

SHELBY COUNTY, TEXAS
Center, Texas

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2016

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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, each major fund, and the aggregate remaining fund information of Shelby County, Texas (the "County"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Texas, as of September 30, 2016, and the respective changes in financial position 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 and budgetary comparison information on pages 5 through 8, and pages 32 through 38 and supplemental pension schedules on pages 39 and 40, 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 Shelby County, Texas' basic financial statements. The combining nonmajor fund financial statements, and compliance section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and compliance section 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 nonmajor fund financial statements and compliance section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 8, 2017, on our consideration of Shelby 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 compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Shelby County's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
May 8, 2017

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, 2016 ("FY 2016").

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 and deferred outflows exceeded liabilities and deferred inflows by \$17,047,131 on a government-wide basis as of September 30, 2016.
- For FY 2016, taxes and other revenues, including program revenues, of the County's governmental activities amounted to \$12,823,418. Expenses, including program expenses, totaled \$12,839,407.

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 an increases in fund balance of \$93,274 for the fiscal year.
- The County's General Fund reported a fund balance of \$5,065,588, an increase of \$317,035 from September 30, 2015.

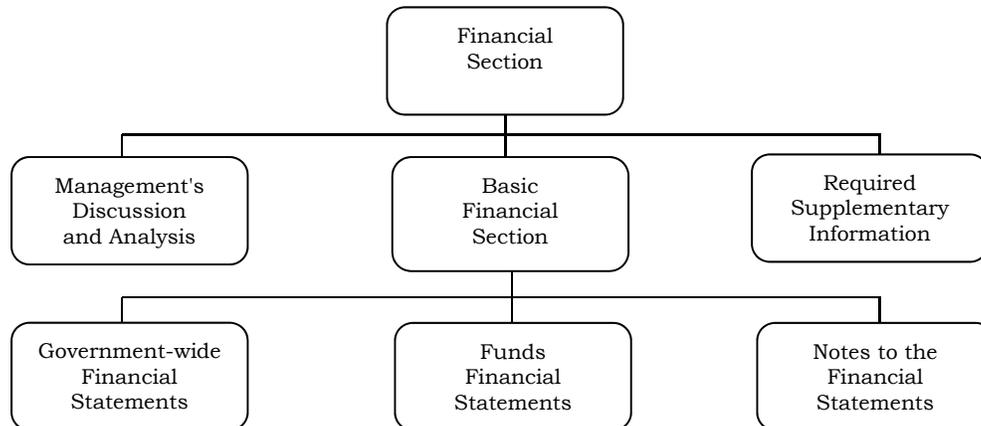
GENERAL FINANCIAL HIGHLIGHTS

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 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 Position presents Assets and Deferred Outflows, less Liabilities and Deferred Inflows, equals Net Position, instead of a more traditional $\text{Assets} = \text{Liabilities} + \text{Equity}$ format.

The Statement of Net Position presents information on all of the assets, deferred outflows, deferred inflows and liabilities of the County, with the difference reported as net position. Over a period of several years, the change in net position 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 position 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 Position

The following table presents a summary of the County's net position as of September 30, 2016 and 2015:

	As of September 30,	
	2016	2015
Assets:		
Current and other assets	\$ 10 333 137	\$ 9 993 041
Capital assets (net)	7 068 292	7 191 198
TOTAL ASSETS	<u>17 401 429</u>	<u>17 184 239</u>
Deferred outflow	1 276 921	408 100
Liabilities:		
Current liabilities	477 519	312 356
Long-term liabilities	912 207	217 782
TOTAL LIABILITIES	<u>1 389 726</u>	<u>530 138</u>
Deferred inflows	241 493	1 406 608
Net Position:		
Invested in capital assets, net of related debt	7 068 292	7 191 198
Restricted	3 298 042	3 520 884
Unrestricted	6 680 797	6 350 119
TOTAL NET POSITION	<u>\$ 17 047 131</u>	<u>\$ 17 062 201</u>

As noted earlier, net position, over time, serves as a barometer of a government's financial position. For the County, assets and deferred outflows exceeded liabilities and deferred inflows by \$17,047,131 as September 30, 2016, the County's fiscal year-end. This amount represents a decrease of \$15,989 from the net position at September 30, 2015.

As noted, a portion of the net position 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.

Capital Assets and Long Term Debt

Details of the capital assets are on page 21. The County does not currently have any related long-term debt.

Governmental Activities

Revenues for the governmental fund activities for the County totaled \$12,823,418 for the fiscal year 2016.

Taxes constitute the largest source of County revenues, totaling \$9,082,408 for fiscal year 2016.

The cost of the County's governmental fund activities totaled \$12,839,407. Major contributors to costs include:

	<u>2016</u>	<u>2015</u>
Streets and bridges	\$ 5 218 701	\$ 4 956 344
Law enforcement	\$ 3 148 746	\$ 2 928 562
General administration	\$ 1 682 880	\$ 1 634 279
Judicial	\$ 1 096 632	\$ 1 022 585

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. 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, 2016, the County's governmental funds had a combined fund balance totaling \$8,363,630.

The General Fund is the primary operating fund of the County. Unassigned fund balance in the General Fund at September 30, 2016, totaled \$5,065,588. This represents approximately 83.8% of the total expenditures for FY 2016 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 POSITION
September 30, 2016

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 8 841 149
Receivables Net of Allowance for Uncollectibles:	
Taxes	1 491 988
TOTAL CURRENT ASSETS	10 333 137
Noncurrent Assets:	
Capital Assets:	
Land	373 550
Streets and infrastructure	16 298 039
Buildings and improvements	3 898 932
Furniture and equipment	7 692 344
Less: Accumulated depreciation	(21 194 573)
TOTAL CAPITAL ASSETS	7 068 292
TOTAL ASSETS	17 401 429
DEFERRED OUTFLOW	
Contribution subsequent to measurement date	267 442
Pension deferred outflows	1 009 479
TOTAL DEFERRED OUTFLOW	1 276 921
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 18 678 350
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 303 453
Accrued liabilities	174 066
TOTAL CURRENT LIABILITIES	477 519
Noncurrent Liabilities:	
Pension liability	911 669
Accrued compensation absence	538
TOTAL NONCURRENT LIABILITIES	912 207
TOTAL LIABILITIES	1 389 726
Deferred inflows	241 493
NET POSITION	
Invested in capital assets, net of related debt	7 068 292
Restricted	3 298 042
Unrestricted	6 680 797
TOTAL NET POSITION	\$ 17 047 131

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, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
Primary Government:					
Governmental Activities:					
General administration	\$ 1 682 880	\$ 1 004 929	\$ 68 505	\$ -	\$ (609 446)
Judicial	1 096 632	151 559	-	-	(945 073)
Law enforcement and corrections	3 148 746	362 928	152 348	-	(2 633 470)
Streets and bridges	5 218 701	701 669	-	1 035 881	(3 481 151)
Community service	483 553	-	-	-	(483 553)
Nondepartmental	1 208 895	-	-	-	(1 208 895)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 12 839 407	\$ 2 221 085	\$ 220 853	\$ 1 035 881	(9 361 588)
General Revenues:					
Taxes:					
Property taxes					7 830 696
Other tax revenue					1 251 712
Unrestricted investment earnings					14 587
Other unrestricted revenue					248 604
TOTAL GENERAL REVENUES					9 345 599
CHANGE IN NET POSITION					(15 989)
Net position, beginning					17 062 200
Prior period adjustment					920
NET POSITION, BEGINNING, RESTATED					17 063 120
NET POSITION, ENDING					\$ 17 047 131

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

SHELBY COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2016

	GENERAL	NON-MAJOR GOVERNMENTAL	TOTAL
ASSETS			
Cash and investments	\$ 5 212 445	\$ 3 628 704	\$ 8 841 149
Property tax receivable (net)	754 066	737 922	1 491 988
TOTAL ASSETS	\$ 5 966 511	\$ 4 366 626	\$ 10 333 137
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 21 178	\$ 282 275	\$ 303 453
Accrued liabilities	125 679	48 387	174 066
Unearned revenue	754 066	737 922	1 491 988
TOTAL LIABILITIES	900 923	1 068 584	1 969 507
Fund Balances:			
Restricted fund balance	-	3 298 042	3 298 042
Unassigned Reported in:			
General fund	5 065 588	-	5 065 588
TOTAL FUND BALANCES	5 065 588	3 298 042	8 363 630
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	\$ 5 966 511	\$ 4 366 626	
Capital assets are not recorded in funds, but are included in Statement of Net Position			7 068 292
Pension liability and accrued compensated absences is not included in the funds, but are included in Statement of Net Position			(912 207)
Deferred outflows are not included in funds, but are included in Statement of Net Position			1 276 921
Deferred inflows are not included in funds, but are included in Statement of Net Position			(241 493)
Unavailable property taxes are included in funds, but are not recognized in the Statement of Net Position			1 491 988
TOTAL NET POSITION			\$ 17 047 131

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, 2016

	GENERAL	NON-MAJOR FUNDS	TOTAL
Revenues:			
Property taxes	\$ 5 153 049	\$ 2 596 907	\$ 7 749 956
Other taxes	6 269	1 245 443	1 251 712
Fines and fees	556 349	1 158 110	1 714 459
Interest	14 515	72	14 587
Charges for services	429 969	60 732	490 701
Grant and donations	36 961	973 141	1 010 102
Miscellaneous	216 285	307 116	523 401
TOTAL REVENUES	6 413 397	6 341 521	12 754 918
Expenditures:			
General administration	1 398 092	199 592	1 597 684
Judicial	783 059	305 253	1 088 312
Law enforcement and corrections	2 760 732	211 162	2 971 894
Streets and bridges	-	5 450 085	5 450 085
Community service	-	447 512	447 512
Non-departmental	1 106 157	-	1 106 157
TOTAL EXPENDITURES	6 048 040	6 613 604	12 661 644
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	365 357	(272 083)	93 274
Other Financing Sources (Uses):			
Transfers in (out)	(48 322)	48 322	-
TOTAL OTHER FINANCING SOURCES	(48 322)	48 322	-
NET CHANGE IN FUND BALANCES	317 035	(223 761)	93 274
Fund balances, beginning	4 748 553	3 520 883	8 269 436
Prior period adjustment	-	920	920
FUND BALANCES, BEGINNING (RESTATED)	4 748 553	3 521 803	8 270 356
FUND BALANCES, ENDING	\$ 5 065 588	\$ 3 298 042	\$ 8 363 630

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, 2016

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

Net change in fund balances - Total governmental funds.	\$	93 274
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 capital outlay exceeded depreciation expenditures expense.		(122 906)
Governmental funds expense accrued compensated absence and pension liabilities as the payments are made, while government wide statements record the future liabilities.		(67 097)
Governmental funds defer property taxes until collection, while government wide funds statements recognize the revenue.		<u>80 740</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(15 989)</u>

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

SHELBY COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2016

	<u>COMBINED FIDUCIARY FUNDS</u>
Assets:	
Cash and cash equivalent	\$ 3 499 823
TOTAL ASSETS	<u>\$ 3 499 823</u>
Liabilities:	
Due to others	\$ 3 499 823
TOTAL LIABILITIES	<u>\$ 3 499 823</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, 2016

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 position 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.

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 meet criteria as a major governmental fund.

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities and Net Position 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 2016. 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
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

ASSETS	YEARS
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 position.

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

"Fund Balance Reporting and Governmental Fund Type Definitions" provide 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
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2016

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.

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).

8. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 one or more future periods and so will not be recognized as an inflows of resources (revenue) until that time.

II. DEPOSIT, INVESTMENTS AND INVESTMENT POLICIES

Deposits

At September 30, the carrying amount of the County's deposits totaled \$12,340,972, 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.

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.

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2016

III. PROPERTY TAXES AND OTHER RECEIVABLES - CONTINUED

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

Property Taxes Receivable:	
General fund	\$ 754 066
Special revenue fund	<u>737 922</u>
TOTAL UNAVAILABLE REVENUE	<u>\$ 1 491 988</u>

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 are as follows:

	GENERAL	SPECIAL REVENUE	TOTAL
Receivables:			
Taxes	\$ 887 137	\$ 868 142	\$ 1 755 279
Less: Allowances for uncollectibles	<u>(133 071)</u>	<u>(130 220)</u>	<u>(263 291)</u>
NET RECEIVABLES	<u>\$ 754 066</u>	<u>\$ 737 922</u>	<u>\$ 1 491 988</u>

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	ADDITIONS	DELETIONS	BALANCE 09/30
Governmental Activities:				
Land	\$ 373 550	\$ -	\$ -	\$ 373 550
Infrastructure	16 298 039	-	-	16 298 039
Buildings and improvements	3 795 622	103 310	-	3 898 932
Vehicles and equipment	7 246 096	702 317	(256 069)	7 692 344
Accumulated depreciation	<u>(20 522 109)</u>	<u>(895 364)</u>	<u>222 900</u>	<u>(21 194 573)</u>
TOTAL ASSETS	<u>\$ 7 191 198</u>	<u>\$ (89 737)</u>	<u>\$ (33 169)</u>	<u>\$ 7 068 292</u>

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

General administration	\$ 107 542
Judicial	64 578
Law enforcement and corrections	227 111
Streets and bridges	367 091
Community service	33 512
Non-departmental	95 530
	<u>\$ 895 364</u>

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2016

V. RETIREMENT PLAN

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service 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 their employer.

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

Actuarial Assumptions

Following are the key assumptions and methods used in this GASB analysis.

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Asset Valuation Method	5 year smoothed market
Inflation	Same as funding valuation
Salary Increases	Same as funding valuation
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Same as funding valuation
Turnover	Same as funding valuation
Mortality	Same as funding valuation

(1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2016

V. RETIREMENT PLAN - CONTINUED

Actuarial Methods and Assumptions Used for Funding Valuation:

Following is a description of the assumptions used in the December 31, 2015 actuarial valuation analysis for Shelby County. This information may also be found in the Shelby County December 31, 2015 Summary Valuation Report.

Economic Assumptions:

TCDRS System-Wide Economic Assumptions:

Real rate of return	5.0%
Inflation	3.0%
Long-term investment return	8.0%

The long-term investment return of 8% is net of investment expenses and is expected to enable the system to credit interest at the nominal annual rates shown below to the following major funds:

Subdivision Accumulation Fund	9%
Employees Saving Fund	7%
Current Service Annuity Reserve Fund	7%

Assuming interest will be credited at these nominal annual rates to the various funds, we have then assumed the following:

- An annual rate of 9% for calculating the actuarial accrued liability and normal cost contributions rate for the retirement plan of each participating employer.
- An annual rate of 7% required under the TCDRS Act for: (1) accumulating current service credit and multiple matching credit after the valuation date; (2) accumulating prior service credit after the valuation date; (3) determining the amount of the monthly benefit at future dates of retirement or disability; and (4) calculating the actuarial accrued liability of the system-wide Current Service Annuity Reserve Fund.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee. (See Table 1 for Merit Salary Increases.)

Employer-Specific Economic Assumptions:

Growth in membership	0.00%
Payroll growth	3.50%

The payroll growth assumption is for the aggregate covered payroll of an employer.

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2016

V. RETIREMENT PLAN - CONTINUED

Table 1
Merit Salary Increases*

Years of Service	Entry Age			
	Before 30	Ages 30-39	Ages 40-49	50 and Later
0	5.25%	4.75%	4.25%	3.75%
1	4.50%	4.00%	3.50%	3.00%
2	4.00%	3.50%	3.00%	2.50%
3	3.50%	3.00%	2.50%	2.00%
4	3.00%	2.50%	2.00%	1.50%
5	2.65%	2.15%	1.65%	1.15%
6	2.40%	1.90%	1.40%	0.90%
7	2.20%	1.70%	1.20%	0.70%
8	2.05%	1.55%	1.05%	0.55%
9	1.95%	1.45%	0.95%	0.45%
10	1.85%	1.35%	0.85%	0.40%
11	1.75%	1.25%	0.75%	0.40%
12	1.65%	1.15%	0.65%	0.40%
13	1.55%	1.05%	0.55%	0.40%
14	1.56%	0.95%	0.45%	0.40%
15	1.35%	0.90%	0.40%	0.40%
16	1.25%	0.85%	0.40%	0.40%
17	1.15%	0.80%	0.40%	0.40%
18	1.10%	0.75%	0.40%	0.40%
19	1.05%	0.70%	0.40%	0.40%
20	1.00%	0.65%	0.40%	0.40%
21	0.95%	0.60%	0.40%	0.40%
22	0.90%	0.55%	0.40%	0.40%
23	0.85%	0.50%	0.40%	0.40%
24	0.80%	0.45%	0.40%	0.40%
25	0.75%	0.40%	0.40%	0.40%
26	0.70%	0.40%	0.40%	0.40%
27	0.65%	0.40%	0.40%	0.40%
28	0.60%	0.40%	0.40%	0.40%
29	0.55%	0.40%	0.40%	0.40%
30 & Up	0.50%	0.40%	0.40%	0.40%

* These rates do not include the wage inflation rate of 3.5% per year. For example, a member who entered the system at age 20 and is in the first year of service is assumed to receive an 8.93% total annual increase in his salary. The 8.93% is a combination of the 5.25% merit increase and the 3.5% wage inflation. Note that the two components are compounded, so it is a slightly different result than just adding the two percentages.

Demographic Assumptions

TCDRS System-Wide Demographic Assumptions:

Replacement of Terminated Members - New employees are assumed to replace any terminated members and have similar entry ages.

Disability - The rates of disability used in this valuation are illustrated in Table 2. Members who become disabled are eligible to commence benefit payments regardless of age. Rates of disability are in a custom table based on TCDRS experience.

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2016

V. RETIREMENT PLAN - CONTINUED

Table 2
Annual Rates of Disability*

Age	Work Related Male and Female	All Other Causes Male and Female	Age	Work Related Male and Female	All Other Causes Male and Female
less than 25	0.000%	0.000%	43	0.005%	0.072%
25	0.000%	0.000%	44	0.005%	0.079%
26	0.000%	0.000%	45	0.006%	0.086%
27	0.000%	0.000%	46	0.006%	0.095%
28	0.000%	0.010%	47	0.007%	0.105%
29	0.000%	0.010%	48	0.007%	0.119%
30	0.000%	0.011%	49	0.008%	0.136%
31	0.000%	0.012%	50	0.009%	0.156%
32	0.000%	0.012%	51	0.009%	0.178%
33	0.000%	0.014%	52	0.010%	0.203%
34	0.000%	0.018%	53	0.011%	0.229%
35	0.001%	0.023%	54	0.012%	0.254%
36	0.001%	0.028%	55	0.014%	0.278%
37	0.001%	0.035%	56	0.016%	0.297%
38	0.002%	0.041%	57	0.018%	0.312%
39	0.002%	0.047%	58	0.022%	0.325%
40	0.003%	0.053%	59	0.024%	0.337%
41	0.004%	0.059%	60 & Above	0.000%	0.000%
42	0.004%	0.066%			

* The probability of disablement from all other causes is applicable for members who are vested but not eligible for service retirement. Before a member is vested, only the work related disability provisions are applicable.

Mortality

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA and then projected with 110% of the MP-2014 Ultimate Scale after that.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate Scale for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward.

Family Composition - For current retirees, beneficiary information is supplied by TCDRS. For purposes of calculating the Survivor Benefit for current depositing and non-depositing members, male members are assumed to have a female beneficiary who is three years younger. Female members are assumed to have a male beneficiary who is three years older.

Service Retirement - Members eligible for service retirement are assumed to retire at the rates shown in Table 3.

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2016

V. RETIREMENT PLAN - CONTINUED

Table 3
Annual Rates of Service Retirement*

Age	Male	Female	Age	Male	Female
40-44	4.5%	4.5%	62	25.0%	25.0%
45-40	9.0%	9.0%	63	16.0%	16.0%
50	10.0%	10.0%	64	16.0%	16.0%
51	10.0%	10.0%	65	30.0%	30.0%
52	10.5%	10.5%	66	25.0%	25.0%
53	10.5%	10.5%	67	24.0%	24.0%
54	10.5%	10.5%	68	22.0%	22.0%
55	11.0%	11.0%	69	22.0%	22.0%
56	11.0%	11.0%	70	22.0%	22.0%
57	11.0%	11.0%	71	22.0%	22.0%
58	12.0%	12.0%	72	22.0%	22.0%
59	12.0%	12.0%	73	22.0%	22.0%
60	14.0%	14.0%	74**	22.0%	22.0%
61	12.0%	12.0%			

* Deferred members are assumed to retire (100% probability) at the later of:

- a) age 60
- b) earliest retirement eligibility.

** For all eligible members ages 75 and later, retirement is assumed to occur immediately.

Table 4
Annual Rates of Termination

Years of Service	Entry Age 20		Entry Age 30		Entry Age 40		Entry Age 50	
	Male	Female	Male	Female	Male	Female	Male	Female
0	36.4%	39.5%	30.1%	32.6%	27.0%	29.2%	23.8%	25.7%
1	24.3%	26.3%	20.1%	21.7%	18.0%	19.5%	15.8%	17.2%
2	18.2%	19.7%	15.1%	16.3%	13.5%	14.6%	11.9%	12.9%
3	14.6%	15.8%	12.0%	13.1%	10.8%	11.7%	9.5%	10.3%
4	12.1%	13.2%	10.0%	10.9%	9.0%	9.7%	7.9%	8.6%
5	10.3%	11.2%	8.5%	9.2%	7.6%	8.3%	6.7%	7.3%
6	8.5%	9.2%	7.0%	7.6%	6.3%	6.8%	5.5%	6.0%
7	7.3%	7.9%	6.0%	6.5%	5.4%	5.8%	4.8%	5.2%
8	6.7%	7.2%	5.5%	6.0%	4.9%	5.4%	4.4%	4.7%
9	6.1%	6.6%	5.0%	5.4%	4.5%	4.9%	4.0%	4.3%
10	5.5%	5.9%	4.5%	4.9%	4.0%	4.3%	3.6%	3.9%
11	4.9%	5.3%	4.0%	4.4%	3.6%	3.9%	3.2%	3.4%
12	4.4%	4.7%	3.6%	3.9%	3.2%	3.5%	2.9%	3.1%
13	3.9%	4.2%	3.2%	3.5%	2.9%	3.1%	2.5%	2.8%
14	3.4%	3.7%	2.8%	3.1%	2.5%	2.7%	2.2%	2.4%
15	2.9%	3.2%	2.4%	2.6%	2.2%	2.3%	1.9%	2.1%
16	2.6%	2.8%	2.1%	2.3%	1.9%	2.1%	1.7%	1.8%
17	2.2%	2.4%	1.8%	2.0%	1.6%	1.8%	1.4%	1.5%
18	2.0%	2.1%	1.6%	1.7%	1.4%	1.6%	1.3%	1.4%
19	1.8%	2.0%	1.5%	1.6%	1.3%	1.5%	1.2%	1.3%
20	1.8%	2.0%	1.5%	1.6%	1.3%	1.5%	1.2%	1.3%
21	1.6%	1.8%	1.4%	1.5%	1.2%	1.3%	1.1%	1.2%
22	1.5%	1.6%	1.2%	1.3%	1.1%	1.2%	1.0%	1.0%
23	1.3%	1.4%	1.1%	1.1%	1.0%	1.0%	0.8%	0.9%
24	1.1%	1.2%	0.9%	1.0%	0.8%	0.9%	0.7%	0.8%
25	1.0%	1.1%	0.8%	0.9%	0.7%	0.8%	0.6%	0.7%
26	0.9%	0.9%	0.7%	0.8%	0.6%	0.7%	0.6%	0.6%
27	0.7%	0.8%	0.6%	0.7%	0.5%	0.6%	0.5%	0.5%
28	0.6%	0.7%	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%
29	0.5%	0.5%	0.4%	0.4%	0.4%	0.4%	0.3%	0.3%
30 & Later	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2016

V. RETIREMENT PLAN - CONTINUED

Withdrawals - Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to the plan are shown in Table 5. For non-depositing members who are not vested, 100% are assumed to elect a withdrawal.

**Table 5
Probability of Withdrawal**

Years of Service	Probability	Years of Service	Probability
0	100%	15	40%
1	100%	16	38%
2	100%	17	36%
3	100%	18	34%
4	100%	19	32%
5	100%	20	30%
6	100%	21	28%
7	100%	22	26%
8	50%	23	24%
9	49%	24	22%
10	48%	25	20%
11	47%	26	15%
12	46%	27	10%
13	44%	28*	5%
14	42%		

* Members with more than 28 years of service are not assumed to refund.

Long-Term Expected Rate of Return

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

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

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity Capital Index ⁽³⁾	14.00%	8.45%
Global Equities	MSCI World (net) Index	1.50%	5.75%
International Equities - Developed	50% MSCI World Ex USA (net) + 50% MSCI USA 100% Hedged to USD (net) Index	10.00%	5.45%
International Equities - Emerging	50% MSCI EM Standard (net) Index + 50% EM 100% Hedged to USD (net) Index	8.00%	6.45%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%

(1) Target asset allocation adopted at the April 2016 TCDRS Board meeting.

(2) Geometric real rates of return in addition to assumed inflation of 1.6%, per Cliffwater's 2015 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

V. RETIREMENT PLAN - CONTINUED

Depletion of Plan Assets / GASB Discount Rate

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

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plans fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

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

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

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

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

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2016

V. RETIREMENT PLAN - CONTINUED

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

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

Sensitivity Analysis

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 14 799 946	\$ 13 210 418	\$ 11 883 407
Fiduciary net position	\$ 12 298 750	\$ 12 298 749	\$ 12 298 750
Net pension liability/(asset)	\$ 2 501 196	\$ 911 669	\$ (415 343)

Changes in Net Pension Liability

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2014	\$ 12 693 417	\$ 12 476 633	\$ 216 784
Changes for the Year:			
Service cost	487 702	-	487 702
Interest on total pension liability ⁽¹⁾	1 020 941	-	1 020 941
Effect of plan changes	(88 405)	-	(88 405)
Effect of economic/demographic gains or losses	(321 991)	-	(321 991)
Effect of assumptions changes or inputs	138 045	-	138 045
Refund of contributions	(40 796)	(40 796)	-
Benefit payments	(678 495)	(678 495)	-
Administrative expenses	-	(8 908)	8 908
Member contributions	-	308 006	(308 006)
Net investment income	-	9 855	(9 855)
Employer contributions	-	367 665	(367 665)
Other ⁽²⁾	-	(135 211)	135 211
Balances as of December 31, 2015	\$ 13 210 418	\$ 12 298 749	\$ 911 669

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

(2) Relates to allocation of system-wide items.

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2016

V. RETIREMENT PLAN - CONTINUED

Pension Expense and Deferred Inflows/Outflows

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

Deferred Inflows/ Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 241 493	\$ 9 527
Change of assumptions	-	103 534
Net difference between projected and actual earnings	-	896 418
Contributions made subsequent to measurement date	-	267 442
	\$ 241 493	\$ 1 276 921

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

Year Ended December 31,	
2016	\$ 190 770
2017	\$ 190 770
2018	\$ 186 006
2019	\$ 200 440
2020	\$ -
Thereafter	\$ -

VI. 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.

VII. 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 position of the County.

VIII. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 8, 2017, the date the financial statements were available to be issued.

IX. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made for \$920 in the Sheriff Federal Seizure Fund to adjust for unspent funds in the prior year.

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, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 5 174 554	\$ 5 174 554	\$ 5 153 049	\$ (21 505)
Other taxes	6 500	6 500	6 269	(231)
Fines	275 000	275 000	278 638	3 638
Fees of office	240 000	240 000	277 711	37 711
Interest	25 000	25 000	14 515	(10 485)
Grants	33 000	33 000	36 961	3 961
Commissions	430 000	430 000	429 969	(31)
Miscellaneous	181 900	181 900	216 285	34 385
TOTAL REVENUES	<u>6 365 954</u>	<u>6 365 954</u>	<u>6 413 397</u>	<u>47 443</u>
Expenditures:				
General Administration Expenditures:				
County Agents:				
Payroll expense	69 385	69 385	69 103	282
Operating expense	26 060	26 060	23 857	2 203
TOTAL COUNTY AGENTS	<u>95 445</u>	<u>95 445</u>	<u>92 960</u>	<u>2 485</u>
County Auditor:				
Payroll expense	126 481	126 481	124 952	1 529
Operating expense	14 600	14 600	7 283	7 317
TOTAL COUNTY AUDITOR	<u>141 081</u>	<u>141 081</u>	<u>132 235</u>	<u>8 846</u>
County Clerk:				
Payroll expense	178 174	171 402	167 079	4 323
Operating expense	61 900	68 672	67 891	781
TOTAL COUNTY CLERK	<u>240 074</u>	<u>240 074</u>	<u>234 970</u>	<u>5 104</u>
County Clerk Election Deputy:				
Payroll expense	34 446	35 112	34 480	632
Operating expense	40 554	39 888	31 048	8 840
TOTAL COUNTY CLERK ELECTION DEPUTY	<u>75 000</u>	<u>75 000</u>	<u>65 528</u>	<u>9 472</u>
County Judge:				
Payroll expense	102 125	102 216	102 445	(229)
Operating expense	17 850	17 759	7 385	10 374
TOTAL COUNTY JUDGE	<u>119 975</u>	<u>119 975</u>	<u>109 830</u>	<u>10 145</u>
District Clerk:				
Payroll expense	204 159	204 159	191 377	12 782
Operating expense	56 200	56 200	54 508	1 692
TOTAL DISTRICT CLERK	<u>260 359</u>	<u>260 359</u>	<u>245 885</u>	<u>14 474</u>
Courthouse Manager:				
Payroll expense	20 167	20 167	7 946	12 221
Operating expense	32 700	32 700	38 895	(6 195)
TOTAL COURTHOUSE MANAGER	<u>52 867</u>	<u>52 867</u>	<u>46 841</u>	<u>6 026</u>
Tax Assessor Collector:				
Payroll expense	263 135	263 135	254 533	8 602
Operating expense	61 200	61 200	55 328	5 872
TOTAL TAX ASSESSOR COLLECTOR	<u>324 335</u>	<u>324 335</u>	<u>309 861</u>	<u>14 474</u>
County Treasurer:				
Payroll expense	96 948	96 948	96 050	898
Operating expense	8 950	8 950	8 446	504
TOTAL COUNTY TREASURER	<u>105 898</u>	<u>105 898</u>	<u>104 496</u>	<u>1 402</u>
Commissioner Secretary:				
Payroll expense	32 632	32 632	31 630	1 002
Operating expense	4 500	4 500	969	3 531
TOTAL COMMISSIONER SECRETARY	<u>37 132</u>	<u>37 132</u>	<u>32 599</u>	<u>4 533</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, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Veterans Officer:				
Payroll expense	14 348	21 494	22 004	(510)
Operating expense	4 500	945	883	62
TOTAL VETERANS OFFICER	<u>18 848</u>	<u>22 439</u>	<u>22 887</u>	<u>(448)</u>
TOTAL GENERAL ADMINISTRATION	<u>1 471 014</u>	<u>1 474 605</u>	<u>1 398 092</u>	<u>76 513</u>
Judicial Expenditures:				
County Attorney:				
Payroll expense	235 601	233 869	234 495	(626)
Operating expense	13 750	15 482	15 483	(1)
TOTAL COUNTY ATTORNEY	<u>249 351</u>	<u>249 351</u>	<u>249 978</u>	<u>(627)</u>
District Attorney:				
Payroll expense	138 379	138 379	127 841	10 538
Operating expense	88 800	88 800	78 999	9 801
TOTAL DISTRICT ATTORNEY	<u>227 179</u>	<u>227 179</u>	<u>206 840</u>	<u>20 339</u>
District Judges:				
Payroll expense	50 521	50 521	50 135	386
Operating expense	10 000	10 000	5 671	4 329
TOTAL DISTRICT JUDGES	<u>60 521</u>	<u>60 521</u>	<u>55 806</u>	<u>4 715</u>
Justice of the Peace #1:				
Payroll expense	84 519	81 645	82 153	(508)
Operating expense	7 250	10 287	10 287	-
TOTAL JUSTICE OF THE PEACE #1	<u>91 769</u>	<u>91 932</u>	<u>92 440</u>	<u>(508)</u>
Justice of the Peace #2:				
Payroll expense	37 605	37 034	37 236	(202)
Operating expense	2 860	8 917	8 917	-
TOTAL JUSTICE OF THE PEACE #2	<u>40 465</u>	<u>45 951</u>	<u>46 153</u>	<u>(202)</u>
Justice of the Peace #3:				
Payroll expense	33 274	33 245	33 464	(219)
Operating expense	6 250	6 339	6 339	-
TOTAL JUSTICE OF THE PEACE #3	<u>39 524</u>	<u>39 584</u>	<u>39 803</u>	<u>(219)</u>
Justice of the Peace #4:				
Payroll expense	38 350	37 780	37 988	(208)
Operating expense	3 910	5 845	5 846	(1)
TOTAL JUSTICE OF THE PEACE #4	<u>42 260</u>	<u>43 625</u>	<u>43 834</u>	<u>(209)</u>
Justice of the Peace #5:				
Payroll expense	40 090	39 518	39 737	(219)
Operating expense	5 410	8 482	8 468	14
TOTAL JUSTICE OF THE PEACE #5	<u>45 500</u>	<u>48 000</u>	<u>48 205</u>	<u>(205)</u>
TOTAL JUDICIAL EXPENDITURES	<u>796 569</u>	<u>806 143</u>	<u>783 059</u>	<u>23 084</u>
Law Enforcement and Corrections				
Expenditures:				
Constable Pct #1:				
Payroll expense	57 568	57 568	57 218	350
Operating expense	8 700	8 700	7 163	1 537
TOTAL CONSTABLE PCT #1	<u>66 268</u>	<u>66 268</u>	<u>64 381</u>	<u>1 887</u>
Constable Pct #2:				
Payroll expense	57 568	57 568	57 217	351
Operating expense	8 700	8 700	6 451	2 249
TOTAL CONSTABLE PCT #2	<u>66 268</u>	<u>66 268</u>	<u>63 668</u>	<u>2 600</u>
Constable Pct #3:				
Payroll expense	57 568	57 568	57 218	350
Operating expense	8 700	8 700	3 412	5 288
TOTAL CONSTABLE PCT #3	<u>66 268</u>	<u>66 268</u>	<u>60 630</u>	<u>5 638</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, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Constable Pct #4:				
Payroll expense	57 568	57 568	57 218	350
Operating expense	11 800	11 800	7 611	4 189
TOTAL CONSTABLE PCT #4	<u>69 368</u>	<u>69 368</u>	<u>64 829</u>	<u>4 539</u>
Constable Pct #5:				
Payroll expense	57 568	57 568	41 487	16 081
Operating expense	8 800	8 800	2 843	5 957
TOTAL CONSTABLE PCT #5	<u>66 368</u>	<u>66 368</u>	<u>44 330</u>	<u>22 038</u>
DPS Secretary:				
Payroll expense	51 240	51 240	48 315	2 925
Operating expense	6 000	6 000	5 965	35
TOTAL DPS SECRETARY	<u>57 240</u>	<u>57 240</u>	<u>54 280</u>	<u>2 960</u>
County Sheriff:				
Payroll expense	1 941 256	1 941 256	1 851 207	90 049
Operating expense	539 150	539 150	499 968	39 182
TOTAL COUNTY SHERIFF	<u>2 480 406</u>	<u>2 480 406</u>	<u>2 351 175</u>	<u>129 231</u>
Adult Probation:				
Operating expense	23 000	23 000	22 890	110
TOTAL ADULT PROBATION	<u>23 000</u>	<u>23 000</u>	<u>22 890</u>	<u>110</u>
Juvenile Probation:				
Payroll expense	-	-	3 157	(3 157)
Operating expense	40 015	40 015	31 392	8 623
TOTAL JUVENILE PROBATION	<u>40 015</u>	<u>40 015</u>	<u>34 549</u>	<u>5 466</u>
TOTAL LAW ENFORCEMENT AND CORRECTIONS EXPENDITURES	<u>2 935 201</u>	<u>2 935 201</u>	<u>2 760 732</u>	<u>174 469</u>
Non-departmental expenditures	1 372 813	1 359 648	1 106 157	253 491
TOTAL EXPENDITURES	<u>6 575 597</u>	<u>6 575 597</u>	<u>6 048 040</u>	<u>527 557</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(209 643)</u>	<u>(209 643)</u>	<u>365 357</u>	<u>575 000</u>
Other Financing Sources (Uses):				
Transfers in (out)	-	-	(48 322)	(48 322)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(48 222)</u>	<u>(48 322)</u>
NET CHANGE IN FUND BALANCES	(209 643)	(209 643)	317 035	526 678
Fund balances, beginning	4 748 553	4 748 553	4 748 553	-
FUND BALANCES, ENDING	<u>\$ 4 538 910</u>	<u>\$ 4 538 910</u>	<u>\$ 5 065 588</u>	<u>\$ 526 678</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, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 471 231	\$ 471 231	\$ 480 975	\$ 9 744
Other taxes	284 024	284 024	288 353	4 329
Fines and fees	184 500	184 500	175 411	(9 089)
Miscellaneous	75 000	75 000	61 658	(13 342)
TOTAL REVENUES	<u>1 014 755</u>	<u>1 014 755</u>	<u>1 006 397</u>	<u>(8 358)</u>
Expenditures:				
Payroll expense	366 071	398 743	401 542	(2 799)
Operating expense	848 684	816 011	836 342	(20 331)
TOTAL EXPENDITURES	<u>1 214 755</u>	<u>1 214 754</u>	<u>1 237 884</u>	<u>(23 130)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(200 000)</u>	<u>(199 999)</u>	<u>(231 487)</u>	<u>(31 488)</u>
Other Financing Sources (Uses):				
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(200 000)	(199 999)	(231 487)	(31 488)
Fund balances, beginning	<u>409 829</u>	<u>409 829</u>	<u>409 829</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 209 829</u>	<u>\$ 209 830</u>	<u>\$ 178 342</u>	<u>\$ (31 488)</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, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 471 231	\$ 471 231	\$ 480 975	\$ 9 744
Other taxes	284 024	284 024	288 353	4 329
Fines and fees	184 500	184 500	175 411	(9 089)
Miscellaneous	75 000	75 000	71 882	(3 118)
TOTAL REVENUES	<u>1 014 755</u>	<u>1 014 755</u>	<u>1 016 621</u>	<u>1 866</u>
Expenditures:				
Payroll expense	383 511	383 511	357 262	26 249
Operating expense	831 244	831 244	721 955	109 289
TOTAL EXPENDITURES	<u>1 214 755</u>	<u>1 214 755</u>	<u>1 079 217</u>	<u>135 538</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(200 000)</u>	<u>(200 000)</u>	<u>(62 596)</u>	<u>137 404</u>
Other Financing Sources (Uses):				
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(200 000)	(200 000)	(62 596)	137 404
Fund balances, beginning	<u>352 176</u>	<u>352 176</u>	<u>352 176</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 152 176</u>	<u>\$ 152 176</u>	<u>\$ 289 580</u>	<u>\$ 137 404</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, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 471 231	\$ 471 231	\$ 480 975	\$ 9 744
Other taxes	284 024	284 024	288 352	4 328
Fines and fees	184 500	184 500	175 411	(9 089)
Miscellaneous	75 000	75 000	66 595	(8 405)
TOTAL REVENUES	<u>1 014 755</u>	<u>1 014 755</u>	<u>1 011 333</u>	<u>(3 422)</u>
Expenditures:				
Payroll expense	407 774	430 723	433 259	(2 536)
Operating expense	806 981	784 031	695 946	88 085
TOTAL EXPENDITURES	<u>1 214 755</u>	<u>1 214 754</u>	<u>1 129 205</u>	<u>85 549</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(200 000)</u>	<u>(199 999)</u>	<u>(117 872)</u>	<u>82 127</u>
Other Financing Sources (Uses):				
Transfers in (out)	-	50 000	-	(50 000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>50 000</u>	<u>-</u>	<u>(50 000)</u>
NET CHANGE IN FUND BALANCES	(200 000)	(149 999)	(117 872)	32 127
Fund balances, beginning	<u>337 835</u>	<u>337 835</u>	<u>337 835</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 137 835</u>	<u>\$ 187 836</u>	<u>\$ 219 963</u>	<u>\$ 32 127</u>

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, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 471 231	\$ 471 231	\$ 480 975	\$ 9 744
Other taxes	284 024	284 024	288 352	4 328
Fines and fees	184 500	184 500	175 411	(9 089)
Miscellaneous	75 000	75 000	61 657	(13 343)
TOTAL REVENUES	<u>1 014 755</u>	<u>1 014 755</u>	<u>1 006 395</u>	<u>(8 360)</u>
Expenditures:				
Payroll expense	426 710	426 710	415 858	10 852
Operating expense	788 045	788 045	738 034	50 011
TOTAL EXPENDITURES	<u>1 214 755</u>	<u>1 214 755</u>	<u>1 153 892</u>	<u>60 863</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(200 000)</u>	<u>(200 000)</u>	<u>(147 497)</u>	<u>52 503</u>
Other Financing Sources (Uses):				
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(200 000)	(200 000)	(147 497)	52 503
Fund balances, beginning	<u>749 612</u>	<u>749 612</u>	<u>749 612</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 549 612</u>	<u>\$ 549 612</u>	<u>\$ 602 115</u>	<u>\$ 52 503</u>

See independent auditors' report.

SHELBY COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	2015	2014
Total Pension Liability:		
Service cost	\$ 487 702	\$ 463 927
Interest (on the total pension liability)	1 020 941	960 407
Changes of benefit terms	(88 405)	-
Difference between expected and actual experience	(321 991)	-
Change of assumptions	138 045	19 055
Benefit payments, including refunds of employee contributions	(719 291)	(744 305)
NET CHANGE IN TOTAL PENSION LIABILITY	517 001	699 084
Total pension liability - Beginning	12 693 417	11 994 333
TOTAL PENSION LIABILITY - ENDING	13 210 418	12 693 417
 Plan Fiduciary Net Position:		
Contributions - Employer	367 665	338 996
Contributions - Employee	308 006	266 626
Net investment income	9 855	802 479
Benefit payments, including refunds of employee contributions	(719 291)	(744 306)
Administrative	(8 908)	(9 351)
Other	(135 211)	20 185
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(177 884)	674 629
Plan fiduciary net position - Beginning	12 476 633	11 802 004
PLAN FIDUCIARY NET POSITION - ENDING	12 298 749	12 476 633
 NET PENSION LIABILITY - ENDING	\$ 911 669	\$ 216 784
 Plan fiduciary net position as a percentage of total pension liability	93.10%	98.29%
Covered employee payroll	\$ 4 285 142	\$ 3 808 942
Net pension liability as a percentage of covered employee payroll	21.28%	5.69%

Additional years will be provided as they become available.

See independent auditors' report.

SHELBY COUNTY, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS

YEAR ENDING DECEMBER 31,	ACTUARIALLY DETERMINED CONTRIBUTION	ACTUAL EMPLOYER CONTRIBUTION	CONTRIBUTION DEFICIENCY (EXCESS)	PENSIONABLE COVERED PAYROLL	ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL
2006	\$ 228 519	\$ 228 519	\$ -	\$ 3 255 259	7.0%
2007	\$ 260 498	\$ 260 498	\$ -	\$ 3 710 792	7.0%
2008	\$ 254 583	\$ 254 583	\$ -	\$ 3 782 802	6.7%
2009	\$ 261 693	\$ 261 693	\$ -	\$ 3 854 090	6.8%
2010	\$ 296 669	\$ 296 669	\$ -	\$ 3 888 187	7.6%
2011	\$ 301 686	\$ 301 686	\$ -	\$ 3 974 778	7.6%
2012	\$ 338 153	\$ 338 153	\$ -	\$ 4 195 441	8.1%
2013	\$ 338 577	\$ 338 577	\$ -	\$ 4 016 333	8.4%
2014	\$ 338 996	\$ 338 996	\$ -	\$ 3 808 942	8.9%
2015	\$ 367 665	\$ 367 665	\$ -	\$ 4 285 142	8.6%

See independent auditors' report.

COMBINING SCHEDULES

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET -
 SPECIAL REVENUE FUNDS
 September 30, 2016

	ROAD & BRIDGE #1	ROAD & BRIDGE #2	ROAD & BRIDGE #3	ROAD & BRIDGE #4
ASSETS				
Cash and investments	\$ 265 667	\$ 386 234	\$ 266 613	\$ 700 451
Property tax receivable (net)	161 156	161 156	161 157	161 157
TOTAL ASSETS	\$ 426 823	\$ 547 390	\$ 427 770	\$ 861 608
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 76 580	\$ 86 199	\$ 33 186	\$ 85 212
Accrued expense	10 745	10 455	13 464	13 124
Unearned revenue	161 156	161 156	161 157	161 157
TOTAL LIABILITIES	248 481	257 810	207 807	259 493
Fund Balances:				
Restricted fund balance	178 342	289 580	219 963	602 115
TOTAL FUND BALANCES	178 342	289 580	219 963	602 115
TOTAL LIABILITIES AND FUND BALANCES	\$ 426 823	\$ 547 390	\$ 427 770	\$ 861 608

See independent auditors' report.

HISTORIC COURTHOUSE FUND	COUNTY CLERK VITAL ARCHIVES FEE FUND	GENERAL RECORDS MANAGEMENT	SHERIFF OFFICE EDUCATION FUND	VEHICLE INVENTORY TAX FUND	SHERIFF COMMISSARY FUND
\$ 29 543	\$ 29 491	\$ 10 583	\$ 968	\$ 61 171	\$ 66 139
-	-	-	-	-	-
<u>\$ 29 543</u>	<u>\$ 29 491</u>	<u>\$ 10 583</u>	<u>\$ 968</u>	<u>\$ 61 171</u>	<u>\$ 66 139</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
29 543	29 491	10 583	968	61 171	66 139
<u>29 543</u>	<u>29 491</u>	<u>10 583</u>	<u>968</u>	<u>61 171</u>	<u>66 139</u>
<u>\$ 29 543</u>	<u>\$ 29 491</u>	<u>\$ 10 583</u>	<u>\$ 968</u>	<u>\$ 61 171</u>	<u>\$ 66 139</u>

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET -
 SPECIAL REVENUE FUNDS - CONTINUED
 September 30, 2016

	CONSTABLE #4 FORFEITURE FUND	DISTRICT ATTORNEY TRUSTEE	DISTRICT ATTORNEY FORFEITURE
ASSETS			
Cash and investments	\$ 3 460	\$ (3 937)	\$ 34
Property tax receivable (net)	-	-	-
TOTAL ASSETS	\$ 3 460	\$ (3 937)	\$ 34
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 52	\$ -
Accrued expense	-	-	-
Unearned revenue	-	-	-
TOTAL LIABILITIES	-	52	-
Fund Balances:			
Restricted fund balance	3 460	(3 989)	34
TOTAL FUND BALANCES	3 460	(3 989)	34
 TOTAL LIABILITIES AND FUND BALANCES	\$ 3 460	\$ (3 937)	\$ 34

See independent auditors' report.

COUNTY ATTORNEY FUND	ROAD GRANT	JUVENILE COURT TECH FUND	LEOSE CONSTABLES FUND	CHAPTER 19 VOTER REGISTRATION
\$ 11 338	\$ -	\$ 5 675	\$ 12 564	\$ -
-	-	-	-	-
<u>\$ 11 338</u>	<u>\$ -</u>	<u>\$ 5 675</u>	<u>\$ 12 564</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
11 338	-	5 675	12 564	-
<u>11 338</u>	<u>-</u>	<u>5 675</u>	<u>12 564</u>	<u>-</u>
<u>\$ 11 338</u>	<u>\$ -</u>	<u>\$ 5 675</u>	<u>\$ 12 564</u>	<u>\$ -</u>

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET -
 SPECIAL REVENUE FUNDS - CONTINUED
 September 30, 2016

	LAW LIBRARY FUND	DISTRICT CLERK RECORD MGMT FUND	COUNTY CLERK RECORD MGMT FUND	COURT- HOUSE SECURITY FUND
ASSETS				
Cash and investments	\$ 94 805	\$ 2 106	\$ 112 646	\$ 5 350
Property tax receivable (net)	-	-	-	-
TOTAL ASSETS	\$ 94 805	\$ 2 106	\$ 112 646	\$ 5 350
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 952	\$ -	\$ 83	\$ -
Accrued expense	-	-	-	22
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	952	-	83	22
 Fund Balances:				
Restricted fund balance	93 853	2 106	112 563	5 328
TOTAL FUND BALANCES	93 853	2 106	112 563	5 328
 TOTAL LIABILITIES AND FUND BALANCES	\$ 94 805	\$ 2 106	\$ 112 646	\$ 5 350

See independent auditors' report.

JURY FUND	RIGHT OF WAY FUND	INDIGENT HEALTH CARE FUND	COURT REPORTER SERVICE FUND	JUVENILE PROBATION FUND
\$ 23 990	\$ 356 346	\$ 625 728	\$ 1 549	\$ 14 725
11 454	9 788	72 054	-	-
<u>\$ 35 444</u>	<u>\$ 366 134</u>	<u>\$ 697 782</u>	<u>\$ 1 549</u>	<u>\$ 14 725</u>
\$ -	\$ -	\$ -	\$ -	\$ 11
-	-	577	-	-
11 454	9 788	72 054	-	-
<u>11 454</u>	<u>9 788</u>	<u>72 631</u>	<u>-</u>	<u>11</u>
23 990	356 346	625 151	1 549	14 714
<u>23 990</u>	<u>356 346</u>	<u>625 151</u>	<u>1 549</u>	<u>14 714</u>
<u>\$ 35 444</u>	<u>\$ 366 134</u>	<u>\$ 697 782</u>	<u>\$ 1 549</u>	<u>\$ 14 725</u>

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET -
 SPECIAL REVENUE FUNDS - CONTINUED
 September 30, 2016

	<u>JUVENILE TITLE IV E FUND</u>	<u>SHERIFF FEDERAL SEIZURE</u>	<u>GRANT FUND</u>	<u>SHERIFF LOCAL FORFEITURE</u>
ASSETS				
Cash and investments	\$ -	\$ 3 460	\$ (5 250)	\$ 8 453
Property tax receivable (net)	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 3 460</u>	<u>\$ (5 250)</u>	<u>\$ 8 453</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expense	-	-	-	-
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balances:				
Restricted fund balance	-	3 460	(5 250)	8 453
TOTAL FUND BALANCES	<u>-</u>	<u>3 460</u>	<u>(5 250)</u>	<u>8 453</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ -</u>	 <u>\$ 3 460</u>	 <u>\$ (5 250)</u>	 <u>\$ 8 453</u>

See independent auditors' report.

COUNTY COURT RECORDS TECH FUND	DISTRICT COURT RECORDS TECH FUND	APPELLATE JUDICIAL FEE COUNTY CLERK	APPELLATE JUDICIAL FEE DISTRICT CLERK	RECORDS ARCHIVE FEE COUNTY CLERK
\$ 27 615	\$ 3 791	\$ 110	\$ 420	\$ 144 253
-	-	-	-	-
<u>\$ 27 615</u>	<u>\$ 3 791</u>	<u>\$ 110</u>	<u>\$ 420</u>	<u>\$ 144 253</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
27 615	3 791	110	420	144 253
<u>27 615</u>	<u>3 791</u>	<u>110</u>	<u>420</u>	<u>144 253</u>
<u>\$ 27 615</u>	<u>\$ 3 791</u>	<u>\$ 110</u>	<u>\$ 420</u>	<u>\$ 144 253</u>

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET -
 SPECIAL REVENUE FUNDS - CONTINUED
 September 30, 2016

	<u>RECORDS ARCHIVE FEE DISTRICT CLERK</u>	<u>JP COURT SECURITY FUND</u>	<u>GUARDIANSHIP FUND</u>
ASSETS			
Cash and investments	\$ 71 260	\$ 21 628	\$ 12 416
Property tax receivable (net)	-	-	-
TOTAL ASSETS	<u>\$ 71 260</u>	<u>\$ 21 628</u>	<u>\$ 12 416</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued expense	-	-	-
Unearned revenue	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted fund balance	<u>71 260</u>	<u>21 628</u>	<u>12 416</u>
TOTAL FUND BALANCES	<u>71 260</u>	<u>21 628</u>	<u>12 416</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 71 260</u>	 <u>\$ 21 628</u>	 <u>\$ 12 416</u>

See independent auditors' report.

DISTRICT ATTORNEY SEIZURE FUND		DISTRICT ATTORNEY FORFEITURE FUND		DISTRICT ATTORNEY FORFEITURE FUNDS	TOTAL SPECIAL REVENUE FUNDS
NON-TRAFFIC	TRAFFIC	NON-TRAFFIC	TRAFFIC		
\$ 237 393	\$ -	\$ 5 992	\$ 3 431	\$ 10 493	\$ 3 628 704
-	-	-	-	-	737 922
<u>\$ 237 393</u>	<u>\$ -</u>	<u>\$ 5 992</u>	<u>\$ 3 431</u>	<u>\$ 10 493</u>	<u>\$ 4 366 626</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ 282 275
-	-	-	-	-	48 387
-	-	-	-	-	737 922
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 068 584</u>

<u>237 393</u>	<u>-</u>	<u>5 992</u>	<u>3 431</u>	<u>10 493</u>	<u>3 298 042</u>
<u>237 393</u>	<u>-</u>	<u>5 992</u>	<u>3 431</u>	<u>10 493</u>	<u>3 298 042</u>

<u>\$ 237 393</u>	<u>\$ -</u>	<u>\$ 5 992</u>	<u>\$ 3 431</u>	<u>\$ 10 493</u>	<u>\$ 4 366 626</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, 2016

	<u>ROAD & BRIDGE #1</u>	<u>ROAD & BRIDGE #2</u>	<u>ROAD & BRIDGE #3</u>	<u>ROAD & BRIDGE #4</u>
Revenues:				
Property taxes	\$ 480 975	\$ 480 975	\$ 480 975	\$ 480 975
Other taxes	288 353	288 353	288 352	288 352
Fines and fees	175 411	175 411	175 411	175 411
Charges for services	-	-	-	-
Grants and contributions	-	-	-	-
Interest	-	-	-	-
Miscellaneous income	<u>61 658</u>	<u>71 882</u>	<u>66 595</u>	<u>61 657</u>
TOTAL REVENUES	<u>1 006 397</u>	<u>1 016 621</u>	<u>1 011 333</u>	<u>1 006 395</u>
Expenditures:				
Payroll expense	401 542	357 262	433 259	415 858
Operating expense	<u>836 342</u>	<u>721 955</u>	<u>695 946</u>	<u>738 034</u>
TOTAL EXPENDITURES	<u>1 237 884</u>	<u>1 079 217</u>	<u>1 129 205</u>	<u>1 153 892</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(231 487)</u>	<u>(62 596)</u>	<u>(117 872)</u>	<u>(147 497)</u>
Other Financing Sources (Uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(231 487)</u>	<u>(62 596)</u>	<u>(117 872)</u>	<u>(147 497)</u>
Fund balances, beginning	409 829	352 176	337 835	749 612
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, BEGINNING (RESTATED)	<u>409 829</u>	<u>352 176</u>	<u>337 835</u>	<u>749 612</u>
FUND BALANCES ENDING	<u>\$ 178 342</u>	<u>\$ 289 580</u>	<u>\$ 219 963</u>	<u>\$ 602 115</u>

See independent auditors' report.

HISTORIC COURTHOUSE FUND	COUNTY CLERK VITAL ARCHIVES FEE FUND	GENERAL RECORDS MANAGEMENT	SHERIFF OFFICE EDUCATION FUND	VEHICLE INVENTORY TAX FUND	SHERIFF COMMISSARY FUND
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	92 033	-
-	1 541	6 553	-	-	-
-	-	-	-	-	60 732
27 665	-	-	2 611	-	-
-	-	-	-	51	-
-	-	-	-	-	-
<u>27 665</u>	<u>1 541</u>	<u>6 553</u>	<u>2 611</u>	<u>92 084</u>	<u>60 732</u>
-	-	-	-	-	-
-	3 305	5 823	4 067	97 348	53 119
-	<u>3 305</u>	<u>5 823</u>	<u>4 067</u>	<u>97 348</u>	<u>53 119</u>
<u>27 665</u>	<u>(1 764)</u>	<u>730</u>	<u>(1 456)</u>	<u>(5 264)</u>	<u>7 613</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>27 665</u>	<u>(1 764)</u>	<u>730</u>	<u>(1 456)</u>	<u>(5 264)</u>	<u>7 613</u>
1 878	31 255	9 853	2 424	66 435	58 526
-	-	-	-	-	-
<u>1 878</u>	<u>31 255</u>	<u>9 853</u>	<u>2 424</u>	<u>66 435</u>	<u>58 526</u>
\$ <u>29 543</u>	\$ <u>29 491</u>	\$ <u>10 583</u>	\$ <u>968</u>	\$ <u>61 171</u>	\$ <u>66 139</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended September 30, 2016

	<u>CONSTABLE #4 FORFEITURE FUND</u>	<u>DISTRICT ATTORNEY TRUSTEE</u>	<u>DISTRICT ATTORNEY FORFEITURE</u>
Revenues:			
Property taxes	\$ -	\$ -	\$ -
Other taxes	-	-	-
Fines and fees	-	-	-
Charges for services	-	-	-
Grants and contributions	-	-	-
Interest	-	-	-
Miscellaneous income	-	28 165	-
TOTAL REVENUES	<u>-</u>	<u>28 165</u>	<u>-</u>
Expenditures:			
Payroll expense	-	25 372	-
Operating expense	65	7 028	-
TOTAL EXPENDITURES	<u>65</u>	<u>32 400</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(65)</u>	<u>(4 235)</u>	<u>-</u>
Other Financing Sources (Uses):			
Transfers in	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(65)</u>	<u>(4 235)</u>	<u>-</u>
Fund balances, beginning	3 525	246	34
Prior period adjustment	-	-	-
FUND BALANCES, BEGINNING (RESTATED)	<u>3 525</u>	<u>246</u>	<u>34</u>
FUND BALANCES ENDING	<u>\$ 3 460</u>	<u>\$ (3 989)</u>	<u>\$ 34</u>

See independent auditors' report.

COUNTY ATTORNEY FUND	ROAD GRANT	JUVENILE COURT TECH FUND	LEOSE CONSTABLES FUND	CHAPTER 19 VOTER REGISTRATION
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	4 540	-	-
-	-	-	-	-
16	789 249	-	-	1 268
9 515	-	-	1 994	-
<u>9 531</u>	<u>789 249</u>	<u>4 540</u>	<u>1 994</u>	<u>1 268</u>
16 548	-	-	-	-
-	789 249	12 770	914	1 268
<u>16 548</u>	<u>789 249</u>	<u>12 770</u>	<u>914</u>	<u>1 268</u>
<u>(7 017)</u>	-	<u>(8 230)</u>	<u>1 080</u>	-
-	-	11 755	-	-
-	-	11 755	-	-
<u>(7 017)</u>	-	<u>3 525</u>	<u>1 080</u>	-
18 355	-	2 150	11 484	-
-	-	-	-	-
<u>18 355</u>	-	<u>2 150</u>	<u>11 484</u>	-
\$ <u>11 338</u>	\$ -	\$ <u>5 675</u>	\$ <u>12 564</u>	\$ -

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended September 30, 2016

	<u>LAW LIBRARY FUND</u>	<u>DISTRICT CLERK RECORD MGMT FUND</u>	<u>COUNTY CLERK RECORD MGMT FUND</u>	<u>COURT- HOUSE SECURITY FUND</u>
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and fees	12 861	2 404	44 795	10 332
Charges for services	-	-	-	-
Grants and contributions	-	-	-	-
Interest	-	-	-	-
Miscellaneous income	-	-	-	-
TOTAL REVENUES	<u>12 861</u>	<u>2 404</u>	<u>44 795</u>	<u>10 332</u>
Expenditures:				
Payroll expense	-	-	31 142	69 983
Operating expense	11 041	6 278	2 929	2 491
TOTAL EXPENDITURES	<u>11 041</u>	<u>6 278</u>	<u>34 071</u>	<u>72 474</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1 820</u>	<u>(3 874)</u>	<u>10 724</u>	<u>(62 142)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	36 567
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>36 567</u>
NET CHANGE IN FUND BALANCES	<u>1 820</u>	<u>(3 874)</u>	<u>10 724</u>	<u>(25 575)</u>
Fund balances, beginning	92 033	5 980	101 839	30 903
Prior period adjustment	-	-	-	-
FUND BALANCES, BEGINNING (RESTATED)	<u>92 033</u>	<u>5 980</u>	<u>101 839</u>	<u>30 903</u>
FUND BALANCES ENDING	<u>\$ 93 853</u>	<u>\$ 2 106</u>	<u>\$ 112 563</u>	<u>\$ 5 328</u>

See independent auditors' report.

JURY FUND	RIGHT OF WAY FUND	INDIGENT HEALTH CARE FUND	COURT REPORTER SERVICE FUND	JUVENILE PROBATION FUND
\$ 83 916	\$ 87 351	\$ 501 740	\$ -	\$ -
-	-	-	-	-
-	-	-	5 145	-
-	-	-	-	-
-	-	-	-	137 348
-	-	-	-	-
-	-	-	-	-
<u>83 916</u>	<u>87 351</u>	<u>501 740</u>	<u>5 145</u>	<u>137 348</u>
79 182	-	40 980	-	101 853
<u>8 224</u>	<u>60 638</u>	<u>406 532</u>	<u>4 407</u>	<u>29 044</u>
<u>87 406</u>	<u>60 638</u>	<u>447 512</u>	<u>4 407</u>	<u>130 897</u>
<u>(3 490)</u>	<u>26 713</u>	<u>54 228</u>	<u>738</u>	<u>6 451</u>
-	-	-	-	-
-	-	-	-	-
<u>(3 490)</u>	<u>26 713</u>	<u>54 228</u>	<u>738</u>	<u>6 451</u>
27 480	329 633	570 923	811	8 263
-	-	-	-	-
<u>27 480</u>	<u>329 633</u>	<u>570 923</u>	<u>811</u>	<u>8 263</u>
<u>\$ 23 990</u>	<u>\$ 356 346</u>	<u>\$ 625 151</u>	<u>\$ 1 549</u>	<u>\$ 14 714</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended September 30, 2016

	JUVENILE TITLE IV E FUND	SHERIFF FEDERAL SEIZURE	GRANT FUND	SHERIFF LOCAL FORFEITURE
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and fees	-	-	-	-
Charges for services	-	-	-	-
Grants and contributions	-	-	15 000	-
Interest	-	-	-	-
Miscellaneous income	-	-	-	2 200
TOTAL REVENUES	-	-	15 000	2 200
Expenditures:				
Payroll expense	-	-	15 000	-
Operating expense	1 143	-	-	-
TOTAL EXPENDITURES	1 143	-	15 000	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1 143)	-	-	2 200
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	(1 143)	-	-	2 200
Fund balances, beginning	1 143	2 540	(5 250)	6 253
Prior period adjustment	-	920	-	-
FUND BALANCES, BEGINNING (RESTATED)	1 143	3 460	(5 250)	6 253
FUND BALANCES ENDING	\$ -	\$ 3 460	\$ (5 250)	\$ 8 453

See independent auditors' report.

COUNTY COURT RECORDS TECH FUND	DISTRICT COURT RECORDS TECH FUND	APPELLATE JUDICIAL FEE COUNTY CLERK	APPELLATE JUDICIAL FEE DISTRICT CLERK	RECORDS ARCHIVE FEE COUNTY CLERK
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
17 576	-	415	1 695	44 445
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>17 576</u>	<u>-</u>	<u>415</u>	<u>1 695</u>	<u>44 445</u>
-	-	-	-	-
<u>1</u>	<u>12 240</u>	<u>455</u>	<u>1 625</u>	<u>51 499</u>
<u>1</u>	<u>12 240</u>	<u>455</u>	<u>1 625</u>	<u>51 499</u>
<u>17 575</u>	<u>(12 240)</u>	<u>(40)</u>	<u>70</u>	<u>(7 054)</u>
-	-	-	-	-
-	-	-	-	-
<u>17 575</u>	<u>(12 240)</u>	<u>(40)</u>	<u>70</u>	<u>(7 054)</u>
10 040	16 031	150	350	151 307
-	-	-	-	-
<u>10 040</u>	<u>16 031</u>	<u>150</u>	<u>350</u>	<u>151 307</u>
<u>\$ 27 615</u>	<u>\$ 3 791</u>	<u>\$ 110</u>	<u>\$ 420</u>	<u>\$ 144 253</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended September 30, 2016

	RECORDS ARCHIVE FEE DISTRICT CLERK	JP COURT SECURITY FUND	GUARDIANSHIP FUND
Revenues:			
Property taxes	\$ -	\$ -	\$ -
Other taxes	-	-	-
Fines and fees	54 505	982	740
Charges for services	-	-	-
Grants and contributions	-	-	-
Interest	-	-	-
Miscellaneous income	-	-	-
TOTAL REVENUES	54 505	982	740
Expenditures:			
Payroll expense	-	-	-
Operating expense	-	-	-
TOTAL EXPENDITURES	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	54 505	982	740
Other Financing Sources (Uses):			
Transfers in	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCES	54 505	982	740
Fund balances, beginning	16 755	20 646	11 676
Prior period adjustment	-	-	-
FUND BALANCES, BEGINNING (RESTATED)	16 755	20 646	11 676
FUND BALANCES ENDING	\$ 71 260	\$ 21 628	\$ 12 416

See independent auditors' report.

DISTRICT ATTORNEY SEIZURE FUND		DISTRICT ATTORNEY FORFEITURE FUND		DISTRICT ATTORNEY FORFEITURE FUNDS	TOTAL SPECIAL REVENUE FUNDS
NON-TRAFFIC	TRAFFIC	NON-TRAFFIC	TRAFFIC		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2 596 907
-	-	-	-	-	1 245 443
247 937	-	-	-	-	1 158 110
-	-	-	-	-	60 732
-	-	-	-	-	973 141
-	-	3	2	-	72
-	-	-	-	3 450	307 116
<u>247 937</u>	<u>-</u>	<u>3</u>	<u>2</u>	<u>3 450</u>	<u>6 341 521</u>
-	-	-	-	-	1 972 981
<u>52 536</u>	<u>-</u>	<u>1 350</u>	<u>-</u>	<u>5 957</u>	<u>4 640 623</u>
<u>52 536</u>	<u>-</u>	<u>1 350</u>	<u>-</u>	<u>5 957</u>	<u>6 613 604</u>
<u>195 401</u>	<u>-</u>	<u>(1 347)</u>	<u>2</u>	<u>(2 507)</u>	<u>(272 083)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48 322</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48 322</u>
<u>195 401</u>	<u>-</u>	<u>(1 347)</u>	<u>2</u>	<u>(2 507)</u>	<u>(223 761)</u>
41 992	-	7 339	3 429	13 000	3 520 883
-	-	-	-	-	920
<u>41 992</u>	<u>-</u>	<u>7 339</u>	<u>3 429</u>	<u>13 000</u>	<u>3 521 803</u>
<u>\$ 237 393</u>	<u>\$ -</u>	<u>\$ 5 992</u>	<u>\$ 3 431</u>	<u>\$ 10 493</u>	<u>\$ 3 298 042</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 September 30, 2016

	ARENA BLEACHER FUND	COUNTY CLERK	DISTRICT CLERK TRUST	DISTRICT CLERK	MOTOR VEHICLE TAX	PROPERTY TAXES
ASSETS						
Cash and cash equivalents	\$ 37 341	\$ 116 298	\$ 1 806 967	\$ 858 187	\$ 314 997	\$ 177 082
TOTAL ASSETS	\$ 37 341	\$ 116 298	\$ 1 806 967	\$ 858 187	\$ 314 997	\$ 177 082
LIABILITIES						
Due to others	\$ 37 341	\$ 116 298	\$ 1 806 967	\$ 858 187	\$ 314 997	\$ 177 082
TOTAL LIABILITIES	\$ 37 341	\$ 116 298	\$ 1 806 967	\$ 858 187	\$ 314 997	\$ 177 082

See independent auditors' report.

COUNTY ATTORNEY RESTITUTION	COUNTY ATTORNEY TRUST	INMATE ACCOUNT	DISTRICT ATTORNEY FORFEITURE	AGENCY FUND	GARZA COUNTY FUND	CHILD ABUSE PREVENTION FEE FUND
\$ 58 313	\$ 20 458	\$ 22 927	\$ 10 451	\$ 56 480	\$ 12 526	\$ 1 363
<u>\$ 58 313</u>	<u>\$ 20 458</u>	<u>\$ 22 927</u>	<u>\$ 10 451</u>	<u>\$ 56 480</u>	<u>\$ 12 526</u>	<u>\$ 1 363</u>
\$ 58 313	\$ 20 458	\$ 22 927	\$ 10 451	\$ 56 480	\$ 12 526	\$ 1 363
<u>\$ 58 313</u>	<u>\$ 20 458</u>	<u>\$ 22 927</u>	<u>\$ 10 451</u>	<u>\$ 56 480</u>	<u>\$ 12 526</u>	<u>\$ 1 363</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION - CONTINUED
 September 30, 2016

	<u>FAMILY PROTECTION FEE FUND</u>	<u>CHILD SAFETY FEE FUND</u>	<u>COMBINED FIDUCIARY FUNDS</u>
ASSETS			
Cash and cash equivalents	\$ 5 320	\$ 1 113	\$ 3 499 823
TOTAL ASSETS	<u>\$ 5 320</u>	<u>\$ 1 113</u>	<u>\$ 3 499 823</u>
LIABILITIES			
Due to others	\$ 5 320	\$ 1 113	\$ 3 499 823
TOTAL LIABILITIES	<u>\$ 5 320</u>	<u>\$ 1 113</u>	<u>\$ 3 499 823</u>

See independent auditors' report.

COMPLIANCE SECTION

INDEPENDENT AUDITORS' 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

Honorable Commissioners'
Court of Shelby County
Center, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Shelby County, Texas' basic financial statements, and have issued our report thereon dated May 8, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. 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 Schedule of Findings and Questioned Costs that we consider to be significant deficiencies. See Findings 2016-01.

Compliance and Other Matters

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

Shelby County's Response to Findings

Shelby County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Shelby County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Lufkin, Texas
May 8, 2017


CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
THE AUDIT REQUIREMENTS OF TITLE 2 U.S. CODE OF FEDERAL REGULATIONS
PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT
REQUIREMENTS OF FEDERAL AWARDS (UNIFORM GUIDANCE)

Honorable Judge and Commissioners
Shelby County, Texas
Center, Texas

Compliance

We have audited the compliance of Shelby County, Texas with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016. Shelby County, Texas' major federal programs are 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 federal statutes, regulations, terms and conditions of its federal awards applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on Shelby County, Texas' compliance with 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Those standards and Uniform Guidance 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 Shelby County, Texas' 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. Our audit does not provide a legal determination of Shelby County, Texas' compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Shelby County, Texas, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Internal Control Over Compliance

The management of Shelby County, Texas, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Shelby County, Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with Uniform Guidance, 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 Shelby 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 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider 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 controls over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lufkin, Texas
May 8, 2017


CERTIFIED PUBLIC ACCOUNTANTS

SHELBY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2016

<u>GRANT/CONTRACT</u>	<u>FEDERAL CFDA NUMBER</u>	<u>CONTRACT NUMBER/ PASS - THROUGH GRANTOR'S NUMBER</u>	<u>TOTAL EXPENDITURES</u>
U. S. Department of Agriculture: Schools and Roads - Grants to Counties	10.666	N/A	\$ <u>246 632</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>246 632</u>
U. S. Department of Homeland Security: Passed Through Texas Department of Public Safety: Disaster Grant	97.036	TX-4223	<u>789 249</u>
TOTAL U. S. DEPARTMENT OF HOMELAND SECURITY			<u>789 249</u>
TOTAL FEDERAL AWARDS			\$ <u><u>1 035 881</u></u>

See independent auditors' report and notes to schedule of expenditures of federal awards.

SHELBY COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Shelby County, Texas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SHELBY COUNTY, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended September 30, 2016

A. Summary of the Auditor's Results:

1. Financial Statements

Type of report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

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

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Reportable condition(s) identified that are not considered to be material weaknesses? Yes 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 Uniform Guidance? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.036	U. S. Department of Homeland Security: Disaster Grant

Dollar threshold to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

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

Finding 2016-1:

Condition - The County does not have adequate separation of duties in the Justice of Peace offices 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 due to a lack of preventative controls of material misstatement in the financial records due to the lack of adequate segregation of controls related to these financial transactions. The County relies on detective controls to detect and correct errors after the fact with review processes in the County Auditors office.

Questioned Cost - None

Recommendation - We recommend that the function identified be separated within the Justice of Peace offices.

Client Response - The County administration is aware of the problem and is currently assessing the possibility of segregating the functions in the Justice of Peace office to assure proper controls.

SHELBY COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2016

Prior Audit Finding / Recommendation / Current Status

Finding 2015-01:

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

Client Response - The County administration is aware of the problem and is currently assessing the possibility of segregating the functions in the Justice of Peace office to assure proper controls.