

ANNUAL FINANCIAL REPORT

Liberty County, Texas

Fiscal Year Ended
September 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge and
Members of the Commissioners' Court
Liberty County, Texas:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have issued our report dated July 11, 2013 on our consideration of the County's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, budgetary comparison information, and schedules of funding progress, identified as Required Supplementary Information 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 evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Brooks Cardiel, PLLC".

BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
July 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Liberty County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2012

As management of Liberty County (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities (net position) at September 30, 2012 by \$16,114,808.
- The County's total net position decreased by \$7,251,382. The majority of the County's net position is invested in capital assets, net of related debt and restricted for specific purposes. The decrease is primarily related to depreciation and net pension obligation related to the County's Other Post Employee Benefits ("OPEB") liabilities.
- The County's governmental funds reported combined ending fund balances of \$19,066,469 at September 30, 2012 and a decrease of \$2,259,233 from the prior fiscal year; this includes a decrease of \$1,947,271 in the general fund and a decrease of \$1,110,196 in the nonmajor governmental funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$10,668,300 or 43% of total general fund expenditures.
- The County's outstanding bonds payable decreased by \$1,415,000 or 7% of the County's total debt outstanding at the beginning of the fiscal year. Total bonds payable at the close of the fiscal year were \$18,080,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the County's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

Liberty County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2012

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, and culture and recreation. The County does not have any business-type activities.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

The County maintains thirty-eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the road and bridge fund, capital projects, TDHCA Grant, and the DRS TDRA Grant funds, which are considered to be major funds. Data from the other thirty-three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of

Liberty County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2012

combining statements in the combining and individual fund statements and schedules section of this report.

The County adopts an annual appropriated budget for its general and road and bridge funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with these budgets.

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The fund financial statements provide more information about the County's most significant funds, not the County as a whole.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County maintains one type of fiduciary fund. The *Agency Funds* report resources held by the County in a custodial capacity for individuals, private organizations and other governments.

Notes to Financial Statements

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

Other Information

In addition to basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension and OPEB benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on OPEB.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities by \$16,114,808 at the close of the most recent fiscal year.

Liberty County, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012

The largest portion of the County's net assets, \$11,229,450, reflects its investments in capital assets (e.g., land, building, machinery, equipment, infrastructure, etc.), less any debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities	
	2012	2011
Current and other assets	\$ 25,265,512	\$ 26,428,615
Capital assets, net	27,621,047	29,836,651
Total Assets	52,886,559	56,265,266
Current liabilities	7,591,674	5,000,789
Long-term liabilities	29,180,077	27,898,287
Total Liabilities	36,771,751	32,899,076
Net Position:		
Invested in capital assets, net of related debt	11,229,450	11,715,787
Restricted	7,597,828	8,593,528
Unrestricted	(2,712,470)	3,056,875
Total Net Position	\$ 16,114,808	\$ 23,366,190

The County's net position decreased to \$16,114,808 from \$23,366,190. The decrease is primarily related to depreciation and net pension obligation expense related to the County's OPEB liabilities. The County's investment in capital assets remained consistent when compared to the prior year.

Liberty County, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012

Statement of Activities

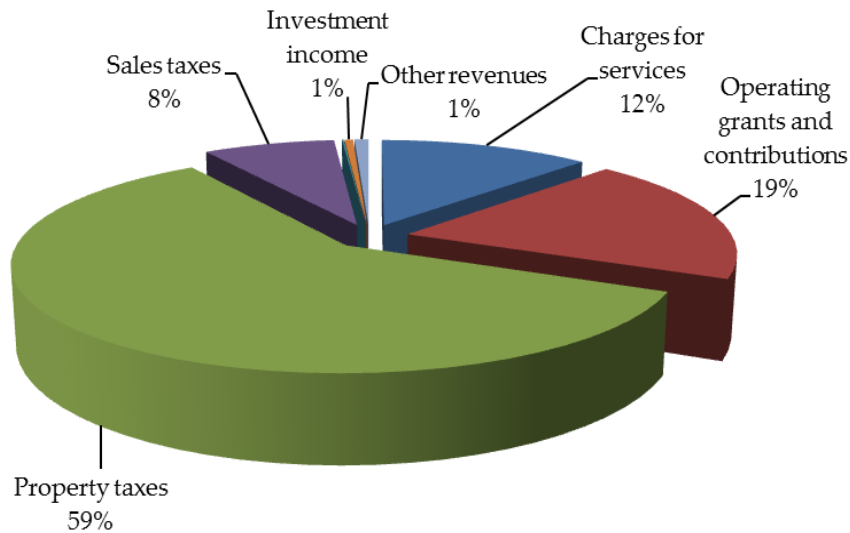
The following table provides a summary of the County's changes in net position for the years ended September 30:

	Governmental Activities	
	2012	2011
Revenues		
Program revenues:		
Charges for services	\$ 4,991,828	\$ 6,296,854
Operating grants and contributions	8,379,758	3,399,520
General revenues:		
Property taxes	23,894,579	23,033,569
Sales taxes	3,119,742	3,031,083
Other taxes	41,176	44,809
Investment income	206,093	349,188
Other revenues	332,696	480,664
Total Revenues	40,965,872	36,635,687
Expenses		
General government	12,853,216	6,737,563
Judicial	5,185,791	4,824,741
Legal	2,127,141	2,156,619
Financial	2,392,426	2,498,236
Public safety	12,540,308	14,578,311
Health and welfare	1,751,169	984,365
Public transportation	9,180,887	10,189,908
Other	1,189,550	1,544,188
Interest and fiscal agent fees on long-term debt	996,766	637,194
Total Expenses	48,217,254	44,151,125
Change in Net Position	(7,251,382)	(7,515,438)
Beginning net position	23,366,190	30,881,628
Ending Net Position	\$ 16,114,808	\$ 23,366,190

Liberty County, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012

Graphic presentations of selected data from the summary tables are included to assist in the analysis of the County's activities.

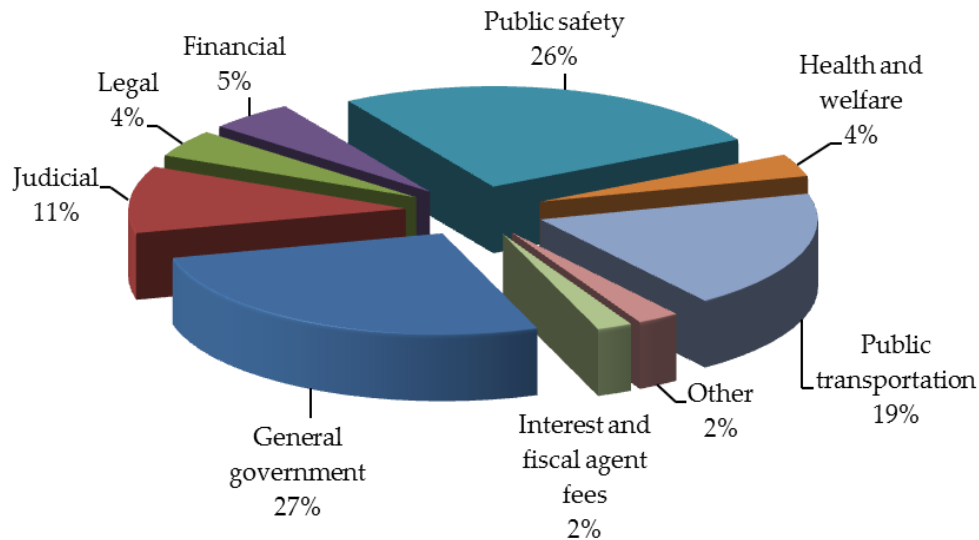
Governmental Revenues



Total governmental revenues increased by 11.82% or \$4,330,185, over the prior year. This increase is primarily the result of increased grant revenue in the TDHCA grant fund. The County recorded an overall increase of \$4,980,238 in grants and contributions when compared to the prior year. Charges for services decreased 20.73% or \$1,305,026. This decrease is directly related to the number of prisoners utilizing the jail facility.

Liberty County, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012

Governmental Expenses



Governmental expenses have increased by \$4,066,129 from the prior year. This included an increase in general government of \$6,115,653, which is directly related to grant expenditures of the Texas Department of Housing and Community Affairs (TDHCA) Housing Assistance Program.

Financial Analysis of Governmental Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the County's governing body.

The County's governmental funds reflect a combined fund balance of \$19,066,469. Of this, \$10,526,360 is unassigned and available for day-to-day operations of the County, \$4,370,422 is restricted for special revenue fund expenditures and \$3,227,406 is restricted for capital projects. The County has

Liberty County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2012

nonspendable funds of \$146,160 that consists of prepaid insurance. The County has committed fund balance is \$796,121 in the road and bridge fund.

There was a decrease in the combined fund balance of \$2,259,233 from the prior year. Included in the decrease is a decrease of \$1,947,271 in the general fund, an increase of \$822,091 in the road and bridge fund, and a decrease of \$1,110,196 in nonmajor governmental funds. At the end of the fiscal year, unassigned fund balance for the general fund was \$10,668,300 or 43% of total general fund expenditures.

General Fund Budgetary Highlights

- Actual general fund revenues were over final budgeted revenues by \$1,187,451 during the year.
- General fund expenditures were under the final budget by \$1,622,875.

Capital Assets

At the end of the year, the County's governmental activities funds had invested \$27,621,047 in a variety of capital assets and infrastructure, net of depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

Major capital asset events during the current year include the following:

- Purchase of Backhoe for \$98,000
- Purchase of Motor grader for \$143,145
- Purchase of Land for the Community Center for \$392,847

More detailed information about the County's capital assets is presented in the notes to the financial statements.

Long-Term Debt

At the end of the year, the County reported total long-term debt of \$31,510,725.

More detailed information about the County's long-term liabilities is presented in the notes to the financial statements. Current ratings on debt issues are as follows:

All of the County's bond issues have been successful in qualifying for bond insurance resulting in ratings of "BAA" and "AAA" by Moody's and Standard & Poor's, respectively.

Liberty County, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2012

Economic Factors

The County continues to grow as seen in the increase in assessed property valuations for both residential and commercial entities. The County has continued to solidify the infrastructure of the County by investing in roads and bridges within the County.

Requests for Information

This financial report is designed to provide a general overview of the 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 financial information should be directed to Harold Seay, CPA, County Auditor's Office, Liberty County, Texas, 1923 Sam Houston, Liberty, Texas 77575.

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BASIC FINANCIAL STATEMENTS

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Liberty County, Texas

STATEMENT OF NET POSITION

September 30, 2012

	<u>Governmental Activities</u>
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 18,619,828
Receivables, net	2,637,070
Due from other governments	3,690,042
Due from others	27,412
Prepaid items	146,160
Other assets	25,000
Total Current Assets	<u>25,145,512</u>
Non-Current Assets:	
Other assets	120,000
Nondepreciable capital assets	2,571,889
Capital assets (net of accumulated depreciation)	25,049,158
Total Non-Current Assets	<u>27,741,047</u>
Total Assets	<u>52,886,559</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable and accrued liabilities	5,002,248
Due to other governments	55,278
Due to others	65,939
Accrued interest payable	137,561
Long-term liabilities due within one year	2,330,648
Total Current Liabilities	<u>7,591,674</u>
Non-Current Liabilities:	
Long-term liabilities due in more than one year	29,180,077
Total Liabilities	<u>36,771,751</u>
<u>Net Position</u>	
Invested in capital assets, (net of related debt)	11,229,450
Restricted	7,597,828
Unrestricted	(2,712,470)
Total Net Position	<u>\$ 16,114,808</u>

See Notes to Financial Statements.

Liberty County, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General government	\$ 12,853,216	\$ 117,718	\$ 7,718,366
Judicial	5,185,791	513,864	45,186
Legal	2,127,141	37,180	357,736
Financial	2,392,426	-	-
Public safety	12,540,308	2,129,360	173,620
Health and welfare	1,751,169	-	28,444
Public transportation	9,180,887	2,010,454	56,406
Other	1,189,550	183,252	-
Interest and fiscal agent fees on long-term debt	996,766	-	-
Total Governmental Activities	<u>48,217,254</u>	<u>4,991,828</u>	<u>8,379,758</u>
Total Primary Government	<u>\$ 48,217,254</u>	<u>\$ 4,991,828</u>	<u>\$ 8,379,758</u>

General Revenues:

Property taxes
Sales taxes
Other taxes
Investment income
Other revenues

Total General Revenues

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

**Net (Expense)
Revenue and
Changes in Net
Position**

**Governmental
Activities**

\$ (5,017,132)
(4,626,741)
(1,732,225)
(2,392,426)
(10,237,328)
(1,722,725)
(7,114,027)
(1,006,298)

(996,766)

(34,845,668)

(34,845,668)

23,894,579

3,119,742

41,176

206,093

332,696

27,594,286

(7,251,382)

23,366,190

\$ 16,114,808

Liberty County, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2012

	General	Road and Bridge	Capital Projects
<u>Assets</u>			
Cash and cash equivalents	\$ 8,545,681	\$ 1,144,279	\$ 3,239,398
Receivables, net	1,810,019	590,037	-
Due from other governments	945,554	126,563	-
Due from others	2,736	14,618	-
Due from other funds	2,168,625	1,996	-
Prepaid items	146,160	-	-
Other assets	25,000	-	-
Total Assets	\$ 13,643,775	\$ 1,877,493	\$ 3,239,398
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 961,967	\$ 445,335	\$ -
Due to other governments	55,278	-	-
Due to others	2,051	-	-
Due to other funds	-	46,000	11,992
Total Liabilities	1,019,296	491,335	11,992
 <u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	1,810,019	590,037	-
 Fund Balances:			
Nonspendable:			
Prepaid items	146,160	-	-
Restricted:			
Capital projects	-	-	3,227,406
Special revenue funds	-	-	-
Committed:			
Road and bridge	-	796,121	-
Unassigned	10,668,300	-	-
Total Fund Balances	10,814,460	796,121	3,227,406
Total Liabilities and Fund Balances	\$ 13,643,775	\$ 1,877,493	\$ 3,239,398

<u>TDHCA Grant</u>	<u>DRS TDRA Grant</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 641,716	\$ 14,306	\$ 4,304,525	\$ 17,889,905
-	-	237,014	2,637,070
1,626,227	831,391	160,307	3,690,042
-	-	9,936	27,290
-	-	46,000	2,216,621
-	-	-	146,160
-	-	-	25,000
<u>\$ 2,267,943</u>	<u>\$ 845,697</u>	<u>\$ 4,757,782</u>	<u>\$ 26,632,088</u>
\$ 2,267,943	\$ 845,697	\$ 69,769	\$ 4,590,711
-	-	-	55,278
-	-	63,888	65,939
-	-	158,629	216,621
<u>2,267,943</u>	<u>845,697</u>	<u>292,286</u>	<u>4,928,549</u>
-	-	237,014	2,637,070
-	-	-	146,160
-	-	-	3,227,406
-	-	4,370,422	4,370,422
-	-	-	796,121
-	-	(141,940)	10,526,360
-	-	4,228,482	19,066,469
<u>\$ 2,267,943</u>	<u>\$ 845,697</u>	<u>\$ 4,757,782</u>	<u>\$ 26,632,088</u>

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Liberty County, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2012

Fund Balances - Total Governmental Funds	\$	19,066,469
Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.		
Nondepreciable capital assets		2,571,889
Depreciable capital assets		60,094,759
Accumulated depreciation		(35,045,601)
The internal service fund is used to charge the costs of self-insurance activities to the appropriate the functions in the other funds and, therefore, are not reported in the governmental funds.		
		(1,561,492)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		
Unavailable revenue - property taxes		2,637,070
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable		(137,561)
Bonds and capital leases		(19,246,725)
Deferred charges:		
Premium		(417,862)
Discount		33,592
OPEB liability		(11,405,922)
Compensated absences		(473,808)
Net Position of Governmental Activities	\$	16,114,808

See Notes to Financial Statements.

Liberty County, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2012

	General	Road and Bridge	Capital Projects
Revenues			
Property taxes	\$ 16,028,095	\$ 5,937,525	\$ -
Sales taxes	3,119,742	-	-
Other taxes	41,176	-	-
Licenses and permits	183,252	-	-
Fines and forfeitures	2,068,660	1,666,392	-
Charges for services	333,017	-	-
Intergovernmental revenue	631,098	56,406	-
Investment income	168,857	-	24,776
Other revenue	197,676	135,020	-
Total Revenues	22,771,573	7,795,343	24,776
Expenditures			
Current:			
General government	4,100,598	-	-
Judicial	4,392,747	-	-
Legal	1,853,295	-	-
Financial	2,126,516	-	-
Public safety	10,658,896	-	-
Health and welfare	1,043,885	-	-
Public transportation	-	5,990,258	-
Other	548,815	524,622	-
Capital Outlay	56,592	164,939	48,633
Debt Service:			
Principal	-	238,146	-
Interest and fiscal charges	-	55,287	-
Total Expenditures	24,781,344	6,973,252	48,633
Excess (Deficiency) of Revenues Over Expenditures	(2,009,771)	822,091	(23,857)
Other Financing Sources (Uses)			
Transfers in	62,500	-	-
Transfers (out)	-	-	-
Total Other Financing Sources (Uses)	62,500	-	-
Net Change in Fund Balances	(1,947,271)	822,091	(23,857)
Beginning fund balances	12,761,731	(25,970)	3,251,263
Ending Fund Balances	\$ 10,814,460	\$ 796,121	\$ 3,227,406

See Notes to Financial Statements.

<u>TDHCA Grant</u>	<u>DRS TDRA Grant</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 2,338,902	\$ 24,304,522
-	-	-	3,119,742
-	-	-	41,176
-	-	-	183,252
-	-	657,282	4,392,334
-	-	83,225	416,242
5,369,036	1,715,874	607,344	8,379,758
-	-	6,854	200,487
-	-	-	332,696
<u>5,369,036</u>	<u>1,715,874</u>	<u>3,693,607</u>	<u>41,370,209</u>
5,369,036	-	147,233	9,616,867
-	-	227,398	4,620,145
-	-	76,410	1,929,705
-	-	-	2,126,516
-	-	414,766	11,073,662
-	-	544,745	1,588,630
-	-	680,918	6,671,176
-	-	-	1,073,437
-	1,715,874	476,740	2,462,778
-	-	1,415,000	1,653,146
-	-	758,093	813,380
<u>5,369,036</u>	<u>1,715,874</u>	<u>4,741,303</u>	<u>43,629,442</u>
-	-	(1,047,696)	(2,259,233)
-	-	-	62,500
-	-	(62,500)	(62,500)
<u>-</u>	<u>-</u>	<u>(62,500)</u>	<u>-</u>
-	-	(1,110,196)	(2,259,233)
-	-	5,338,678	21,325,702
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,228,482</u>	<u>\$ 19,066,469</u>

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Liberty County, Texas
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total government funds	\$ (2,259,233)
---	----------------

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 by which depreciation exceeded capital outlays in the current period.

Capital outlay	1,022,593
Depreciation expense	(2,856,817)
Capital retirements, net	(381,380)

The County uses internal service funds to charge the costs of certain activities, such as self-insurance, to the appropriate functions in other funds. The net income (loss) of internal service funds is reported within governmental activities

	(1,054,849)
--	-------------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Unavailable revenue - property taxes	(409,943)
--------------------------------------	-----------

Bonds and note proceeds provide current financial resources to governmental funds, while the repayment of debt decreases long-term liabilities in the statement of net position.

Principal payment	1,775,983
Amortization of bond premiums and deferred charges	(172,007)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment reflects the net change in interest payable on the accrual basis of accounting and the net change in compensated absences.

Accrued interest payable	(11,379)
Compensated absences	(5,233)
OPEB	(2,899,117)
Change in Net Position of Governmental Activities	\$ (7,251,382)

See Notes to Financial Statements.

Liberty County, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2012

		<u>Governmental Activities</u>	
		<u>Internal Service</u>	
<u>Assets</u>			
Cash and cash equivalents	\$	729,923	
Due from others		122	
Other assets		120,000	
Total Assets	\$	850,045	
<u>Liabilities</u>			
Accounts payable	\$	411,537	
Due to other funds		2,000,000	
Total Liabilities		2,411,537	
<u>Net Position</u>			
Unrestricted		(1,561,492)	
Total Net Position	\$	(1,561,492)	

See Notes to Financial Statements.

Liberty County, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND

For the Year Ended September 30, 2012

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<u>Operating Revenues</u>	
County and employee contributions	\$ 5,461,378
Total Operating Revenues	<u>5,461,378</u>
<u>Operating Expenses</u>	
Claims, premiums, and administrative costs	6,521,833
Total Operating Expenses	<u>6,521,833</u>
Operating (loss)	(1,060,455)
<u>Nonoperating Revenues</u>	
Investment income	5,606
Total Nonoperating Revenues	<u>5,606</u>
Change in Net Position	(1,054,849)
Beginning net position	(506,643)
Ending Net Position	<u><u>\$ (1,561,492)</u></u>

See Notes to Financial Statements.

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Liberty County, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2012

	Governmental Activities
	Internal Service
<u>Cash Flows from Operating Activities</u>	
Receipts from County and employee contributions	\$ 5,461,554
Payments for claims, premiums, and administrative costs	(5,770,549)
Net Cash (Used for) Operating Activities	(308,995)
 <u>Cash Flows from Investing Activities</u>	
Interest on investments	5,606
Net Cash Provided by Investing Activities	5,606
Net (decrease) in Cash and Cash Equivalents	(303,389)
 Beginning cash and cash equivalents	 1,033,312
Ending Cash and Cash Equivalents	\$ 729,923
 <u>Reconciliation of Operating (Loss)</u>	
<u>to Net Cash (Used for) Operating Activities</u>	
Operating (loss)	\$ (1,060,455)
 Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Due from others	176
Other assets	(120,000)
Increase (Decrease) in:	
Accounts payable	(128,716)
Due to other funds	1,000,000
Net Cash (Used for) Operating Activities	\$ (308,995)

See Notes to Financial Statements.

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Liberty County, Texas
STATEMENT FUDICIARY OF NET POSITION
AGENCY FUNDS
September 30, 2012

	<u>Total Agency Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 6,264,114
Due from others	3,634
Due from other Funds	16,021
Total Assets	\$ 6,283,769
<u>Liabilities</u>	
Accounts payable	7,410
Due to others	5,533,513
Due to other governments	236,042
Due to other funds	506,804
Total Liabilities	\$ 6,283,769

See Notes to Financial Statements.

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Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Liberty County, Texas, is an independent government entity created in 1836 by an act of the Texas Legislature. The County is governed by Commissioners' Court, composed of four County Commissioners and the County Judge, all of which are elected officials.

The County's financial statements include the accounts of all County operations. The County provides a vast array of services including general government, judicial, legal, financial, public safety, health and welfare, and public transportation services.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the County's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the County is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the County's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Unit

Liberty County Juvenile Probation Department

The Liberty County Juvenile Probation Department is a legally separate entity from the County but is so closely related to the County that it is, in essence, an extension of the County. This entity is considered a blended component unit for reporting purposes. The financial data of this unit is combined with that of the County since the unit is, in substance, part of the County's operations. The financial statements of the unit are separately audited as of their fiscal year end (August 31) to meet the reporting requirements of their major funding source (the State of Texas). Audited financial statements for the blended component unit can be obtained by contacting the Liberty County Auditor, 1923 Sam Houston, Liberty, Texas 77575.

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2012

B. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of presentation – fund financial statements

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

The government reported the following major governmental funds:

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

The *road & bridge fund* is used to account for revenues of property taxes levied and vehicle registration fees for the road & bridge fund. Uses of funds are restricted for the maintenance of roads, bridges, and the operations of related facilities. All precinct operations as well as permanent road monies are accounted for in this fund.

The *TDHCA grant fund* is used to account for revenues and expenditures received for the Texas Department of Housing and Community Affairs grant.

The *DRS TDRA grant fund* is used to account for revenues and expenditures received for the Texas Department of Rural Affairs grant.

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2012

Additionally, the government reports the following fund types:

Internal service fund accounts for revenues and expenses related to the County's medical and dental self-insurance program in accordance with Chapter 172 of the Texas Government Code. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a propriety fund's ongoing operations. Revenues are derived from County contributions, employee and retiree COBRA premiums and investment of idle funds. Expenses are for claims, premiums, and administrative costs. The general fund is contingently liable for liabilities of the internal service fund. Sub-fund accounting is employed to maintain the integrity of the self-insurance activities of the County.

The *agency funds* report resources held by the County in a custodial capacity for individuals, private organizations and other governments.

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

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

D. Measurement focus and basis of accounting

The government-wide statements of net position and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2012

The County utilizes the modified accrual basis of accounting in the governmental fund type. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, other taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

1. *Cash and cash equivalents*

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

2. *Investments*

Investments for the government are reported at fair value (generally based on quoted market prices.) Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The Local Government Code of Texas authorizes the County to invest in:

- (1) obligations of the United States or its agencies and instrumentalities;
- (2) direct obligations of the State of Texas or its agencies and instrumentalities;

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

For the Year Ended September 30, 2012

- (3) collateral mortgage obligations although significantly limited;
- (4) other obligations, the principal and interest on which are unconditionally guaranteed or insured or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities;
- (5) obligations of state, agencies, counties, cities, and other political subdivisions of any state rated as investment quality by a nationally recognized investment rating firm of not less than A or its equivalent;
- (6) certificates of deposit issued by state and national banks or savings and loan domiciled in Texas which are:
 - (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or
 - (b) secured by obligations of paragraphs (1) to (5) above and that have a market value of not less than the principal amount of the certificates but excluding certain mortgage-backed securities;
 - (c) fully collateralized repurchase agreements, bankers' acceptances, commercial paper, mutual funds, guaranteed investment contracts, and investment pools all of which are required to meet certain restrictive criteria.

3. *Receivables and Interfund Transactions*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements.

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

For the Year Ended September 30, 2012

4. *Capital Assets*

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

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

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

<u>Asset Description</u>	<u>Estimated Useful Lives</u>
Infrastructure	40 to 50 years
Vehicles	5 to 8 years
Furniture and fixtures	3 to 10 years
Buildings & improvements	30 years
Machinery & equipment	5-10 years

5. *Inventories and prepaid items*

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2012

6. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

7. *Net position flow assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

6. *Fund balance flow assumptions*

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

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2012

any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. *Fund balance policies*

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

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

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

8. *Compensated absences*

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and compensatory time balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2012

It is the County's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the County's governmental funds recognize accrued compensated absences when it is paid.

9. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

10. *Estimates*

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

For the Year Ended September 30, 2012

F. Revenues and expenditures/expenses

a. Program revenues

Amounts reported as *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 or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

b. Property taxes

Property taxes attach as an enforceable lien on real property and are levied as of October 1st. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On February 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Uncollected amounts at year end are reported as deferred revenue. Delinquent property taxes collected within 60 days subsequent to year end were not considered material.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2012

premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The original budget is adopted by the Commissioners’ Court prior to the beginning of the year. The legal level of control is the department level for all funds. Management may not amend the budget without the approval of Commissioners’ Court.

Budgets are adopted for the general and most special revenue funds. Budgets are adopted on a GAAP basis for all budget funds except for the capital projects fund, which adopts a project length budget. Several supplemental budget appropriations were made for the year ended September 30, 2012.

A. Expenditures Exceeding Appropriations

For the year ended September 30, 2012, expenditures exceeded appropriations for the following major funds and departments:

General fund:	
General administration	\$22,142
Engineering and permits	\$414
Road and Bridge fund:	
Precinct No. 4	\$4,991

B. Deficit Fund Balances

The FEMA grant, Constables grant, and Hurricane Ike special revenue funds had deficit fund balances as of September 30, 2012.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Interest rate risk - In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less.

Credit risk - State law and the County’s investment policy limits investments to obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2012

equivalent. Further, commercial paper must be rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy requires funds on deposit at the depository bank to be collateralized by securities and FDIC insurance. As of September 30, 2012, market values of pledged securities and FDIC insurance exceeded bank balances.

B. Receivables

The following comprise receivable balances at year end:

	<u>General</u>	<u>Road and Bridge</u>	<u>TDHCA Grant</u>	<u>DRS TDRA Grant</u>	<u>Nonmajor</u>	<u>Total</u>
Taxes receivable	\$ 5,433,509	\$ 1,660,856	\$ -	\$ -	\$ 678,196	\$ 7,772,561
Due from other governments	945,554	126,563	1,626,227	831,391	160,307	3,690,042
Other receivables	2,736	14,618	-	-	9,936	27,290
Less allowance	(3,623,490)	(1,070,819)	-	-	(441,182)	(5,135,491)
	<u>\$ 2,758,309</u>	<u>\$ 731,218</u>	<u>\$ 1,626,227</u>	<u>\$ 831,391</u>	<u>\$ 407,257</u>	<u>\$ 6,354,402</u>

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2012

C. Capital Assets

A summary of changes in capital assets for the year ended September 30, 2012, follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 2,179,042	\$ 392,847	\$ -	\$ 2,571,889
Construction in progress	29,685	-	(29,685)	-
Total capital assets not being depreciated	<u>2,208,727</u>	<u>392,847</u>	<u>(29,685)</u>	<u>2,571,889</u>
Capital assets, being depreciated:				
Buildings and improvements	15,790,782	78,145	-	15,868,927
Furniture, machinery, and equipment	14,864,701	581,286	(550,490)	14,895,497
Infrastructure	29,330,335	-	-	29,330,335
Total capital assets being depreciated	<u>59,985,818</u>	<u>659,431</u>	<u>(550,490)</u>	<u>60,094,759</u>
Less accumulated depreciation				
Buildings and improvements	10,817,382	471,457	-	11,288,839
Furniture, machinery, and equipment	9,699,223	1,086,442	(169,110)	10,616,555
Infrastructure	11,841,289	1,298,917	-	13,140,206
Total accumulated depreciation	<u>32,357,894</u>	<u>2,856,817</u>	<u>(169,110)</u>	<u>35,045,601</u>
Net capital assets being depreciated	<u>27,627,924</u>	<u>(2,197,386)</u>	<u>(381,380)</u>	<u>25,049,158</u>
Total Capital Assets	<u>\$ 29,836,651</u>	<u>\$ (1,804,539)</u>	<u>\$ (411,065)</u>	<u>\$ 27,621,047</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 548,446
Judicial	92,940
Financial	48,338
Public safety	333,652
Public transportation	1,827,156
Other	6,285
Total Governmental Activities Depreciation Expense	<u>\$ 2,856,817</u>

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2012

D. Long-Term Debt

The following is a summary of changes in the County's total governmental long-term liabilities for the year ended September 30, 2012. In general, the County uses the road and bridge and debt service funds to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
Certificates of obligation	\$ 9,900,000	\$ -	\$ (25,000)	\$ 9,875,000	\$ 25,000
General obligation bonds	9,595,000	-	(1,390,000)	8,205,000	1,450,000
Deferred amounts for:					
Issuance premiums	445,352	-	(27,490)	417,862	-
Issuance discounts	(36,391)	-	2,799	(33,592)	-
Loss on refunding	(196,698)	-	196,698	-	-
Total bonds payable	<u>19,707,263</u>	<u>-</u>	<u>(1,242,993)</u>	<u>18,464,270</u>	<u>1,475,000</u>
Obligations under capital leases	1,527,708	241,887	(602,870)	1,166,725	429,221
Compensated absences	468,575	473,808	(468,575)	473,808	426,427
Other postemployment benefits	8,506,805	2,899,117	-	11,405,922	-
Total Governmental Activities	<u>\$ 30,210,351</u>	<u>\$ 3,614,812</u>	<u>\$ (2,314,438)</u>	<u>\$ 31,510,725</u>	<u>\$ 2,330,648</u>
Long-term liabilities due in greater than one year				<u>\$ 29,180,077</u>	

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

A summary of the County's debt service requirements, including interest, is as follows:

	<u>Percentage Interest Rate</u>	<u>Original Amount</u>	<u>Balance</u>
Certificates of Obligation			
Series 2007	4.00-4.30%	\$ 9,975,000	\$ 9,875,000
General obligation refunding			
Series 2010A	2.00-4.00%	\$ 10,140,000	\$ 8,205,000
Capital leases	3.20-7.25%	\$ 1,747,974	\$ 1,166,725
		Total	<u>\$ 19,246,725</u>

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2012

Long-term debt obligations of the County as of September 30, 2012, are as follows:

Year ending September 30,	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2013	\$ 1,450,000	\$ 306,100	\$ 25,000	\$ 408,293
2014	1,520,000	262,600	25,000	407,293
2015	1,595,000	209,400	25,000	406,293
2016	220,000	145,600	900,000	405,293
2017	225,000	136,800	965,000	369,293
2018	235,000	127,800	1,000,000	330,693
2019	245,000	118,400	1,040,000	290,693
2020	255,000	108,600	1,085,000	249,093
2021	265,000	98,400	1,130,000	204,543
2022	280,000	87,800	1,175,000	157,648
2023	290,000	76,600	1,225,000	108,885
2024	300,000	65,000	1,280,000	53,760
2025	310,000	53,000	-	-
2026	325,000	40,600	-	-
2027	335,000	27,600	-	-
2028	355,000	14,200	-	-
Total	\$ 8,205,000	\$ 1,878,500	\$ 9,875,000	\$ 3,391,775

Year ending September 30,	Capital Leases		
	Principal	Interest	Total
2013	\$ 429,221	\$ 50,066	\$ 479,287
2014	294,025	58,629	352,654
2015	281,108	15,961	297,069
2016	116,087	5,604	121,691
2017	46,285	1,481	47,766
Total	\$ 1,166,725	\$ 131,742	\$ 1,298,467

Machinery and equipment acquired under current capital lease obligations was a total of \$1,747,947.

The County is not obligated in any manner for special assessment debt.

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2012

E. Interfund Transactions

Operating transfers between the primary government funds during the 2012 year were as follows:

Transfer In	Transfer Out	Amounts
General	Nonmajor governmental fund	\$ 62,500

The composition of interfund balances as of September 30, 2012, is as follows:

Funds	Due from	Due to
General:	\$ 2,168,625	\$ -
Capital projects	-	9,996
Nonmajor governmental	-	158,629
Internal service fund	-	2,000,000
Road and bridge:	1,996	-
Capital projects	-	1,996
Nonmajor governmental:	46,000	-
Road and bridge	-	46,000
	\$ 2,216,621	\$ 2,216,621

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

V. OTHER INFORMATION

A. 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, and natural disasters for which the County carries commercial insurance. In addition, the County participates along with 338 other entities in the Texas Association of Counties Workers' Compensation Self-Insurance Fund. The Texas Association of Counties created this pool in 1974 to insure the County for worker compensation related claims. This pool purchases commercial insurance at group rates for participants in the pool. The County has no additional risk or responsibility to either of the pools in which it participates, outside of payment of insurance premiums. The County has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2012

The County reports liabilities when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency, and amount of payout and other economic and social factors. The liability for claims and judgments is reported in the government-wide financial statements because it is not expected to be liquidated with expendable available financial resources. However, none are reported at September 30, 2012.

B. Contingent Liabilities

Amounts 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 time, although the County expects such amounts, if any, to be immaterial.

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

The County entered into the Facility Operation and Management Agreement with Community Education Centers, Inc. (the "Operator") for operation, management, and maintenance (subject to certain limitations) of the County's jail facility. This agreement is for two years, containing an automatic one year renewal, commencing on May 1, 2012. In May 2013, the contract will automatically renew for one year unless the County or the operator gives 180 days advance written notice of intent not to renew. Over the term of the contract, the daily rate paid to the operator for County and non-County inmates will range from \$44.75 to \$71.12, depending on the inmate population. During the year, the County paid \$3,661,664 for housing County and non-County inmates.

The County has various operating agreements for office space, equipment, and services. Most agreements are for terms of one year or less or contain "funding clauses" enabling the County to cancel such agreements with nominal notice.

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2012

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the County could result. Although the County does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations.

D. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination, death, or unforeseeable emergencies.

Federal law requires all assets and income of Section 457 plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries. The County's deferred compensation plan is administered by a private corporation under contract with the County.

E. Health Care

The County maintains a self-insured health plan (the "Plan") for all eligible employees and retirees. The County contributed approximately \$4.9 million to the Plan to subsidize employee premiums during the year ended September 30, 2012. Employees are responsible for premiums for dependents. Health claim payments include the premiums for dependents' health insurance processed by a third party (United HealthCare Services, Inc.) acting on behalf of the County.

Claims incurred are subject to annual specific deductible of \$150,000 and a maximum aggregate benefit of \$1,000,000. Employee health claims are self-insured by the County up to these annual limits and stop-loss benefits are provided by United Healthcare Insurance Company.

At year end, the County has recorded current health claim liabilities of \$411,535 in the internal service fund. These liabilities are based on requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

For the Year Ended September 30, 2012

financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated. Changes in the balances of claims liabilities during the last two years ended September 30, are as follows:

	2012	2011
Beginning balance	\$ 540,253	\$ 532,436
Claims incurred	6,421,909	5,416,688
Claims paid	(6,550,627)	(5,408,871)
Ending balance	\$ 411,535	\$ 540,253

F. Other Post Employee Benefits

Plan Description

The County administers a single-employer defined benefit Other Post Employment Benefits (OPEB) plan, known as the County Health Insurance Benefits (the "Program"). The Program offers medical, dental, and vision insurance benefits to eligible retirees and their spouses as well as life insurance for retirees only. Employees who retire in accordance with the provisions of the TCDRS are covered as employees under the group health and related benefits program at the time of retirement, and are vested with the County are eligible to receive County health insurance benefits.

The employee's responsibility for the premium depends on whether they retired on or before December 31, 1996 or after as follows:

Retirement on or before December 31, 1996

The retiree pays the entire premium for retiree medical, prescription drug, dental, and vision coverage as well as coverage for eligible dependents. The County does not pay any portion of this premium.

Retirement on or after January 1, 1997

The County pays 100 percent of the premium for retiree medical, prescription drug, dental, vision, and life insurance coverage. Retirees must pay the entire premium for coverage of eligible dependents. Life insurance is not available for dependents of retirees.

Dependent coverage ends upon the cessation of premium payments.

Funding Policy

The County has elected to subsidize premiums for the plan and funding is provided on a pay-as-you-go basis.

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

For the Year Ended September 30, 2012

Annual OPEB Cost

The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost of the year, the amount actually contributed to the plan, and the County's net OPEB obligation.

Annual required contribution	\$	3,596,334
Interest on OPEB obligation		255,204
Adjustment to annual required contribution		(287,686)
Annual OPEB cost expense		3,563,852
Contributions made		664,735
Change in net OPEB obligation		2,899,117
Net OPEB Obligation-beginning of year		8,506,805
Net OPEB Obligation-end of year	\$	11,405,922

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the program, and the net OPEB obligation for 2012 and the two preceding years are as follows:

Fiscal year	Annual OPEB Cost (ARC)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	
			Beginning	Ending
2010	\$ 3,313,382	15.18%	\$ 2,904,345	\$ 5,643,059
2011	\$ 3,596,334	17.50%	\$ 5,643,059	\$ 8,506,805
2012	\$ 3,596,334	18.65%	\$ 8,506,805	\$ 11,405,922

Funded Status and Funding Progress

As of October 1, 2010, the most recent actuarial valuation date, the Program was 0.00 percent funded. The actuarial accrued liability for benefits was \$29,027,347, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$29,027,347.

Actuarial valuations of an ongoing program involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2012

of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of Program, assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive program (the program as understood by the employer and the Program members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Program members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following is a summary of the actuarial assumptions:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar
Remaining Amortization Period	30 years
Asset Valuation Method	N/A
Investment Rate of Return	3.00%
Healthcare Cost Trend Rate (Initial/Ultimate)	13.0%/5.0%

G. Pension Plans

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 573 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 Commissioners' Court within the options available in Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of

Liberty County, Texas

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

For the Year Ended September 30, 2012

their age and years of service equals 75 or more. Members are vested after 8 years of service, but must leave their accumulated contributions in the plan to receive 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 contribution to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Commissioners' Court within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The County has elected the annually determined contribution rate (ACDR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 14.29% for the months of the accounting year in 2011 and 15.25% for the months of the accounting year in 2012.

The Commissioners' Court adopted the rate of 7% as the contribution rate payable by the employee members for calendar year 2012. The Commissioners' Court may change the employee contribution rate and the employer contribution rate within the options available in the TCDRS Act.

Annual Pension Costs

The County's schedule of funding information can be found in the Required Supplemental Information section of this report.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2009, and December 31, 2010, the basis for determining the contribution rates for plan years 2011 and 2012.

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2012

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	20 Years - Closed Period
Asset Valuation Method	10-yr smoothed value ESF: Fund value
Investment Rate of Return	8%
Projected Salary Increases	5.4%
Includes Inflation at	3.5%
Cost of Living Adjustments	None

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Req. Contribution (ARC)	\$ 1,866,414	\$ 1,864,166	\$ 1,835,041
Contributions made	\$ (1,866,414)	\$ (1,864,166)	\$ (1,835,041)
NPO at the End of the Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The funded status as of December 31, 2011, the most recent valuation date, is as follows:

	<u>2012</u>
Actuarial Valuation Date	12/31/2011
Actuarial Value of Assets	33,039,295
Actuarial Accrued Liability	43,705,953
Percentage Funded	76%
Unfunded Actuarial Accrued Liability (UAAL)	10,666,658
Annual Covered Payroll	12,536,753
UAAL as a Percentage of Covered Payroll	85%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

H. Restatement

The County has restated beginning fund balance/net position within governmental activities, general, road and bridge, debt service and nonmajor governmental funds due to a change in the reporting of accruals, change in accounting principal and long-term debt. The change in accounting principal resulted from the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, considers debt issuance costs to be a current period expense and therefore, should not be deferred. The restatement of beginning net position/fund balance is as follows:

Liberty County, Texas
NOTES TO THE FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2012

	<u>Governmental Activities</u>	<u>General</u>	<u>Road and Bridge</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>
Prior year ending net position					
fund balance as reported	\$ 24,118,843	\$ 12,721,731	\$ 60,030	\$ 146,489	\$ 58,869
Change in reporting of receivables	(92,000)	40,000	(86,000)	(46,000)	-
Change in reporting of payables	(26,751)	-	-	-	(26,751)
Change in accounting principal	(461,055)	-	-	-	-
Change in reporting of long-term debt	(172,847)	-	-	-	-
Restated beginning net position/fund balance	<u>\$ 23,366,190</u>	<u>\$ 12,761,731</u>	<u>\$ (25,970)</u>	<u>\$ 100,489</u>	<u>\$ 32,118</u>

I. Subsequent Events

On December 20, 2012 the County issued General Obligation Refunding Bonds, series 2012, in the amount of \$9,935,000.

There were no other material subsequent events through July 11, 2013, the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

Liberty County, Texas

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)

For the Year Ended September 30, 2012

	2012			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Property taxes	\$ 14,489,822	\$ 14,751,372	\$ 16,028,095	\$ 1,276,723
Sales taxes	2,500,000	2,558,850	3,119,742	560,892
Other taxes	38,000	38,000	41,176	3,176
Licenses and permits	85,000	85,000	183,252	98,252
Fines and forfeitures	1,664,500	1,664,500	2,068,660	404,160
Charges for services	1,520,000	1,520,000	333,017	(1,186,983)
Intergovernmental revenue	543,900	548,900	631,098	82,198
Investment income	250,000	250,000	168,857	(81,143)
Other revenue	167,500	167,500	197,676	30,176
Total Revenues	21,258,722	21,584,122	22,771,573	1,187,451
Expenditures				
General government:				
Commissioners' court	454,421	454,421	411,854	42,567
County clerk	874,716	904,716	874,342	30,374
Veterans services	142,112	142,112	141,219	893
General administration	1,906,200	1,884,635	1,906,777	(22,142) *
Building maintenance	470,058	491,858	490,100	1,758
Employee benefits	541,927	286,302	276,306	9,996
	4,389,434	4,164,044	4,100,598	63,446
Judicial:				
County judge	409,561	409,561	388,949	20,612
Justice courts	982,187	1,015,061	1,000,273	14,788
County court at law	538,809	588,609	579,920	8,689
District clerk	602,600	627,600	620,104	7,496
District judges	1,095,304	1,319,261	1,254,599	64,662
Court costs	323,908	588,725	548,902	39,823
	3,952,369	4,548,817	4,392,747	156,070
Legal:				
County attorney	662,933	700,333	694,499	5,834
District attorney	1,138,482	1,165,365	1,158,796	6,569
	1,801,415	1,865,698	1,853,295	12,403
Financial:				
County auditor	357,702	357,702	356,500	1,202
County treasurer	291,405	291,405	289,706	1,699
Tax assessor-collector	792,852	792,852	731,212	61,640
Data processing	70,000	70,000	68,080	1,920
Central appraisal district	695,464	681,464	681,018	446
	2,207,423	2,193,423	2,126,516	66,907

Liberty County, Texas

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)

For the Year Ended September 30, 2012

Public safety:				
Sheriff	4,809,802	5,013,402	4,967,352	46,050
Juvenile probation	332,989	374,989	352,335	22,654
Jail operations	4,720,000	4,720,000	3,661,664	1,058,336
Constables	1,218,368	1,242,768	1,212,829	29,939
Fire Marshall	318,341	341,229	338,592	2,637
Emergency management	227,472	132,472	126,124	6,348
	<u>11,626,972</u>	<u>11,824,860</u>	<u>10,658,896</u>	<u>1,165,964</u>
Health and welfare:				
Public welfare	579,000	597,500	557,062	40,438
Housing authority	121,000	126,000	119,698	6,302
Indigent services	576,023	428,534	367,125	61,409
	<u>1,276,023</u>	<u>1,152,034</u>	<u>1,043,885</u>	<u>108,149</u>
Other:				
Extension service	151,579	156,279	147,203	9,076
Engineering and permits	255,264	254,851	255,265	(414) *
Special projects	227,000	165,000	146,347	18,653
Capital outlay	262,400	79,213	56,592	22,621
	<u>896,243</u>	<u>655,343</u>	<u>605,407</u>	<u>49,936</u>
Total Expenditures	<u>26,149,879</u>	<u>26,404,219</u>	<u>24,781,344</u>	<u>1,622,875</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(4,891,157)</u>	<u>(4,820,097)</u>	<u>(2,009,771)</u>	<u>2,810,326</u>
<u>Other Financing Sources</u>				
Transfers in	56,450	62,500	62,500	-
Total Other Financing Sources	<u>56,450</u>	<u>62,500</u>	<u>62,500</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (4,834,707)</u>	<u>\$ (4,757,597)</u>	<u>(1,947,271)</u>	<u>\$ 2,810,326</u>
Beginning fund balance			<u>12,761,731</u>	
Ending Fund Balance			<u>\$ 10,814,460</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- * 2. Expenditures exceeded appropriations at the legal level of control.

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Liberty County, Texas
ROAD AND BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2012

	2012			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
Property taxes	\$ 5,675,206	\$ 5,675,206	\$ 5,937,525	\$ 262,319
Fines and forfeitures	1,430,000	1,430,000	1,666,392	236,392
Intergovernmental revenue	56,500	56,500	56,406	(94)
Other revenue	41,000	79,000	135,020	56,020
Total Revenues	7,202,706	7,240,706	7,795,343	554,637
Expenditures				
Public transportation:				
Precinct No. 1	1,370,148	1,370,148	1,207,867	162,281
Precinct No. 2	2,242,048	2,303,433	2,286,956	16,477
Precinct No. 3	1,070,051	1,047,751	1,034,124	13,627
Precinct No. 4	1,588,859	1,621,259	1,626,250	(4,991) *
	<u>6,271,106</u>	<u>6,342,591</u>	<u>6,155,197</u>	<u>187,394</u>
Other:				
Landfill and solid waste	514,600	527,600	524,622	2,978
	<u>514,600</u>	<u>527,600</u>	<u>524,622</u>	<u>2,978</u>
Debt service:				
Principal	361,713	315,228	238,146	77,082
Interest	55,287	55,287	55,287	-
	<u>417,000</u>	<u>370,515</u>	<u>293,433</u>	<u>77,082</u>
Total Expenditures	7,202,706	7,240,706	6,973,252	267,454
Net Change in Fund Balance	\$ -	\$ -	822,091	\$ 822,091
Beginning fund balance			<u>(25,970)</u>	
Ending Fund Balance			<u><u>\$ 796,121</u></u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

* 2. Expenditures exceeded appropriations at the legal level of control.

Liberty County, Texas
SCHEDULE OF FUNDING PROGRESS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

The County's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the County makes all of the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the County's Schedule of Funding Progress.

Fiscal Year	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarial Valuation Date	12/31/2011	12/31/2010	# 12/31/2009
Actuarial Value of Assets	\$ 33,039,295	\$ 31,434,178	\$ 28,306,696
Actuarial Accrued Liability	\$ 43,705,953	\$ 41,519,188	\$ 37,445,184
Percentage Funded	75.6%	75.7%	75.6%
Unfunded Actuarial			
Accrued Liability	\$ 10,666,658	\$ 10,085,010	\$ 9,138,488
Annual Covered Payroll	\$ 12,536,753	\$ 12,648,516	\$ 11,853,001
Unfunded Actuarial Accrued Liability			
(UAAL) % of Covered Payroll	85.1%	79.7%	77.1%
Net Pension Obligation (NPO)			
at the Beginning of Period	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	\$ 1,866,414	\$ 1,864,166	\$ 1,835,041
Contributions Made	\$ 1,866,414	\$ 1,864,166	\$ 1,835,041
NPO at the End of Period	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Liberty County, Texas
SCHEDULE OF FUNDING PROGRESS
POST EMPLOYMENT HEALTHCARE BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets a	Actuarial Accrued Liability (AAL) Entry Age b	Unfunded AAL (AAL) (b-a)	Funded Ratio a/b	Annual Covered Payroll c	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/1/2008	\$ -	\$ 24,876,324	\$ 24,876,324	0%	N/A	N/A
10/1/2010	\$ -	\$ 29,027,347	\$ 29,027,347	0%	\$ 10,485,551	277%

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***COMBINING STATEMENTS
AND SCHEDULES***

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Liberty County, Texas

NONMAJOR GOVERNEMENTAL FUND DESCRIPTIONS

September 30, 2012

SPECIAL REVENUE FUNDS

Land Acquisition Fund - The Land Acquisition fund accounts for special vehicle registration fees designated for the acquisition of right-of-way for road expansion.

Courthouse Security Fund - The Courthouse Security fund accounts for court filing fees designated for security services for buildings housing a District or County court.

Law Library Fund - The Law Library fund accounts for the operation of a law library for use by members of the Texas Bar Association. Financing is provided from fees assessed in each civil case filed in County and District Courts.

Juvenile Probation Fund - The Juvenile Probation fund accounts for revenues received from the Texas Juvenile Probation Commission under an agreement to provide juvenile offenders with a program of rehabilitation. Funds are restricted for this purpose.

DARE Fund - The DARE fund accounts for revenues received from the surrounding community to support work with children to increase drug awareness and resistance. Funds are restricted for this purpose.

Commissary Fund - The Commissary fund accounts for revenues received from commissary activities in the County jail.

TCDP Programs Fund - The TCDP Programs fund accounts for revenues received from the Texas Office of Rural Community Affairs and the Federal Emergency Management Agency to develop viable communities by providing decent housing and suitable living environments, and expanding economic opportunities principally for persons of low and moderate income.

Homeland Security Fund - The Homeland Security fund accounts for revenues received from the Texas Engineering Extension Service to purchase equipment for the prevention of and response to potential terrorist acts.

Commissioners' Court Records Management Fund - The Commissioners' Court Records Management fund accounts for revenues received from a special records management and preservation fee designated for records management and preservation services performed by the Commissioners' Court.

District Attorney Federal Forfeiture Fund - The District Attorney Federal Forfeiture fund accounts for federally forfeited property received from the U.S. Department of Justice.

District Attorney Fund - The District Attorney fund accounts for revenues received from the State of Texas and fees collected in connection with processing checks issued or passed in violation of the Texas Penal Code. Fees deposited in this fund are use to defray expenses of the District attorney's office.

Liberty County, Texas

NONMAJOR GOVERNEMENTAL FUND DESCRIPTIONS (continued)

September 30, 2012

SPECIAL REVENUE FUNDS (continued)

District Attorney Programs Fund - The District Attorney Programs fund accounts for revenues received from the State of Texas. Fees deposited in this fund are used to cover expenses for special investigation, welfare fraud, and crime prevention.

District Clerk TDCJ Fund - The District Clerk TDCJ fund accounts for revenues received from Texas Department of Criminal Justice (TDCJ), designated for the use of a District clerk in a County in which a state prison facility is located.

District Clerk Child Support Fund - The District Clerk Child Support fund accounts for reimbursements received from the Office of the Attorney General for processing child support payments sent to the County as part of the Cooperative Agreement for Title IV, Part D of the Federal Social Security act (IV-D) child support enforcement program. The purpose of this program is to provide the County child support register with a mechanism for supporting and improving the IV-D child support case services provided by the County.

District Clerk Records Management Fund - The District Clerk Records Management fund accounts for revenues received from a special records management and preservation fee designated for records management and preservation services performed by the District Clerk.

County Attorney Check Collections Fund - The County Attorney Check Collections fund accounts for fees collected in connection with processing checks issued or passed in violation of the Texas Penal Code. Fees deposited in this fund are used to defray expense of the County Attorney's Office.

County Constable Seizures Fund - The County Constable Seizures fund accounts for drug seizure funds from drug related arrests. Funds are restricted for law enforcement purposes.

County Sheriff Programs Fund - The County Sheriff Programs fund accounts for revenues received by the Sheriffs office for participation in the seizure of property during criminal investigation. Funds are restricted for law enforcement purposes.

JP Technology Fund - The JP Technology fund accounts for technology fees collected as a cost of court from defendants convicted of misdemeanor offenses. The fund may be used only to finance the purchase of technological enhancements and is administered by the Commissioners' Court.

CSCD Civil Fees Fund - The CSCD Civil Fees fund accounts for revenues received for supervising misdemeanor and felony offenders.

CDBG Disaster Recovery Fund - The CDBG Disaster Recovery fund accounts for Community Development Block Grant revenues received for disaster recovery relief.

Liberty County, Texas

NONMAJOR GOVERNEMENTAL FUND DESCRIPTIONS (continued)

September 30, 2012

SPECIAL REVENUE FUNDS (continued)

County Clerk Records Management Fund - The County Clerk Records Management fund accounts for revenues received from a special records management and preservation fee designated for records management and preservation services performed by the County Clerk.

CDBG Fund - The CDBG fund accounts for revenues received from the Department of Housing and Urban Development.

Supplemental Environmental Project Fund - The Supplemental Environmental Project fund accounts for revenue received from the state used for environmental enforcement purposes.

TDHCA Home Program Fund - The TDHCA Home Program fund is for the purchase of homes that have become condemned or abandoned.

COPS Grant Fund - The COPS Grant fund accounts for revenues received from the Texas Department of Public Safety.

County and District Court Technology Fund - The County and District Court Technology fund accounts for services provided by the County and District Clerk.

County Record Preservation Fund - The County Record Preservation fund is used to account for preservation services provided by the District Clerk.

FEMA Grant Fund - The FEMA Grant fund accounts for revenues received from the Federal Emergency Management Agency.

CDBG Hull Fresh Water District Fund - The CDBG Hull Fresh Water District fund accounts for revenues received from the Texas Department of Rural Affairs.

Constable Grant Fund - The Constable Grant fund accounts for the revenue received from the Texas Department of Homeland Security.

Hurricane Ike Fund - The Hurricane Ike fund accounts for Hurricane Ike related grant revenues.

DEBT SERVICE FUND

Debt Service Fund - This fund is used to account for the accumulation of resources for and the payment of long-term liabilities (principal, interest, and other related costs).

Liberty County, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 1 of 4)
September 30, 2012

Special Revenue Funds				
	Land Acquisition	Courthouse Security	Law Library	Juvenile Probation
Assets				
Cash and cash equivalents	\$ 1,640,183	\$ 99,505	\$ 4,081	\$ 25,754
Receivables, net	-	-	-	-
Due from other governments	57,885	1,158	735	-
Due from others	-	132	-	-
Due from other funds	-	-	-	-
Total Assets	\$ 1,698,068	\$ 100,795	\$ 4,816	\$ 25,754
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 40,000	\$ -	\$ 3,296	\$ 606
Due to others	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	40,000	-	3,296	606
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Fund Balances:				
Restricted for:				
Community development	1,658,068	-	-	-
Public safety	-	100,795	-	25,148
Judicial	-	-	1,520	-
Records management	-	-	-	-
Grant related	-	-	-	-
Debt service	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	1,658,068	100,795	1,520	25,148
Total Liabilities and Fund Balances	\$ 1,698,068	\$ 100,795	\$ 4,816	\$ 25,754

Special Revenue Funds

<u>DARE</u>	<u>Commissary</u>	<u>TCDP Programs</u>	<u>Homeland Security</u>	<u>Commissioners' Court Records Management</u>	<u>District Attorney Federal Forfeiture</u>
\$ 15,402	\$ 9,600	\$ -	\$ 25,410	\$ 317,274	\$ 8,384
-	-	-	-	-	-
-	-	62,433	-	399	-
-	4,970	-	-	-	-
-	-	-	-	-	-
<u>\$ 15,402</u>	<u>\$ 14,570</u>	<u>\$ 62,433</u>	<u>\$ 25,410</u>	<u>\$ 317,673</u>	<u>\$ 8,384</u>
\$ -	\$ -	\$ -	\$ -	\$ 509	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	509	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
15,402	14,570	-	25,410	-	8,384
-	-	-	-	-	-
-	-	-	-	317,164	-
-	-	62,433	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>15,402</u>	<u>14,570</u>	<u>62,433</u>	<u>25,410</u>	<u>317,164</u>	<u>8,384</u>
<u>\$ 15,402</u>	<u>\$ 14,570</u>	<u>\$ 62,433</u>	<u>\$ 25,410</u>	<u>\$ 317,673</u>	<u>\$ 8,384</u>

Liberty County, Texas

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (page 2 of 4)

September 30, 2012

	Special Revenue Funds			
	District Attorney	District Attorney Programs	District Clerk TDCJ	District Clerk Child Support
<u>Assets</u>				
Cash and cash equivalents	\$ 56,749	\$ 229,238	\$ 30,652	\$ 522,192
Receivables, net	-	-	-	-
Due from other governments	-	-	-	6,652
Due from others	-	-	-	-
Due from other funds	-	-	-	-
Total Assets	\$ 56,749	\$ 229,238	\$ 30,652	\$ 528,844
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 474	\$ 543	\$ -
Due to others	19,359	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	19,359	474	543	-
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	-	-	-	-
Fund Balances:				
Restricted for:				
Community development	-	-	-	-
Public safety	-	-	-	-
Judicial	37,390	228,764	30,109	528,844
Records management	-	-	-	-
Grant related	-	-	-	-
Debt service	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	37,390	228,764	30,109	528,844
Total Liabilities and Fund Balances	\$ 56,749	\$ 229,238	\$ 30,652	\$ 528,844

Special Revenue Funds

District Clerk Records Management	County Attorney Check Collections	County Constable Seizures	County Sherriff Programs	JP Technology	CSCD Civil Fee
\$ 23,782	\$ 33,797	\$ 97,318	\$ 97,470	\$ 156,001	\$ 67,453
-	-	-	-	-	-
25	-	-	-	464	-
-	551	-	-	132	4,151
-	-	-	-	-	-
<u>\$ 23,807</u>	<u>\$ 34,348</u>	<u>\$ 97,318</u>	<u>\$ 97,470</u>	<u>\$ 156,597</u>	<u>\$ 71,604</u>
\$ 987	\$ 100	\$ 900	\$ 125	\$ 570	\$ -
-	-	20,175	24,354	-	-
-	-	-	-	-	-
<u>987</u>	<u>100</u>	<u>21,075</u>	<u>24,479</u>	<u>570</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	76,243	72,991	156,027	71,604
-	-	-	-	-	-
22,820	34,248	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>22,820</u>	<u>34,248</u>	<u>76,243</u>	<u>72,991</u>	<u>156,027</u>	<u>71,604</u>
<u>\$ 23,807</u>	<u>\$ 34,348</u>	<u>\$ 97,318</u>	<u>\$ 97,470</u>	<u>\$ 156,597</u>	<u>\$ 71,604</u>

Liberty County, Texas

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (page 3 of 4)

September 30, 2012

	Special Revenue Funds			
	CDBG Disaster Recovery	County Clerk Records Management	CDBG	Supplemental Environmental Project
<u>Assets</u>				
Cash and cash equivalents	\$ 1,806	\$ 445,458	\$ 125,924	\$ 900
Receivables, net	-	-	-	-
Due from other governments	-	2,490	-	-
Due from others	-	-	-	-
Due from other funds	-	-	-	-
Total Assets	\$ 1,806	\$ 447,948	\$ 125,924	\$ 900
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 5,260	\$ -	\$ -
Due to others	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	5,260	-	-
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	-	-	-	-
Fund Balances:				
Restricted for:				
Community development	-	-	-	-
Public safety	-	-	-	-
Judicial	-	-	-	-
Records management	-	442,688	-	-
Grant related	1,806	-	125,924	900
Debt service	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	1,806	442,688	125,924	900
Total Liabilities and Fund Balances	\$ 1,806	\$ 447,948	\$ 125,924	\$ 900

Special Revenue Funds

<u>TDHCA Home Program</u>	<u>COPS Grant</u>	<u>County & District Court Tech</u>	<u>County Record Preservation</u>	<u>FEMA Grant</u>	<u>CDBG Hull Fresh Water District</u>
\$ 6,094	\$ 3,582	\$ 4,236	\$ 24,000	\$ 22,525	\$ -
-	-	-	-	-	-
-	-	76	30	-	3,980
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 6,094</u>	<u>\$ 3,582</u>	<u>\$ 4,312</u>	<u>\$ 24,030</u>	<u>\$ 22,525</u>	<u>\$ 3,980</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,980
-	-	-	-	-	-
-	-	-	-	30,494	-
-	-	-	-	30,494	3,980
-	-	-	-	-	-
6,094	-	-	-	-	-
-	3,582	-	-	-	-
-	-	4,312	-	-	-
-	-	-	24,030	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(7,969)	-
<u>6,094</u>	<u>3,582</u>	<u>4,312</u>	<u>24,030</u>	<u>(7,969)</u>	<u>-</u>
<u>\$ 6,094</u>	<u>\$ 3,582</u>	<u>\$ 4,312</u>	<u>\$ 24,030</u>	<u>\$ 22,525</u>	<u>\$ 3,980</u>

Liberty County, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 4 of 4)
September 30, 2012

	Special Revenue Funds			
	Constables Grant	Hurricane Ike	Debt Service	Total Nonmajor Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ -	\$ 209,755	\$ 4,304,525
Receivables, net	-	-	237,014	237,014
Due from other governments	6,583	-	17,397	160,307
Due from others	-	-	-	9,936
Due from other funds	-	-	46,000	46,000
Total Assets	\$ 6,583	\$ -	\$ 510,166	\$ 4,757,782
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 12,419	\$ -	\$ -	\$ 69,769
Due to others	-	-	-	63,888
Due to other funds	-	128,135	-	158,629
Total Liabilities	12,419	128,135	-	292,286
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	-	-	237,014	237,014
Fund Balances:				
Restricted for:				
Community development	-	-	-	1,664,162
Public safety	-	-	-	570,156
Judicial	-	-	-	830,939
Records management	-	-	-	840,950
Grant related	-	-	-	191,063
Debt service	-	-	273,152	273,152
Unassigned	(5,836)	(128,135)	-	(141,940)
Total Fund Balances	(5,836)	(128,135)	273,152	4,228,482
Total Liabilities and Fund Balances	\$ 6,583	\$ -	\$ 510,166	\$ 4,757,782

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Liberty County, Texas

*COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (page 1 of 4)
For the Year Ended September 30, 2012*

	Special Revenue Funds			
	Land Acquisition	Courthouse Security	Law Library	Juvenile Probation
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	344,062	51,650	41,714	-
Charges for services	-	-	-	-
Intergovernmental	-	-	-	347,046
Investment income	-	-	-	-
Total Revenues	344,062	51,650	41,714	347,046
Expenditures				
Current:				
General government	-	-	-	-
Judicial	-	50,984	61,067	-
Legal	-	-	-	-
Public safety	-	-	-	354,016
Health and welfare	-	-	-	-
Public transportation	680,918	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	680,918	50,984	61,067	354,016
Excess (Deficiency) of Revenues Over Expenditures	(336,856)	666	(19,353)	(6,970)
Other Financing Sources (Uses)				
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(336,856)	666	(19,353)	(6,970)
Beginning fund balances	1,994,924	100,129	20,873	32,118
Ending Fund Balances	\$ 1,658,068	\$ 100,795	\$ 1,520	\$ 25,148

Special Revenue Funds

<u>DARE</u>	<u>Commissary</u>	<u>TCDP Programs</u>	<u>Homeland Security</u>	<u>Commissioners' Court Records Management</u>	<u>District Attorney Federal</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	24,985	-
-	27,997	-	-	-	-
-	-	-	112,340	-	-
-	-	-	-	-	-
<u>-</u>	<u>27,997</u>	<u>-</u>	<u>112,340</u>	<u>24,985</u>	<u>-</u>
-	-	-	-	18,732	-
-	-	-	-	-	-
-	-	-	-	-	-
7,083	10,774	-	-	-	-
-	-	-	-	-	-
-	-	-	111,557	-	-
-	-	-	-	-	-
<u>7,083</u>	<u>10,774</u>	<u>-</u>	<u>111,557</u>	<u>18,732</u>	<u>-</u>
<u>(7,083)</u>	<u>17,223</u>	<u>-</u>	<u>783</u>	<u>6,253</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>(7,083)</u>	<u>17,223</u>	<u>-</u>	<u>783</u>	<u>6,253</u>	<u>-</u>
<u>22,485</u>	<u>(2,653)</u>	<u>62,433</u>	<u>24,627</u>	<u>310,911</u>	<u>8,384</u>
<u>\$ 15,402</u>	<u>\$ 14,570</u>	<u>\$ 62,433</u>	<u>\$ 25,410</u>	<u>\$ 317,164</u>	<u>\$ 8,384</u>

Liberty County, Texas

*COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (page 2 of 4)
For the Year Ended September 30, 2012*

	Special Revenue Funds			
	District Attorney	District Attorney Programs	District Clerk TDCJ	District Clerk Child Support
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	7,802	12,212	-	-
Charges for services	-	-	-	-
Intergovernmental	10,690	-	-	45,186
Investment income	-	-	-	-
Total Revenues	18,492	12,212	-	45,186
Expenditures				
Current:				
General government	-	-	-	-
Judicial	-	-	8,195	46,236
Legal	15,962	39,850	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	15,962	39,850	8,195	46,236
Excess (Deficiency) of Revenues Over Expenditures	2,530	(27,638)	(8,195)	(1,050)
Other Financing Sources (Uses)				
Transfers (out)	-	(62,500)	-	-
Total Other Financing Sources (Uses)	-	(62,500)	-	-
Net Change in Fund Balances	2,530	(90,138)	(8,195)	(1,050)
Beginning fund balances	34,860	318,902	38,304	529,894
Ending Fund Balances	\$ 37,390	\$ 228,764	\$ 30,109	\$ 528,844

Special Revenue Funds

<u>District Clerk Records Management</u>	<u>County Attorney Check</u>	<u>County Constable Seizures</u>	<u>County Sherriff Programs</u>	<u>JP Technology</u>	<u>CSCD Civil Fee</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,737	17,166	1,055	31,648	24,518	-
-	-	-	-	-	55,228
-	-	-	-	-	-
-	-	-	-	-	-
<u>7,737</u>	<u>17,166</u>	<u>1,055</u>	<u>31,648</u>	<u>24,518</u>	<u>55,228</u>
-	-	-	-	-	-
4,095	-	-	-	5,713	51,108
-	20,598	-	-	-	-
-	-	22,656	20,237	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	65,816	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>4,095</u>	<u>20,598</u>	<u>22,656</u>	<u>20,237</u>	<u>71,529</u>	<u>51,108</u>
3,642	(3,432)	(21,601)	11,411	(47,011)	4,120
-	-	-	-	-	-
-	-	-	-	-	-
3,642	(3,432)	(21,601)	11,411	(47,011)	4,120
19,178	37,680	97,844	61,580	203,038	67,484
<u>\$ 22,820</u>	<u>\$ 34,248</u>	<u>\$ 76,243</u>	<u>\$ 72,991</u>	<u>\$ 156,027</u>	<u>\$ 71,604</u>

Liberty County, Texas

*COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (page 3 of 4)
For the Year Ended September 30, 2012*

	Special Revenue Funds			
	CDBG Disaster Recovery	County Clerk Records Management	CDBG	Supplemental Environmental Project
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	82,130	-	-
Charges for services	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	-	-	-	-
Total Revenues	-	82,130	-	-
Expenditures				
Current:				
General government	-	72,191	-	-
Judicial	-	-	-	-
Legal	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public transportation	-	-	-	-
Capital outlay	-	252,683	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	324,874	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	(242,744)	-	-
Other Financing Sources (Uses)				
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	-	(242,744)	-	-
Beginning fund balances	1,806	685,432	125,924	900
Ending Fund Balances	\$ 1,806	\$ 442,688	\$ 125,924	\$ 900

Special Revenue Funds

TDHCA Home Program	COPS Grant	County & District Court Tech	County Record Preservation	FEMA Grant	CDBG Hull Fresh Water District
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	2,087	8,516	-	-
-	-	-	-	-	-
-	14,787	-	-	28,444	2,358
-	-	-	-	-	-
-	14,787	2,087	8,516	28,444	2,358
-	-	-	-	-	3,981
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	11,205	-	-	35,479	-
-	-	-	-	-	-
-	-	-	-	-	-
-	11,205	-	-	35,479	3,981
-	3,582	2,087	8,516	(7,035)	(1,623)
-	-	-	-	-	-
-	-	-	-	-	-
-	3,582	2,087	8,516	(7,035)	(1,623)
6,094	-	2,225	15,514	(934)	1,623
\$ 6,094	\$ 3,582	\$ 4,312	\$ 24,030	\$ (7,969)	\$ -

Liberty County, Texas

*COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (page 4 of 4)
For the Year Ended September 30, 2012*

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Constables Grant	Hurricane Ike	Debt Service	
	Revenues			
Property taxes	\$ -	\$ -	\$ 2,338,902	\$ 2,338,902
Fines and forfeitures	-	-	-	657,282
Charges for services	-	-	-	83,225
Intergovernmental	46,493	-	-	607,344
Investment income	-	-	6,854	6,854
Total Revenues	46,493	-	2,345,756	3,693,607
 Expenditures				
Current:				
General government	52,329	-	-	147,233
Judicial	-	-	-	227,398
Legal	-	-	-	76,410
Public safety	-	-	-	414,766
Health and welfare	-	544,745	-	544,745
Public transportation	-	-	-	680,918
Capital outlay	-	-	-	476,740
Debt service:				
Principal	-	-	1,415,000	1,415,000
Interest	-	-	758,093	758,093
Total Expenditures	52,329	544,745	2,173,093	4,741,303
Excess (Deficiency) of Revenues Over Expenditures	(5,836)	(544,745)	172,663	(1,047,696)
 Other Financing Sources (Uses)				
Transfers (out)	-	-	-	(62,500)
Total Other Financing Sources (Uses)	-	-	-	(62,500)
Net Change in Fund Balances	(5,836)	(544,745)	172,663	(1,110,196)
Beginning fund balances	-	416,610	100,489	5,338,678
Ending Fund Balances	\$ (5,836)	\$ (128,135)	\$ 273,152	\$ 4,228,482

Liberty County, Texas
FIDUCIARY FUND DESCRIPTIONS
AGENCY FUNDS
September 30, 2012

Fine and Bond Fund - The Fine and Bond fund accounts for funds received from inmates for fines and bonds.

Inmate Release Fund - The Inmate Release fund accounts for funds received by or for the benefit of inmates. Funds are used for the inmates' commissary and medical needs.

County Officials Escrow Fund - The County Officials Escrow fund accounts for assets held by the County as agent for other governments, courts or individuals.

State Court Costs Fund - The State Court Costs fund accounts for assets held by the County on behalf of other governments.

Old River District No. 1 Fund - The Old River District No. 1 fund accounts for funds held on behalf of Old River District No.1.

District Attorney Fund - The District Attorney Seizure fund accounts for funds seized in drug arrests until said funds are forfeited to the arresting police agency (sometimes more than one agency), District Attorney, or rightful owner.

Social Security Fund - The Social Security fund accounts for social security taxes and other employee benefits of the County and certain other governmental units.

Liberty County, Texas

COMBINING STATEMENT OF FUDICIARY NET POSITION AGENCY FUNDS September 30, 2012

	<u>Inmate Release</u>	<u>County Officials Escrow</u>	<u>State Court Costs</u>	<u>Old River</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 120,016	\$ 5,042,287	\$ 265,363	\$ 680,073
Due from others	-	-	3,634	-
Due from other funds	-	-	14,776	1,245
Total Assets	\$ 120,016	\$ 5,042,287	\$ 283,773	\$ 681,318
<u>Liabilities</u>				
Accounts payable	-	-	3,200	4,210
Due to others	120,016	4,625,319	-	677,108
Due to other governments	-	-	190,737	-
Due to other funds	-	416,968	89,836	-
Total Liabilities	\$ 120,016	\$ 5,042,287	\$ 283,773	\$ 681,318

See Notes to Financial Statements.

<u>DA Seizures</u>	<u>LCSO Fine & Bond Account</u>	<u>Social Security</u>	<u>Total Agency Funds</u>
\$ 110,106	\$ 45,305	\$ 964	\$ 6,264,114
-	-	-	3,634
-	-	-	16,021
<u>\$ 110,106</u>	<u>\$ 45,305</u>	<u>\$ 964</u>	<u>\$ 6,283,769</u>
-	-	-	7,410
110,106	-	964	5,533,513
-	45,305	-	236,042
-	-	-	506,804
<u>\$ 110,106</u>	<u>\$ 45,305</u>	<u>\$ 964</u>	<u>\$ 6,283,769</u>