See independent auditors' report.

SHELBY COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - ROAD AND BRIDGE #2  
For the Year Ended September 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 376 445	\$ 376 445	\$ 398 033	\$ 21 588
Other taxes	272 434	272 434	286 694	14 260
Fines and fees	352 556	352 556	184 632	(167 924)
Interest	6 031	6 031	2 390	(3 641)
Miscellaneous	312 738	312 738	177 493	(135 245)
TOTAL REVENUES	<u>1 320 204</u>	<u>1 320 204</u>	<u>1 049 242</u>	<u>(270 962)</u>
Expenditures:				
Payroll expense	388 375	391 229	376 500	14 729
Operating expense	1 445 829	1 401 440	869 481	531 959
Debt service	-	41 535	41 535	-
TOTAL EXPENDITURES	<u>1 834 204</u>	<u>1 834 204</u>	<u>1 287 516</u>	<u>546 688</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(514 000)</u>	<u>(514 000)</u>	<u>(238 274)</u>	<u>275 726</u>
Other Financing Sources (Uses):				
Transfers in (out)	-	-	191 535	191 535
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>191 535</u>	<u>191 535</u>
NET CHANGE IN FUND BALANCES	(514 000)	(514 000)	(46 739)	467 261
Fund balances, beginning	<u>275 466</u>	<u>275 466</u>	<u>275 466</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ (238 534)</u>	<u>\$ (238 534)</u>	<u>\$ 228 727</u>	<u>\$ 467 261</u>

See independent auditors' report.

SHELBY COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - ROAD AND BRIDGE #3  
For the Year Ended September 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 376 445	\$ 376 445	\$ 398 032	\$ 21 587
Other taxes	272 434	272 434	286 694	14 260
Fines and fees	352 556	352 556	184 632	(167 924)
Interest	6 031	6 031	4 456	(1 575)
Miscellaneous	312 738	312 738	183 476	(129 262)
TOTAL REVENUES	1 320 204	1 320 204	1 057 290	(262 914)
Expenditures:				
Payroll expense	423 643	423 643	354 422	70 750
Operating expense	1 596 561	1 596 561	924 291	618 556
Debt service	-	-	52 185	-
TOTAL EXPENDITURES	2 020 204	2 020 204	1 330 898	689 306
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(700 000)	(700 000)	(273 608)	426 392
Other Financing Sources (Uses):				
Transfers in (out)	-	-	202 419	202 419
TOTAL OTHER FINANCING SOURCES (USES)	-	-	202 419	202 419
NET CHANGE IN FUND BALANCES	(700 000)	(700 000)	(71 189)	628 811
Fund balances, beginning	490 276	490 276	490 276	-
FUND BALANCES, ENDING	\$ (209 724)	\$ (209 724)	\$ 419 087	\$ 628 811

See independent auditors' report.

SHELBY COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - ROAD AND BRIDGE #4  
For the Year Ended September 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 376 445	\$ 376 445	\$ 398 036	\$ 21 591
Other taxes	272 434	272 434	286 694	14 260
Fines and fees	352 556	352 556	184 632	(167 924)
Interest	6 031	6 031	6 152	121
Miscellaneous	312 738	312 738	170 213	(142 525)
TOTAL REVENUES	1 320 204	1 320 204	1 045 727	(274 477)
Expenditures:				
Payroll expense	391 026	394 117	386 295	7 822
Operating expense	1 655 678	1 638 323	1 062 155	576 168
Debt service	-	10 664	10 665	(1)
TOTAL EXPENDITURES	2 046 704	2 043 104	1 459 115	583 989
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(726 500)	(722 900)	(413 388)	858 466
Other Financing Sources (Uses):				
Transfers in (out)	-	-	160 664	160 664
TOTAL OTHER FINANCING SOURCES (USES)	-	-	160 664	160 664
NET CHANGE IN FUND BALANCES	(726 500)	(722 900)	(252 724)	1 019 130
Fund balances, beginning	761 040	761 040	761 040	-
FUND BALANCES, ENDING	\$ 34 540	\$ 38 140	\$ 508 316	\$ 1 019 130

See independent auditors' report.



COMBINING SCHEDULES

SHELBY COUNTY, TEXAS  
 COMBINING SCHEDULE OF NET ASSETS -  
 SPECIAL REVENUE FUNDS  
 September 30, 2012

	ROAD & BRIDGE #1	ROAD & BRIDGE #2	ROAD & BRIDGE #3	ROAD & BRIDGE #4
<b>ASSETS</b>				
Cash and investments	\$ 329 407	\$ 302 992	\$ 437 841	\$ 547 945
Property tax receivable	85 309	85 309	85 310	85 310
Other receivable	-	-	-	4 618
<b>TOTAL ASSETS</b>	<b>\$ 414 716</b>	<b>\$ 388 301</b>	<b>\$ 523 151</b>	<b>\$ 637 873</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 69 581	\$ 65 099	\$ 10 896	\$ 35 759
Accrued expense	8 157	9 166	7 859	8 489
Deferred revenue	85 309	85 309	85 309	85 309
<b>TOTAL LIABILITIES</b>	<b>163 047</b>	<b>159 574</b>	<b>104 064</b>	<b>129 557</b>
Fund Balances:				
Reserved fund balance	251 669	228 727	419 087	508 316
<b>TOTAL FUND BALANCES</b>	<b>251 669</b>	<b>228 727</b>	<b>419 087</b>	<b>508 316</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 414 716</b>	<b>\$ 388 301</b>	<b>\$ 523 151</b>	<b>\$ 637 873</b>

See independent auditors' report.

TITLE III FORESTRY FUNDS	HISTORIC COURTHOUSE FUND	COUNTY CLERK VITAL ARCHIVES FEE FUND	GENERAL RECORDS MANAGEMENT	VEHICLE INVENTORY TAX FUND	SHERIFF COMMISSARY FUND
\$ 60 485	\$ 1 299	\$ 22 952	\$ 12 025	\$ 48 843	\$ 96 321
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 60 485</u>	<u>\$ 1 299</u>	<u>\$ 22 952</u>	<u>\$ 12 025</u>	<u>\$ 48 843</u>	<u>\$ 96 321</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

60 485	1 299	22 952	12 025	48 843	96 321
<u>60 485</u>	<u>1 299</u>	<u>22 952</u>	<u>12 025</u>	<u>48 843</u>	<u>96 321</u>

<u>\$ 60 485</u>	<u>\$ 1 299</u>	<u>\$ 22 952</u>	<u>\$ 12 025</u>	<u>\$ 48 843</u>	<u>\$ 96 321</u>
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SHELBY COUNTY, TEXAS  
 COMBINING SCHEDULE OF NET ASSETS -  
 SPECIAL REVENUE FUNDS - CONTINUED  
 September 30, 2012

	CONSTABLE #4 FORFEITURE FUND	DISTRICT ATTORNEY TRUSTEE	DISTRICT ATTORNEY FORFEITURE
<b>ASSETS</b>			
Cash and investments	\$ 14 166	\$ 19 722	\$ 27 574
Property tax receivable	-	-	-
Other receivable	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 14 166</b>	<b>\$ 19 722</b>	<b>\$ 27 574</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued expense	-	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
 <b>Fund Balances:</b>			
Reserved fund balance	14 166	19 722	27 574
<b>TOTAL FUND BALANCES</b>	<b>14 166</b>	<b>19 722</b>	<b>27 574</b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b>\$ 14 166</b>	 <b>\$ 19 722</b>	 <b>\$ 27 574</b>

LAW ENFORCEMENT FUND	COUNTY ATTORNEY FUND	COUNTY JUDGE SALARY SUPPLEMENT	COUNTY ATTORNEY SALARY SUPPLEMENT	JUVENILE COURT TECH FUND
\$ 1 629	\$ 28 030	\$ 9 970	\$ (12 438)	\$ 10 970
-	-	-	-	-
-	-	-	-	-
<u>\$ 1 629</u>	<u>\$ 28 030</u>	<u>\$ 9 970</u>	<u>\$ (12 438)</u>	<u>\$ 10 970</u>

\$ -	\$ -	\$ -	\$ -	\$ -
-	-	188	830	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>188</u>	<u>830</u>	<u>-</u>

1 629	28 030	9 782	(13 268)	10 970
<u>1 629</u>	<u>28 030</u>	<u>9 782</u>	<u>(13 268)</u>	<u>10 970</u>

<u>\$ 1 629</u>	<u>\$ 28 030</u>	<u>\$ 9 970</u>	<u>\$ (12 438)</u>	<u>\$ 10 970</u>
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SHELBY COUNTY, TEXAS  
 COMBINING SCHEDULE OF NET ASSETS -  
 SPECIAL REVENUE FUNDS - CONTINUED  
 September 30, 2012

	LEOSE CONSTABLES FUND	CHAPTER 19 VOTER REGISTRATION	LAW LIBRARY FUND	DISTRICT CLERK RECORD MGMT FUND
<b>ASSETS</b>				
Cash and investments	\$ 6 905	\$ 531	\$ 80 111	\$ 7 894
Property tax receivable	-	-	-	-
Other receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 6 905</b>	<b>\$ 531</b>	<b>\$ 80 111</b>	<b>\$ 7 894</b>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 169	\$ -
Accrued expense	-	-	-	-
Deferred revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>169</b>	<b>-</b>
 <b>Fund Balances:</b>				
Reserved fund balance	6 905	531	79 942	7 894
<b>TOTAL FUND BALANCES</b>	<b>6 905</b>	<b>531</b>	<b>79 942</b>	<b>7 894</b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b>\$ 6 905</b>	 <b>\$ 531</b>	 <b>\$ 80 111</b>	 <b>\$ 7 894</b>

COUNTY CLERK RECORD MGMT FUND	COURTHOUSE SECURITY FUND	JURY FUND	RIGHT OF WAY FUND	INDIGENT HEALTH CARE FUND	SHELBY COUNTY HOSPITAL FUND
\$ 168 210	\$ 35 015	\$ (589)	\$ 337 337	\$ 568 992	\$ 20 405
-	-	6 820	8 524	68 192	-
-	-	-	-	-	-
<u>\$ 168 210</u>	<u>\$ 35 015</u>	<u>\$ 6 231</u>	<u>\$ 345 861</u>	<u>\$ 637 184</u>	<u>\$ 20 405</u>

\$ -	\$ -	\$ -	\$ -	\$ 35	\$ 800
17	1 289	654	-	699	-
-	-	6 820	8 524	68 192	-
<u>17</u>	<u>1 289</u>	<u>7 474</u>	<u>8 524</u>	<u>68 926</u>	<u>800</u>

<u>168 193</u>	<u>33 726</u>	<u>(1 243)</u>	<u>337 337</u>	<u>568 258</u>	<u>19 605</u>
<u>168 193</u>	<u>33 726</u>	<u>(1 243)</u>	<u>337 337</u>	<u>568 258</u>	<u>19 605</u>

<u>\$ 168 210</u>	<u>\$ 35 015</u>	<u>\$ 6 231</u>	<u>\$ 345 861</u>	<u>\$ 637 184</u>	<u>\$ 20 405</u>
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SHELBY COUNTY, TEXAS  
 COMBINING SCHEDULE OF NET ASSETS -  
 SPECIAL REVENUE FUNDS - CONTINUED  
 September 30, 2012

	JUVENILE PROBATION FUND	ORCA GRANT FUND	JUVENILE TITLE IV E FUND	SHERIFF FEDERAL SEIZURE
<b>ASSETS</b>				
Cash and investments	\$ 18 079	\$ -	\$ 2 156	\$ 710
Property tax receivable	-	-	-	-
Other receivable	-	-	-	-
TOTAL ASSETS	\$ 18 079	\$ -	\$ 2 156	\$ 710
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 5 301	\$ -	\$ -	\$ -
Accrued expense	-	-	-	-
Deferred revenue	-	-	-	-
TOTAL LIABILITIES	5 301	-	-	-
Fund Balances:				
Reserved fund balance	12 778	-	2 156	710
TOTAL FUND BALANCES	12 778	-	2 156	710
TOTAL LIABILITIES AND FUND BALANCES	\$ 18 079	\$ -	\$ 2 156	\$ 710



GRANT FUND	SHERIFF LOCAL FORFEITURE	TCDP DISASTER RELIEF GRANT FUND	123 <sup>RD</sup> D.A. FEDERAL SEIZURE	COUNTY COURT RECORDS TECH FUND	DISTRICT COURT RECORDS TECH FUND
\$ (65 622)	\$ 1 942	\$ -	\$ 548	\$ 4 286	\$ 11 140
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ (65 622)</u>	<u>\$ 1 942</u>	<u>\$ -</u>	<u>\$ 548</u>	<u>\$ 4 286</u>	<u>\$ 11 140</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(65 622)	1 942	-	548	4 286	11 140
<u>(65 622)</u>	<u>1 942</u>	<u>-</u>	<u>548</u>	<u>4 286</u>	<u>11 140</u>
<u>\$ (65 622)</u>	<u>\$ 1 942</u>	<u>\$ -</u>	<u>\$ 548</u>	<u>\$ 4 286</u>	<u>\$ 11 140</u>

SHELBY COUNTY, TEXAS  
 COMBINING SCHEDULE OF NET ASSETS -  
 SPECIAL REVENUE FUNDS - CONTINUED  
 September 30, 2012

	APPELLATE JUDICIAL FEE COUNTY CLERK	APPELLATE JUDICIAL FEE DISTRICT CLERK	RECORDS ARCHIVE FEE COUNTY CLERK
<b>ASSETS</b>			
Cash and investments	\$ 80	\$ 280	\$ 302 595
Property tax receivable	-	-	-
Other receivable	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 80</b>	<b>\$ 280</b>	<b>\$ 302 595</b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued expense	-	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
 <b>Fund Balances:</b>			
Reserved fund balance	80	280	302 595
<b>TOTAL FUND BALANCES</b>	<b>80</b>	<b>280</b>	<b>302 595</b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b>\$ 80</b>	 <b>\$ 280</b>	 <b>\$ 302 595</b>

RECORDS ARCHIVE FEE DISTRICT CLERK	JP COURT SECURITY FUND	TOTAL SPECIAL REVENUE FUNDS
\$ 6 945	\$ 15 815	\$ 3 483 498
-	-	424 774
-	-	4 618
<u>\$ 6 945</u>	<u>\$ 15 815</u>	<u>\$ 3 912 890</u>

\$ -	\$ -	\$ 187 640
-	-	37 348
-	-	424 772
<u>-</u>	<u>-</u>	<u>649 760</u>

<u>6 945</u>	<u>15 815</u>	<u>3 263 130</u>
<u>6 945</u>	<u>15 815</u>	<u>3 263 130</u>

<u>\$ 6 945</u>	<u>\$ 15 815</u>	<u>\$ 3 912 890</u>
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SHELBY COUNTY, TEXAS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS  
 For the Year Ended September 30, 2012

	ROAD & BRIDGE #1	ROAD & BRIDGE #2	ROAD & BRIDGE #3	ROAD & BRIDGE #4
Revenues:				
Property taxes	\$ 397 936	\$ 398 033	\$ 398 032	\$ 398 036
Other taxes	286 694	286 694	286 694	286 694
Fines and fees	184 632	184 632	184 632	184 632
Charges for services	-	-	-	-
Grants and contributions	-	-	-	-
Interest	3 538	2 390	4 456	6 152
Miscellaneous income	170 213	177 493	183 476	170 213
TOTAL REVENUES	1 043 013	1 049 242	1 057 290	1 045 727
Expenditures:				
Payroll expense	329 921	376 500	354 422	386 295
Operating expense	1 165 907	869 481	924 291	1 062 155
Debt service	114 858	41 535	52 185	10 665
TOTAL EXPENDITURES	1 610 686	1 287 516	1 330 898	1 459 115
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(567 673)	(238 274)	(273 608)	(413 388)
Other Financing Sources (Uses):				
Transfer out	-	-	-	-
Transfers in	264 858	191 535	202 419	160 664
TOTAL OTHER FINANCING SOURCES (USES)	264 858	191 535	202 419	160 664
NET CHANGE IN FUND BALANCES	(302 815)	(46 739)	(71 189)	(252 724)
Fund balances, beginning	554 484	275 466	490 276	761 040
FUND BALANCES ENDING	\$ 251 669	\$ 228 727	\$ 419 087	\$ 508 316

See independent auditors' report.

TITLE III FORESTRY FUNDS	HISTORIC COURTHOUSE FUND	COUNTY CLERK VITAL ARCHIVES FEE FUND	GENERAL RECORDS MANAGEMENT	VEHICLE INVENTORY TAX FUND	SHERIFF COMMISSARY FUND
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	100 256	-
-	-	2 425	9 109	-	-
-	-	-	-	-	66 248
-	-	-	-	-	-
536	-	-	-	405	-
-	-	-	-	-	-
<u>536</u>	<u>-</u>	<u>2 425</u>	<u>9 109</u>	<u>100 661</u>	<u>66 248</u>
-	-	-	-	-	-
3 400	-	989	-	103 458	27 758
-	-	-	-	-	-
<u>3 400</u>	<u>-</u>	<u>989</u>	<u>-</u>	<u>103 458</u>	<u>27 758</u>
(2 864)	-	1 436	9 109	(2 797)	38 490
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(2 864)	-	1 436	9 109	(2 797)	38 490
63 349	1 299	21 516	2 916	51 640	57 831
<u>63 349</u>	<u>1 299</u>	<u>21 516</u>	<u>2 916</u>	<u>51 640</u>	<u>57 831</u>
\$ <u>60 485</u>	\$ <u>1 299</u>	\$ <u>22 952</u>	\$ <u>12 025</u>	\$ <u>48 843</u>	\$ <u>96 321</u>

SHELBY COUNTY, TEXAS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED  
 For the Year Ended September 30, 2012

	CONSTABLE #4 FORFEITURE FUND	DISTRICT ATTORNEY TRUSTEE	DISTRICT ATTORNEY FORFEITURE
Revenues:			
Property taxes	\$ -	\$ -	\$ -
Other taxes	-	-	-
Fines and fees	-	-	-
Charges for services	-	-	-
Grants and contributions	-	-	-
Interest	68	-	2 209
Miscellaneous income	5 892	39 010	16 999
TOTAL REVENUES	5 960	39 010	19 208
Expenditures:			
Payroll expense	-	26 317	-
Operating expense	688	3 230	45 152
Debt service	-	-	-
TOTAL EXPENDITURES	688	29 547	45 152
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5 272	9 463	(25 944)
Other Financing Sources (Uses):			
Transfer out	-	-	-
Transfers in	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCES	5 272	9 463	(25 944)
Fund balances, beginning	8 894	10 259	53 518
FUND BALANCES ENDING	\$ 14 166	\$ 19 722	\$ 27 574

<u>LAW ENFORCEMENT FUND</u>	<u>COUNTY ATTORNEY FUND</u>	<u>COUNTY JUDGE SALARY SUPPLEMENT</u>	<u>COUNTY ATTORNEY SALARY SUPPLEMENT</u>	<u>JUVENILE COURT TECH FUND</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	8 708
5 344	-	-	-	-
-	-	-	-	-
28	335	-	-	-
1 538	22 118	15 000	62 500	-
<u>6 910</u>	<u>22 453</u>	<u>15 000</u>	<u>62 500</u>	<u>8 708</u>
-	29 165	14 955	66 668	-
10 474	480	-	-	14 536
-	-	-	-	-
<u>10 474</u>	<u>29 645</u>	<u>14 955</u>	<u>66 668</u>	<u>14 536</u>
(3 564)	(7 192)	45	(4 168)	(5 828)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(3 564)	(7 192)	45	(4 168)	(5 828)
5 193	35 222	9 737	(9 100)	16 798
<u>\$ 1 629</u>	<u>\$ 28 030</u>	<u>\$ 9 782</u>	<u>\$ (13 268)</u>	<u>\$ 10 970</u>

SHELBY COUNTY, TEXAS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED  
 For the Year Ended September 30, 2012

	LEOSE CONSTABLES FUND	CHAPTER 19 VOTER REGISTRATION	LAW LIBRARY FUND	DISTRICT CLERK RECORD MGMT FUND
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and fees	-	-	13 879	3 004
Charges for services	-	-	-	-
Grants and contributions	-	-	-	-
Interest	-	-	-	-
Miscellaneous income	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>13 879</u>	<u>3 004</u>
Expenditures:				
Payroll expense	-	-	-	-
Operating expense	249	-	9 211	-
Debt service	-	-	-	-
TOTAL EXPENDITURES	<u>249</u>	<u>-</u>	<u>9 211</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(249)</u>	<u>-</u>	<u>4 668</u>	<u>3 004</u>
Other Financing Sources (Uses):				
Transfer out	-	-	-	-
Transfers in	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(249)	-	4 668	3 004
Fund balances, beginning	<u>7 154</u>	<u>531</u>	<u>75 274</u>	<u>4 890</u>
FUND BALANCES ENDING	<u>\$ 6 905</u>	<u>\$ 531</u>	<u>\$ 79 942</u>	<u>\$ 7 894</u>



COUNTY CLERK RECORD MGMT FUND	COURTHOUSE SECURITY FUND	JURY FUND	RIGHT OF WAY FUND	INDIGENT HEALTH CARE FUND	SHELBY COUNTY HOSPITAL FUND
\$ -	\$ -	\$ 54 777	\$ 68 474	\$ 551 203	\$ -
-	-	-	-	-	-
59 274	17 385	-	-	-	-
-	-	-	-	-	-
-	-	-	-	4 526	-
-	-	-	-	-	-
<u>59 274</u>	<u>17 385</u>	<u>54 777</u>	<u>68 474</u>	<u>555 729</u>	<u>-</u>
534	110 795	70 971	-	23 339	-
163 629	35 952	8 922	-	286 120	800
-	-	-	-	-	-
<u>164 163</u>	<u>146 747</u>	<u>79 893</u>	<u>-</u>	<u>309 459</u>	<u>800</u>
(104 889)	(129 362)	(25 116)	68 474	246 270	(800)
-	-	-	-	-	-
-	142 519	-	-	-	-
-	142 519	-	-	-	-
(104 889)	13 157	(25 116)	68 474	246 270	(800)
<u>273 082</u>	<u>20 569</u>	<u>23 873</u>	<u>268 863</u>	<u>321 988</u>	<u>20 405</u>
\$ <u>168 193</u>	\$ <u>33 726</u>	\$ <u>(1 243)</u>	\$ <u>337 337</u>	\$ <u>568 258</u>	\$ <u>19 605</u>

SHELBY COUNTY, TEXAS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED  
 For the Year Ended September 30, 2012

	JUVENILE PROBATION FUND	ORCA GRANT FUND	JUVENILE TITLE IV E FUND	SHERIFF FEDERAL SEIZURE
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and fees	-	-	-	-
Charges for services	-	-	-	-
Grants and contributions	117 773	27 715	-	-
Interest	527	-	-	-
Miscellaneous income	-	-	-	-
TOTAL REVENUES	118 300	27 715	-	-
Expenditures:				
Payroll expense	102 586	-	-	-
Operating expense	43 693	27 715	-	5 962
Debt service	-	-	-	-
TOTAL EXPENDITURES	146 279	27 715	-	5 962
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(27 979)	-	-	(5 962)
Other Financing Sources (Uses):				
Transfer out	-	-	-	-
Transfers in	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	(27 979)	-	-	(5 962)
Fund balances, beginning	40 757	-	2 156	6 672
FUND BALANCES ENDING	\$ 12 778	\$ -	\$ 2 156	\$ 710

GRANT FUND	SHERIFF LOCAL FORFEITURE	TCDP DISASTER RELIEF GRANT FUND	123 <sup>RD</sup> D.A. FEDERAL SEIZURE	COUNTY COURT RECORDS TECH FUND	DISTRICT COURT RECORDS TECH FUND
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	1 678	3 932
-	-	-	-	-	-
426 530	-	383 200	-	-	-
-	-	-	-	-	-
-	1 942	-	-	-	-
<u>426 530</u>	<u>1 942</u>	<u>383 200</u>	<u>-</u>	<u>1 678</u>	<u>3 932</u>
-	-	-	-	-	-
473 449	465	383 200	-	-	-
-	-	-	-	-	-
<u>473 449</u>	<u>465</u>	<u>383 200</u>	<u>-</u>	<u>-</u>	<u>-</u>
(46 919)	1 477	-	-	1 678	3 932
(9 468)	-	-	-	-	-
-	-	-	-	-	-
<u>(9 468)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(56 387)	1 477	-	-	1 678	3 932
<u>(9 235)</u>	<u>465</u>	<u>-</u>	<u>548</u>	<u>2 608</u>	<u>7 208</u>
\$ <u>(65 622)</u>	\$ <u>1 942</u>	\$ <u>-</u>	\$ <u>548</u>	\$ <u>4 286</u>	\$ <u>11 140</u>

SHELBY COUNTY, TEXAS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED  
 For the Year Ended September 30, 2012

	APPELLATE JUDICIAL FEE COUNTY CLERK	APPELLATE JUDICIAL FEE DISTRICT CLERK	RECORDS ARCHIVE FEE COUNTY CLERK
Revenues:			
Property taxes	\$ -	\$ -	\$ -
Other taxes	-	-	-
Fines and fees	520	1 785	58 816
Charges for services	-	-	-
Grants and contributions	-	-	-
Interest	-	-	-
Miscellaneous income	-	-	-
TOTAL REVENUES	520	1 785	58 816
Expenditures:			
Payroll expense	-	-	-
Operating expense	565	1 830	-
Debt service	-	-	-
TOTAL EXPENDITURES	565	1 830	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(45)	(45)	58 816
Other Financing Sources (Uses):			
Transfer out	-	-	-
Transfers in	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCES	(45)	(45)	58 816
Fund balances, beginning	125	325	243 779
FUND BALANCES ENDING	\$ 80	\$ 280	\$ 302 595

RECORDS ARCHIVE FEE DISTRICT CLERK	JP COURT SECURITY FUND	TOTAL SPECIAL REVENUE FUNDS
\$ -	\$ -	\$ 2 266 491
-	-	1 247 032
2 535	2 115	923 693
-	-	71 592
-	-	955 2318
-	-	25 170
-	-	866 394
<u>2 535</u>	<u>2 115</u>	<u>6 355 590</u>
-	-	1 892 468
-	-	5 673 761
-	-	219 243
<u>-</u>	<u>-</u>	<u>7 785 472</u>
2 535	2 115	(1 429 882)
-	-	(9 468)
-	-	961 995
-	-	952 527
2 535	2 115	(477 355)
<u>4 410</u>	<u>13 700</u>	<u>3 740 485</u>
\$ <u>6 945</u>	\$ <u>15 815</u>	\$ <u>3 263 130</u>

SHELBY COUNTY, TEXAS  
 COMBINING SCHEDULE OF FIDUCIARY NET ASSETS  
 September 30, 2012

	COUNTY CLERK	DISTRICT CLERK TRUST	DISTRICT CLERK	MOTOR VEHICLE TAX	PROPERTY TAXES	JUSTICE OF THE PEACE #5
ASSETS						
Cash and cash equivalents	\$ (45)	\$ 2 568 323	\$ 597 697	\$ 130 632	\$ 254 734	\$ (4 115)
TOTAL ASSETS	\$ (45)	\$ 2 568 323	\$ 597 697	\$ 130 632	\$ 254 734	\$ (4 115)
LIABILITIES						
Due to others	\$ (45)	\$ 2 568 323	\$ 597 697	\$ 130 632	\$ 254 734	\$ (4 115)
TOTAL LIABILITIES	\$ (45)	\$ 2 568 323	\$ 597 697	\$ 130 632	\$ 254 734	\$ (4 115)

See independent auditors' report.

COUNTY ATTORNEY RESTITUTION	COUNTY ATTORNEY TRUST	INMATE ACCOUNT	DISTRICT ATTORNEY FORFEITURE	AGENCY FUND	GARZA COUNTY FUND	COMBINED FIDUCIARY FUNDS
\$ 66 151	\$ 23 694	\$ 12 318	\$ (17 908)	\$ (115 326)	\$ 22 678	\$ 3 538 833
<u>\$ 66 151</u>	<u>\$ 23 694</u>	<u>\$ 12 318</u>	<u>\$ (17 908)</u>	<u>\$ (115 326)</u>	<u>\$ 22 678</u>	<u>\$ 3 538 833</u>
\$ 66 151	\$ 23 694	\$ 12 318	\$ (17 908)	\$ (115 326)	\$ 22 678	\$ 3 538 833
<u>\$ 66 151</u>	<u>\$ 23 694</u>	<u>\$ 12 318</u>	<u>\$ (17 908)</u>	<u>\$ (115 326)</u>	<u>\$ 22 678</u>	<u>\$ 3 538 833</u>

COMPLIANCE SECTION



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Judge and Commissioners  
Shelby County, Texas  
Center, Texas

We have audited the financial statements of Shelby County, Texas, as of and for the year ended September 30, 2012 and have issued our report thereon dated May 28, 2013. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shelby County, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We noted certain matters that we reported in our Schedule of Finds and Questioned Cost.

This report is intended for the information of the Judge and Commissioners and is not intended to be used by anyone other than these specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
May 28, 2013

SHELBY COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2012

A. Summary of the Auditor's Results:

Financial Statements

Type of report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?  X  Yes      No

Significant deficiency(s) that are not considered to be material weaknesses?  X  Yes      None reported

B. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

*Finding 2012-1:*

Condition - The County does not have adequate separation of duties to assure that all transactions are properly accounted for during the year.

Criteria - The receipt, disbursement, and reconciliation process is performed by personnel within the same department and in some cases the same personnel.

Effect - There is a risk of material misstatement in the financial records due to the lack of adequate segregation of controls related to these financial transactions.

Questioned Cost - None

Recommendation - We recommend that the function identified by separated by individuals and departments within the County.

Client Response - The County administration is aware of the problem and is currently assessing the possibility of segregating the functions as needed for proper control.

*Finding 2012-2:*

Condition - The County does not have formal documentation of the process for handling financial transactions within the County.

Criteria - To assure consistent and accurate financial accountability, the County should prepare formal documentation of the transactions process.

Effect - Transactions are not consistently recorded and managed between similar departments within the County.

Questioned Cost - None

Recommendation - The County should develop formal documentation of the policies and procedures relating to the financial accounting function within the County.

Client Response - The County is aware of this problem, and will work on standardized formal procedures in the future to assure accountability for all departments.