

SHELBY COUNTY, TEXAS
Center, Texas

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2022

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INDEPENDENT AUDITORS' REPORT

Honorable County Judge
and Commissioners
Center, Texas

Opinion

We have audited the accompanying financial statements of the governmental activities, the fiduciary activities, each major fund, and the aggregate remaining fund information of Shelby County, as of and for the year ended September 30, 2022, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the fiduciary activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2022, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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* in considering the County's internal control over financial reporting and compliance.

Lufkin, Texas
May 24, 2023


CERTIFIED PUBLIC ACCOUNTANTS

Managements' Discussion and Analysis

This section of the Shelby County, Texas (the "County") financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended September 30, 2022 ("FY 2022").

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements - Highlights

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

- The County's assets and deferred outflows exceeded liabilities and deferred inflows by \$23,358,698 on a government-wide basis as of September 30, 2022.
- For FY 2022, taxes and other revenues, including program revenues, of the County's governmental activities amounted to \$17,322,647. Expenses, including program expenses, totaled \$13,416,703.

Fund Financial Statements - Highlights

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

- The County's governmental funds reported an increase in fund balance of \$3,022,245 for the fiscal year.
- The County's General Fund reported a fund balance of \$7,374,013, an increase of \$796,478 from September 30, 2021.

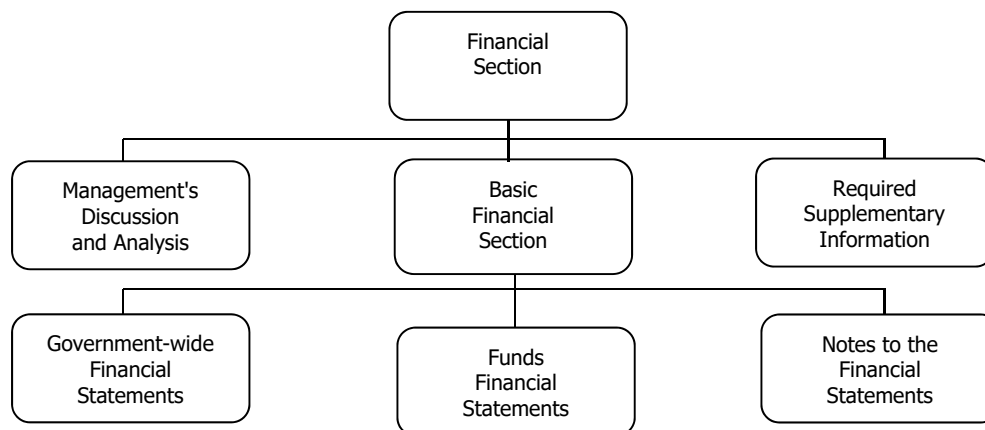
GENERAL FINANCIAL HIGHLIGHTS

Overview of the Financial Statements

The financial section of the financial report includes three parts:

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

COMPONENTS OF THE FINANCIAL SECTION



The basic financial statements are presented in two different formats, each using the required basis and appropriate measurement focus. Each format is its own unique way of looking at County finances. The government-wide statements provide both long- and short-term financial information regarding the County's finances.

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

Financial Analysis of the County as a Whole

Statement of Net Position

The following table presents a summary of the County's net position as of September 30, 2022 and 2021:

As of September 30

	<u>2022</u>	<u>2021</u>
Assets:		
Current and other assets	\$ 17 577 719	\$ 14 566 306
Capital assets (net)	6 454 569	6 327 873
Pension asset	2 458 848	-
TOTAL ASSETS	<u>26 444 409</u>	<u>20 894 179</u>
Deferred outflow	<u>891 503</u>	<u>1 511 431</u>
Liabilities:		
Current liabilities	563 993	862 714
Long-term liabilities	417 187	351 839
Pension liability	-	385 493
TOTAL LIABILITIES	<u>981 180</u>	<u>1 600 046</u>
Deferred inflows	<u>2 996 034</u>	<u>1 326 126</u>
Net Position:		
Net investment in capital assets	5 860 271	5 785 450
Restricted	8 504 601	5 675 948
Unrestricted	8 993 826	8 018 040
TOTAL NET POSITION	<u>\$ 23 358 698</u>	<u>\$ 19 479 438</u>

As noted earlier, net position, over time, serves as a barometer of a government's financial position. For the County, assets and deferred outflows exceeded liabilities and deferred inflows by \$23,358,698 at September 30, 2022, the County's fiscal year-end. This amount represents an increase of \$3,905,944 from the net position at September 30, 2021 before prior period adjustments.

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

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

Capital Assets and Long Term Debt

Details of the capital assets are in the notes. The County currently has \$594,298 in related long-term debt in the form of capital leases.

Governmental Activities

Revenues for the governmental activities for the County totaled \$17,286,603 for the fiscal year 2022.

Taxes constitute the largest source of County revenues, totaling \$11,126,538 for fiscal year 2022.

The cost of the County's governmental activities totaled \$13,416,703. Major contributors to costs include:

	2022	2021
Streets and bridges	\$ 4 789 280	\$ 4 873 569
Law enforcement	\$ 4 123 296	\$ 3 851 764
General administration	\$ 1 848 125	\$ 1 780 656
Judicial	\$ 1 232 241	\$ 1 232 429

Financial Analysis of the County's Funds

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

As of September 30, 2022, the County's governmental funds had a combined fund balance totaling \$15,284,316.

The General Fund is the primary operating fund of the County. Unassigned fund balance in the General Fund at September 30, 2022, totaled \$7,374,013. This represents approximately 100.2% of the total expenditures for FY 2022 from the General Fund.

Contacting the County's Financial Management

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

200 San Augustine Street
Center, Texas 75935

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SHELBY COUNTY, TEXAS
STATEMENT OF NET POSITION
September 30, 2022

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 15 577 719
Receivables Net of Allowance for Uncollectibles:	
Taxes	1 872 273
Lease receivable	81 000
TOTAL CURRENT ASSETS	17 530 992
Noncurrent Assets:	
Pension asset	2 458 848
Capital Assets:	
Land	374 436
Streets and infrastructure	16 490 928
Buildings and improvements	4 534 193
Furniture and equipment	10 280 512
Construction in progress	32 000
Less: Accumulated depreciation	(25 257 500)
TOTAL CAPITAL ASSETS	6 454 569
TOTAL NONCURRENT ASSETS	8 913 417
TOTAL ASSETS	26 444 409
DEFERRED OUTFLOW	
Contribution subsequent to measurement date	274 563
Pension deferred outflows	616 940
TOTAL DEFERRED OUTFLOW	891 503
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 27 335 912
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 166 537
Accrued liabilities	116 866
Accrued interest payable	3 131
Capital leases due in one year	277 459
TOTAL CURRENT LIABILITIES	563 993
Noncurrent Liabilities:	
Capital leases due in more than one year	316 839
Accrued compensation absence	100 348
TOTAL NONCURRENT LIABILITIES	417 187
TOTAL LIABILITIES	981 180
DEFERRED INFLOWS	
Pension deferred inflows	2 915 034
Deferred lease inflows	81 000
TOTAL DEFERRED INFLOWS	2 996 034
NET POSITION	
Net investment in capital assets	5 860 271
Restricted	8 504 601
Unrestricted	8 993 826
TOTAL NET POSITION	\$ 23 358 698

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

SHELBY COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			CHANGES IN NET POSITION PRIMARY GOVERNMENT
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
Primary Government:					
Governmental Activities:					
General administration	\$ 1 848 125	\$ 1 149 148	\$ 2 599 459	\$ -	\$ 1 900 462
Judicial	1 232 241	232 333	1 380	-	(998 528)
Law enforcement and corrections	4 123 296	57 345	494 711	-	(3 571 240)
Streets and bridges	4 789 280	694 028	-	680 967	(3 414 285)
Community service	258 280	-	-	-	(258 280)
Nondepartmental	860 881	-	-	-	(860 881)
Debt service	304 600	-	-	-	(304 600)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 13 416 703	\$ 2 132 854	\$ 3 095 550	\$ 680 967	(7 507 332)
General Revenues:					
Taxes:					
Property taxes					9 786 623
Other tax revenue					1 339 915
Unrestricted investment earnings					79 436
Other unrestricted revenue					207 302
TOTAL GENERAL REVENUES					11 413 276
CHANGE IN NET POSITION					3 905 944
Net position, beginning					19 488 026
Prior period adjustment					(35 272)
NET POSITION, BEGINNING (RESTATED)					19 452 754
NET POSITION, ENDING					\$ 23 358 698

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

SHELBY COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2022

	GENERAL	ROAD & BRIDGE #1	ROAD & BRIDGE #2
ASSETS			
Cash and investments	\$ 7 572 490	\$ 143 624	\$ 75 890
Property tax receivable (net)	<u>1 220 620</u>	<u>165 495</u>	<u>165 495</u>
TOTAL ASSETS	<u>\$ 8 793 110</u>	<u>\$ 309 119</u>	<u>\$ 241 385</u>
LIABILITIES, FUND EQUITY			
Liabilities:			
Accounts payable	\$ 102 972	\$ 32 847	\$ 4 178
Accrued liabilities	<u>85 505</u>	<u>7 365</u>	<u>8 261</u>
TOTAL LIABILITIES	<u>188 477</u>	<u>40 212</u>	<u>12 439</u>
Deferred Inflows:			
Unavailable revenue	<u>1 230 620</u>	<u>165 495</u>	<u>165 495</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>1 419 097</u>	<u>205 707</u>	<u>177 934</u>
Fund Balances:			
Restricted fund balance	-	103 412	63 451
Unassigned Reported in:			
General fund	<u>7 374 013</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>7 374 013</u>	<u>103 412</u>	<u>63 451</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	 <u>\$ 8 793 110</u>	 <u>\$ 309 119</u>	 <u>\$ 241 385</u>

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

ROAD & BRIDGE #3	ROAD & BRIDGE #4	AMERICAN RESCUE PLAN GRANT	NON-MAJOR GOVERNMENTAL	TOTAL
\$ 102 605	\$ 51 711	\$ 4 878 293	\$ 2 753 106	\$ 15 577 719
165 495	165 495	-	70 673	1 953 273
<u>\$ 268 100</u>	<u>\$ 217 206</u>	<u>\$ 4 878 293</u>	<u>\$ 2 823 779</u>	<u>\$ 17 530 992</u>

\$ 17 199	\$ 5 682	\$ -	\$ 3 659	\$ 166 537
6 300	7 197	-	2 238	116 866
<u>23 499</u>	<u>12 879</u>	<u>-</u>	<u>5 897</u>	<u>283 403</u>

165 495	165 495	-	70 673	1 963 273
<u>188 994</u>	<u>178 374</u>	<u>-</u>	<u>76 570</u>	<u>2 246 676</u>

79 106	38 832	4 878 293	2 747 209	7 910 303
-	-	-	-	7 374 013
<u>79 106</u>	<u>38 832</u>	<u>4 878 293</u>	<u>2 747 209</u>	<u>15 284 316</u>
<u>\$ 268 100</u>	<u>\$ 217 206</u>	<u>\$ 4 878 293</u>	<u>\$ 2 823 779</u>	

Capital assets are not recorded in funds, but are included in Statement of Net Position	6 454 569
Long-term liabilities related to capital leases and accrued interest payable are not recorded in the funds, but are included in the Statement of Net Position	(597 429)
Pension asset and accrued compensated absences is not included in the funds, but are included in Statement of Net Position	2 358 500
Deferred outflows related to pensions are not included in funds, but are included in Statement of Net Position	891 503
Deferred inflows related to pensions are not included in funds, but in Statement of Net Position	(2 915 034)
Unavailable property taxes are included in funds, but are not recognized in the Statement of Net Position	<u>1 882 273</u>
TOTAL NET POSITION	\$ <u>23 358 698</u>

SHELBY COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

	<u>GENERAL</u>	<u>ROAD & BRIDGE #1</u>	<u>ROAD & BRIDGE #2</u>
Revenues:			
Property taxes	\$ 6 692 054	\$ 630 814	\$ 630 814
Other taxes	5 742	300 009	300 009
Fines and fees	547 046	173 507	173 507
Interest	79 408	-	-
Charges for services	533 933	-	-
Grant and donations	132 821	-	-
Miscellaneous	<u>163 188</u>	<u>165 918</u>	<u>211 430</u>
TOTAL REVENUES	<u>8 154 192</u>	<u>1 270 248</u>	<u>1 315 760</u>
Expenditures:			
General administration	1 581 471	-	-
Judicial	930 665	-	-
Law enforcement and corrections	3 529 087	-	-
Streets and bridges	-	1 200 551	1 132 556
Community service	-	-	-
Non-departmental	1 316 491	-	-
Debt service	<u>-</u>	<u>-</u>	<u>113 863</u>
TOTAL EXPENDITURES	<u>7 357 714</u>	<u>1 200 551</u>	<u>1 246 419</u>
NET CHANGE IN FUND BALANCES	796 478	69 697	69 341
Fund balances, beginning	<u>6 577 535</u>	<u>33 715</u>	<u>(5 890)</u>
FUND BALANCES, ENDING	<u>\$ 7 374 013</u>	<u>\$ 103 412</u>	<u>\$ 63 451</u>

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

ROAD & BRIDGE #3	ROAD & BRIDGE #4	AMERICAN RESCUE PLAN GRANT	NON-MAJOR GOVERNMENTAL	TOTAL
\$ 630 814	\$ 630 814	\$ -	\$ 423 517	\$ 9 638 827
300 009	300 009	-	134 137	1 339 915
173 507	173 507	-	263 281	1 504 355
-	-	-	28	79 436
-	-	-	94 566	628 499
-	-	2 454 589	508 140	3 095 550
156 928	146 691	-	44 114	888 269
<u>1 261 258</u>	<u>1 251 021</u>	<u>2 454 589</u>	<u>1 467 783</u>	<u>17 174 851</u>
-	-	30 885	207 020	1 819 376
-	-	-	295 629	1 226 294
-	-	-	796 439	4 325 526
1 039 002	1 215 597	-	322 196	4 909 902
-	-	-	250 417	250 417
-	-	-	-	1 316 491
96 238	94 499	-	-	304 600
<u>1 135 240</u>	<u>1 310 096</u>	<u>30 885</u>	<u>1 871 701</u>	<u>14 152 606</u>
126 018	(59 075)	2 423 704	(403 918)	3 022 245
<u>(46 912)</u>	<u>97 907</u>	<u>2 454 589</u>	<u>3 151 127</u>	<u>12 262 071</u>
\$ <u>79 106</u>	\$ <u>38 832</u>	\$ <u>4 878 293</u>	\$ <u>2 747 209</u>	\$ <u>15 284 316</u>

SHELBY COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022

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

Net change in fund balances - Total governmental funds.	\$	3 022 245
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount depreciation exceeded capital outlay expenditures expense.		(169 528)
Governmental funds report principal payments on long-term debt as expenditures; however, in the government-wide financial statements, such payments are reflected as a reduction of the liabilities.		282 057
Governmental funds expense accrued compensated absence and pension liabilities as the payments are made, while government-wide statements record the future liabilities.		623 374
Governmental funds defer property taxes until collection, while government-wide funds statements recognize the revenue.		<u>147 796</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>3 905 944</u></u>

SHELBY COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2022

	COMBINED FIDUCIARY FUNDS
Assets:	
Cash and cash equivalent	\$ 3 721 647
TOTAL ASSETS	<u>\$ 3 721 647</u>
Liabilities:	
Due to others	\$ 1 000
TOTAL LIABILITIES	<u>1 000</u>
Net Position:	
Held in Trust	3 720 647
TOTAL NET POSITION	<u>\$ 3 720 647</u>

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

SHELBY COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended September 30, 2022

	<u>COMBINED FIDUCIARY FUNDS</u>
Additions:	
Interest income	\$ 368
Fees and fines	7 427 295
Taxes	29 047 185
Other income	326 341
TOTAL ADDITIONS	<u>36 801 189</u>
Deductions:	
Disbursements	<u>36 724 199</u>
TOTAL DEDUCTIONS	<u>36 724 199</u>
CHANGE IN NET POSITION	76 990
Net position - Beginning	<u>3 643 657</u>
NET POSITION - ENDING	<u>\$ 3 720 647</u>

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

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements

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

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

Fund Financial Statements

Separate fund financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund and Road & Bridge Funds meet criteria as major governmental funds.

General Fund

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

Road & Bridge Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for road and bridge maintenance.

American Rescue Plan Grant Fund

This fund accounts for the grant activity of the American Rescue Plan Grant related to the Coronavirus recovery.

Fiduciary Funds - Trust

These funds are used to account for assets held by the County in a trustee capacity or as a custodian for individuals, private organizations, other governments, and/or other funds.

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

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

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

D. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

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

The County invested only in certificates of deposit for the fiscal year 2022. The County records investments at fair market value in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All investment income is recognized as revenue in the appropriate fund's statement of activity or statement of revenues, expenditures and changes in fund balance.

2. Receivables and Payables

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

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

3. Capital Assets

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

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

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

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

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Compensated Absences

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

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

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

5. Long-term Obligations

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

6. Use of Estimates

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

7. Fund Equity

"Fund Balance Reporting and Governmental Fund Type Definitions" provide clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

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

8. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflows of resources (revenue) until that time.

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2022

II. DEPOSIT, INVESTMENTS AND INVESTMENT POLICIES

Deposits

At September 30, the carrying amount of the County's deposits and cash on hand totaled \$19,299,366, inclusive of fiduciary funds. All bank balances at year end were entirely covered by federal depository insurance or by collateral held by the depository bank in the County's name.

Investments

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

Investments Held:	
Tex Pool	\$ 9 824 147

III. PROPERTY TAXES AND OTHER RECEIVABLES

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

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

Property Taxes Receivable, Net:	
General fund	\$ 1 230 620
Special revenue funds	<u>732 653</u>
TOTAL UNAVAILABLE REVENUE	<u>\$ 1 963 273</u>

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

Receivables as of year-end for the governmental activities including the applicable allowances for uncollectible accounts are as follows:

	GENERAL	SPECIAL REVENUE	TOTAL
Receivables:			
Taxes	\$ 1 340 730	\$ 863 452	\$ 2 204 182
Less: Allowances for uncollectible	<u>(201 110)</u>	<u>(129 519)</u>	<u>(330 629)</u>
NET RECEIVABLES	<u>\$ 1 220 620</u>	<u>\$ 732 653</u>	<u>\$ 1 963 273</u>

IV. TAX ABATEMENTS

The County individually negotiates property tax abatement agreements with local businesses under the authority of Chapter 312 of the Texas Tax Code and the County's local guidelines and criteria for tax abatement for reinvestment zones.

For the fiscal year ended September 30, 2022, the County abated property taxes totaling \$10,580,796 under this program, including the following tax abatement agreements:

- A 100 percent tax abatement to a hospital for developing improvements to its property to be used for emergency healthcare facilities, expanding employment and retaining these additional employees. The 2022 fiscal year is the sixth of ten years of the agreement. The abatement amounted to \$10,701 for the year ended September 30, 2022.

The County approved a 5-year abatement of 50% of the expansion for a chicken processing facility dependent on expanding employment. The abatement amount to \$76,199 in fiscal year 2022.

A provision exists within each of these agreements that, should the recipient entities violate the conditions of the agreements or become delinquent in the payment of their property taxes, the County is entitled to recapture any property tax that has been abated as a result of the agreements within 30 days of the agreement's termination.

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2022

V. CAPITAL ASSETS

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

A summary of changes in capital assets follows:

	BALANCE 10/01	ADDITIONS	DELETIONS	BALANCE 09/30
Governmental Activities:				
Land	\$ 374 436	\$ -	\$ -	\$ 374 436
Infrastructure	16 490 928	-	-	16 490 928
Buildings and improvements	4 111 938	430 384	(8 129)	4 534 193
Vehicles and equipment	10 069 256	494 922	(283 666)	10 280 512
Construction in progress	-	32 000	-	32 000
Accumulated depreciation	(24 442 615)	(1 070 348)	255 463	(25 257 500)
TOTAL ASSETS	\$ 6 603 943	\$ (113 042)	\$ (36 332)	\$ 6 454 569

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

General administration	\$ 140 625
Judicial	94 783
Law enforcement and corrections	334 331
Streets and bridges	379 499
Community service	19 355
Non-departmental	101 755
	\$ 1 070 348

VI. LONG-TERM OBLIGATION ACTIVITY

Long-term obligation activities during the year were as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Capital lease	\$ 886 360	\$ 135 864	\$ 427 926	\$ 594 298	\$ 277 459
TOTAL GOVERNMENTAL ACTIVITIES	\$ 886 360	\$ 135 864	\$ 427 926	\$ 594 298	\$ 277 459

Commitments under capitalized lease agreements equipment provide for minimum future lease payments as of year-end are as follows:

YEAR ENDING AUGUST 31,	PRINCIPAL	INTEREST
2023	\$ 277 459	\$ 8 528
2024	129 728	4 787
2025	105 919	2 312
2026	65 799	1 013
2027	15 393	255
Thereafter	-	-
TOTAL	\$ 594 298	\$ 16 895

The leases are all direct-borrowing arrangements, and the remaining balances become immediately due in the event of nonpayment.

VII. RETIREMENT PLAN

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 TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 641 nontraditional defined benefit pension plans. TCERS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCERS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCERS (TCERS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years 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.

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2022

VII. RETIREMENT PLAN - CONTINUED

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

Actuarial Assumptions

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

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Asset Valuation Method	5 year smoothed market
Inflation	Same as funding valuation
Salary Increases	Same as funding valuation
Investment Rate of Return	7.60%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Same as funding valuation
Turnover	Same as funding valuation
Mortality	Same as funding valuation

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

Actuarial Methods and Assumptions Used for Funding Valuation:

Following is a description of the assumptions used in the December 31, 2021 actuarial valuation analysis for Shelby County. This information may also be found in the Shelby County December 31, 2021 Summary Valuation Report.

Economic Assumptions:

TCDRS System-Wide Economic Assumptions:

Real rate of return	5.00%
Inflation	2.50%
Long-term investment return	7.50%

The long-term investment return of 7.5% is net of investment expenses and is expected to enable the system to credit interest at the nominal annual rates shown below to the following major funds:

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

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

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

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.0% (made up of 2.5% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee. (See Table 1 for Merit Salary Increases.)

Employer-Specific Economic Assumptions:

Growth in membership	0.00%
Payroll growth	3.00%

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

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2022

VII. RETIREMENT PLAN - CONTINUED

Table 1
Merit Salary Increases*

Years of Service	Entry Age			
	Before 30	Ages 30-39	Ages 40-49	50 and Later
0	5.25%	4.75%	4.25%	3.50%
1	4.50%	4.00%	3.50%	2.75%
2	4.10%	3.25%	2.85%	2.20%
3	3.70%	3.00%	2.50%	1.75%
4	3.35%	2.75%	2.25%	1.65%
5	3.10%	2.60%	2.15%	1.55%
6	2.85%	2.40%	2.05%	1.40%
7	2.65%	2.25%	1.90%	1.25%
8	2.50%	2.15%	1.80%	1.15%
9	2.35%	2.00%	1.65%	1.05%
10	2.20%	1.85%	1.50%	0.95%
11	2.10%	1.75%	1.35%	0.85%
12	1.95%	1.65%	1.25%	0.80%
13	1.85%	1.55%	1.10%	0.75%
14	1.75%	1.45%	1.00%	0.70%
15	1.65%	1.35%	0.90%	0.65%
16	1.50%	1.25%	0.85%	0.60%
17	1.40%	1.15%	0.75%	0.55%
18	1.30%	1.05%	0.70%	0.50%
19	1.25%	1.00%	0.65%	0.45%
20	1.20%	0.95%	0.60%	0.40%
21	1.15%	0.90%	0.55%	0.40%
22	1.10%	0.85%	0.50%	0.40%
23	1.00%	0.75%	0.45%	0.40%
24	0.94%	0.65%	0.40%	0.40%
25	0.88%	0.60%	0.40%	0.40%
26	0.82%	0.60%	0.40%	0.40%
27	0.76%	0.60%	0.40%	0.40%
28	0.70%	0.60%	0.40%	0.40%
29	0.65%	0.60%	0.40%	0.40%
30 & Up	0.60%	0.60%	0.40%	0.40%

* These rates do not include the wage inflation rate of 3.00% per year. For example, a member who entered the system at age 20 and is in the first year of service is assumed to receive an 8.41% total annual increase in his salary. The 8.41% is a combination of the 5.25% merit increase and the 3.00% wage inflation. Note that the two components are compounded, so it is a slightly different result than just adding the two percentages.

Demographic Assumptions

TCDRS System-Wide Demographic Assumptions:

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

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

Table 2
Annual Rates of Disability*

Age	Work Related Male and Female	All Other Causes Male and Female	Age	Work Related Male and Female	All Other Causes Male and Female
less than 25	0.001%	0.000%	43	0.001%	0.058%
25	0.001%	0.003%	44	0.001%	0.066%
26	0.001%	0.006%	45	0.001%	0.074%
27	0.001%	0.009%	46	0.001%	0.082%
28	0.001%	0.011%	47	0.001%	0.090%
29	0.001%	0.013%	48	0.001%	0.099%
30	0.001%	0.014%	49	0.001%	0.108%
31	0.001%	0.016%	50	0.001%	0.117%
32	0.001%	0.018%	51	0.001%	0.126%
33	0.001%	0.020%	52	0.001%	0.135%
34	0.001%	0.023%	53	0.001%	0.144%
35	0.001%	0.025%	54	0.001%	0.153%
36	0.001%	0.028%	55	0.001%	0.162%
37	0.001%	0.030%	56	0.001%	0.171%
38	0.001%	0.034%	57	0.001%	0.180%
39	0.001%	0.038%	58	0.001%	0.189%
40	0.001%	0.042%	59	0.001%	0.198%
41	0.001%	0.046%	60 & Above	0.000%	0.000%
42	0.001%	0.050%			

* The probability of disability from All Causes is applicable for members who are vested (satisfied service requirement for retirement at age 60). Before a member is vested, the Work-Related disability assumptions are applicable. No disability retirements are assumed to occur after a member becomes eligible for service retirement.

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2022

VII. RETIREMENT PLAN - CONTINUED

Mortality

Depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

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

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

Table 3
Annual Rates of Service Retirement*

Age	Active Service <15	Active Service 15-24	Active Service 25-29	Active Service 30+	Deferred All Service
40-49	5.3%	6.3%	7.7%	8.8%	0.0%
50	5.6%	6.8%	8.3%	9.4%	0.0%
51	5.6%	6.8%	8.3%	9.4%	0.0%
52	6.0%	7.2%	8.8%	10.0%	0.0%
53	6.0%	7.2%	8.8%	10.0%	0.0%
54	6.8%	8.1%	9.9%	11.3%	0.0%
55	6.8%	8.1%	9.9%	11.3%	0.0%
56	6.8%	8.1%	9.9%	11.3%	0.0%
57	7.5%	9.0%	11.0%	12.5%	0.0%
58	7.5%	9.0%	11.0%	12.5%	0.0%
59	7.5%	9.0%	11.0%	12.5%	0.0%
60	9.0%	10.8%	13.2%	15.0%	12.0%
61	9.0%	10.8%	13.2%	15.0%	12.0%
62	13.5%	16.2%	19.8%	22.5%	18.0%
63	11.3%	13.5%	16.5%	18.8%	15.0%
64	11.3%	13.5%	16.5%	18.8%	15.0%
65	22.5%	22.5%	27.5%	27.5%	25.0%
66	22.5%	22.5%	27.5%	27.5%	25.0%
67	21.6%	21.6%	26.4%	26.4%	24.0%
68	18.9%	18.9%	23.1%	23.1%	21.0%
69	18.9%	18.9%	23.1%	23.1%	21.0%
70	20.7%	20.7%	25.3%	25.3%	23.0%
71	20.7%	20.7%	25.3%	25.3%	23.0%
72	20.7%	20.7%	25.3%	25.3%	23.0%
73	20.7%	20.7%	25.3%	25.3%	23.0%
74	20.7%	20.7%	25.3%	25.3%	23.0%
75 & Above	100.0%	100.0%	100.0%	100.0%	100.0%

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

Other Terminations of Employment - The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement are illustrated in Table 4. The rates vary by length of service, entry-age group (age at hire) and gender. No termination after eligibility for retirement is assumed.

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2022

VII. RETIREMENT PLAN - CONTINUED

**Table 4
Annual Rates of Termination**

Years of Service	Entry Age 20		Entry Age 30		Entry Age 40		Entry Age 50	
	Male	Female	Male	Female	Male	Female	Male	Female
0	39.6%	39.6%	32.4%	32.4%	28.8%	28.8%	26.4%	26.4%
1	30.0%	30.0%	25.2%	25.2%	21.6%	21.6%	19.2%	19.2%
2	25.2%	25.2%	21.6%	21.6%	16.8%	16.8%	15.6%	15.6%
3	21.6%	21.6%	18.0%	18.0%	14.4%	14.4%	13.2%	13.2%
4	18.0%	18.0%	15.6%	15.6%	12.0%	12.0%	10.8%	10.8%
5	15.6%	15.6%	13.2%	13.2%	10.8%	10.8%	9.6%	9.6%
6	13.2%	13.2%	12.0%	12.0%	9.6%	9.6%	8.4%	8.4%
7	12.0%	12.0%	10.8%	10.8%	8.4%	8.4%	7.2%	7.2%
8	10.8%	10.8%	9.6%	9.6%	7.2%	7.2%	6.6%	6.6%
9	9.6%	9.6%	8.4%	8.4%	6.6%	6.6%	6.0%	6.0%
10	8.4%	8.4%	7.8%	7.8%	6.1%	6.1%	0.0%	0.0%
11	7.8%	7.8%	7.2%	7.2%	5.8%	5.8%	0.0%	0.0%
12	7.2%	7.2%	6.6%	6.6%	5.4%	5.4%	0.0%	0.0%
13	6.6%	6.6%	6.0%	6.0%	5.0%	5.0%	0.0%	0.0%
14	6.0%	6.0%	5.6%	5.6%	4.6%	4.6%	0.0%	0.0%
15	5.3%	5.3%	5.3%	5.3%	4.1%	4.1%	0.0%	0.0%
16	4.8%	4.8%	4.8%	4.8%	3.6%	3.6%	0.0%	0.0%
17	4.3%	4.3%	4.3%	4.3%	3.1%	3.1%	0.0%	0.0%
18	4.0%	4.0%	4.0%	4.0%	2.6%	2.6%	0.0%	0.0%
19	3.6%	3.6%	6.3%	3.6%	2.2%	2.2%	0.0%	0.0%
20	3.2%	3.2%	3.2%	3.2%	0.0%	0.0%	0.0%	0.0%
21	3.0%	3.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%
22	2.8%	2.8%	2.8%	2.8%	0.0%	0.0%	0.0%	0.0%
23	2.5%	2.5%	2.5%	2.5%	0.0%	0.0%	0.0%	0.0%
24	2.3%	2.3%	2.3%	2.3%	0.0%	0.0%	0.0%	0.0%
25	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%
26	1.8%	1.8%	1.8%	1.8%	0.0%	0.0%	0.0%	0.0%
27	1.6%	1.6%	1.6%	1.6%	0.0%	0.0%	0.0%	0.0%
28	1.3%	1.3%	1.3%	1.3%	0.0%	0.0%	0.0%	0.0%
29	1.2%	1.2%	1.2%	1.2%	0.0%	0.0%	0.0%	0.0%
30 & Later	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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

**Table 5
Probability of Withdrawal**

Years of Service	Probability	Years of Service	Probability
0	100%	15	26%
1	100%	16	25%
2	100%	17	24%
3	100%	18	23%
4	100%	19	22%
5	100%	20	21%
6	100%	21	20%
7	100%	22	19%
8	34%	23	19%
9	33%	24	18%
10	32%	25	18%
11	31%	26	17%
12	30%	27	17%
13	29%	28	16%
14	27%	29*	16%

* Members with more than 29 years of service are not assumed to refund.

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2022

VII. RETIREMENT PLAN - CONTINUED

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2022 information for a 10-year time horizon.

Note that the valuation assumption for the long-term expected return is re-assessed in detail at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
International Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	3.80%
International Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	(0.85)%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	4.50%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.10%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	(1.05)%

⁽¹⁾ Target asset allocation adopted at the March 2022 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.6%, per Cliffwater's 2022 capital market assumptions.

⁽³⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

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

⁽⁵⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

Depletion of Plan Assets / GASB Discount Rate

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

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

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

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

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

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2022

VII. RETIREMENT PLAN - CONTINUED

2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Sensitivity Analysis

The following presents the net pension liability of the county/district, calculated using the discount rate of 7.60%, as well as what the Shelby County net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 21 298 270	\$ 18 850 571	\$ 16 806 359
Fiduciary net position	\$ 21 309 419	\$ 21 309 419	\$ 21 309 419
Net pension liability/(asset)	\$ (11 149)	\$ (2 458 848)	\$ (4 503 060)

Changes in Net Pension Liability

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2019	\$ 18 064 891	\$ 17 679 398	\$ 385 493
Changes for the Year:			
Service cost	545 245	-	545 245
Interest on total pension liability ⁽¹⁾	1 379 237	-	1 379 237
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(116 846)	-	(116 846)
Effect of assumptions changes or inputs	(80 172)	-	(80 172)
Refund of contributions	(91 177)	(91 177)	-
Benefit payments	(850 609)	(850 609)	-
Administrative expenses	-	(11 529)	11 529
Member contributions	-	345 281	(345 281)
Net investment income	-	3 858 500	(3 858 500)
Employer contributions	-	380 796	(380 796)
Other ⁽³⁾	-	(1 242)	1 242
Balances as of December 31, 2021	\$ 18 850 571	\$ 21 309 419	\$ (2 458 848)

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

(2) No plan changes valued.

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

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2022

VII. RETIREMENT PLAN - CONTINUED

Pension Expense/(Income)

Pension Expense/(Income)	January 1, 2021 to December 31, 2021
Service cost	\$ 545 245
Interest on total pension liability ⁽¹⁾	1 379 238
Effect of plan changes	-
Administrative expenses	11 529
Member contributions	(345 281)
Expected investment return net of investment expenses	(1 335 111)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of economic/demographic gains or losses	(117 599)
Recognition of assumption changes or inputs	299 127
Recognition of investment gains or losses	(696 086)
Other ⁽²⁾	1 242
PENSION EXPENSE/(INCOME)	\$ (257 696)

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

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

Pension Expense and Deferred Inflows/Outflows

As of September 30, 2022, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/ Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 142 010	\$ -
Change of assumptions	53 448	325 851
Net difference between projected and actual earnings	2 719 576	291 089
Contributions made subsequent to measurement date	-	274 563
	\$ 2 915 034	\$ 891 503

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

Year Ended December 31,	
2021	\$ (330 631)
2022	\$ (883 459)
2023	\$ (579 325)
2024	\$ (504 679)
2025	\$ -
Thereafter	\$ -

Membership Information

Membership Class	
Inactive employees entitled to but not yet receiving benefits	127
Active employees	132
Currently receiving benefits	90

VIII. RISK MANAGEMENT

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

IX. CONTINGENT LIABILITIES

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

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

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2022

X. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 24, 2023, the date the financial statements were available to be issued.

XI. PRIOR PERIOD ADJUSTMENT

During the year, the County implemented Governmental Accounting Standards Board (GASB) Statement #87, "Leases". This resulted in a prior period adjustment to increase assets by \$296,224 and liabilities by \$331,496 in the government-wide statements.

REQUIRED SUPPLEMENTAL INFORMATION

SHELBY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 6 754 280	\$ 6 754 280	\$ 6 692 054	\$ (62 226)
Other taxes	5 000	5 000	5 742	742
Fines	209 000	209 000	230 042	21 042
Fees of office	230 000	230 000	317 004	87 004
Interest	30 000	30 000	79 408	49 408
Grants	137 200	137 200	132 821	(4 379)
Commissions	400 000	400 000	533 933	133 933
Miscellaneous	123 000	123 000	163 188	40 188
TOTAL REVENUES	7 888 480	7 888 480	8 154 192	265 712
Expenditures:				
General Administration Expenditures:				
County Agents:				
Payroll expense	77 192	79 099	77 054	2 045
Operating expense	30 278	28 371	26 103	2 268
TOTAL COUNTY AGENTS	107 470	107 470	103 157	4 313
County Auditor:				
Payroll expense	153 268	153 268	146 958	6 310
Operating expense	14 100	14 100	6 498	7 602
TOTAL COUNTY AUDITOR	167 368	167 368	153 456	13 912
County Clerk:				
Payroll expense	208 973	209 331	197 745	11 586
Operating expense	97 600	97 242	2 573	14 669
TOTAL COUNTY CLERK	306 573	306 573	280 318	26 255
County Clerk Election Deputy:				
Payroll expense	43 819	47 171	47 516	(345)
Operating expense	56 619	53 257	7 903	45 354
TOTAL COUNTY CLERK ELECTION DEPUTY	100 438	100 428	55 419	45 009
County Judge:				
Payroll expense	109 833	110 242	109 456	786
Operating expense	24 250	23 841	14 277	9 564
TOTAL COUNTY JUDGE	134 083	134 083	123 733	10 350
District Clerk:				
Payroll expense	271 733	271 733	216 443	55 290
Operating expense	54 300	54 300	35 576	18 724
TOTAL DISTRICT CLERK	326 033	326 033	252 019	74 014
Courthouse Manager:				
Operating expense	40 100	42 893	42 893	-
TOTAL COURTHOUSE MANAGER	40 100	42 893	42 893	-
Tax Assessor Collector:				
Payroll expense	319 033	324 483	315 846	8 637
Operating expense	80 300	74 850	73 478	1 372
TOTAL TAX ASSESSOR COLLECTOR	399 333	399 333	389 324	10 009
County Treasurer:				
Payroll expense	116 100	119 350	116 585	2 765
Operating expense	11 900	9 177	9 176	1
TOTAL COUNTY TREASURER	128 000	128 527	125 761	2 766
Veterans Officer:				
Payroll expense	33 752	34 685	33 746	939
Operating expense	3 900	3 501	3 501	-
TOTAL VETERANS OFFICER	37 652	38 186	37 247	939
Emergency Management Coordinator:				
Payroll expense	26 768	26 768	15 897	10 871
Operating expense	5 150	5 150	2 247	2 903
TOTAL EMERGENCY MANAGEMENT COORDINATOR	31 918	31 918	18 144	13 774
TOTAL GENERAL ADMINISTRATION	1 778 968	1 782 812	1 581 471	201 341

SHELBY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CONTINUED
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Judicial Expenditures:				
County Attorney:				
Payroll expense	274 130	275 700	261 835	13 865
Operating expense	12 800	11 230	11 230	-
TOTAL COUNTY ATTORNEY	286 930	286 930	273 065	13 865
District Attorney:				
Payroll expense	216 334	216 334	202 699	13 635
Operating expense	33 300	33 300	23 934	9 366
TOTAL DISTRICT ATTORNEY	249 634	249 634	226 633	23 001
District Judges:				
Payroll expense	89 206	89 206	87 134	2 072
Operating expense	15 500	15 500	12 155	3 345
TOTAL DISTRICT JUDGES	104 706	104 706	99 289	5 417
Justice of the Peace #1:				
Payroll expense	100 156	100 180	97 904	2 276
Operating expense	14 750	14 726	12 286	2 440
TOTAL JUSTICE OF THE PEACE #1	114 906	114 906	10 190	4 716
Justice of the Peace #2:				
Payroll expense	45 492	46 803	45 788	1 015
Operating expense	10 910	9 888	9 887	1
TOTAL JUSTICE OF THE PEACE #2	56 402	56 691	55 675	1 016
Justice of the Peace #3:				
Payroll expense	45 492	46 847	45 797	1 050
Operating expense	20 260	18 905	16 182	2 723
TOTAL JUSTICE OF THE PEACE #3	65 752	65 752	61 979	3 773
Justice of the Peace #4:				
Payroll expense	36 060	36 990	35 270	1 720
Operating expense	11 270	10 340	7 098	3 242
TOTAL JUSTICE OF THE PEACE #4	47 330	47 330	42 368	4 962
Justice of the Peace #5:				
Payroll expense	45 487	46 842	45 797	1 045
Operating expense	17 547	16 192	15 669	523
TOTAL JUSTICE OF THE PEACE #5	63 034	63 034	61 466	1 568
TOTAL JUDICIAL EXPENDITURES	988 694	988 983	930 665	58 318
Law Enforcement and Corrections Expenditures:				
Constable Pct #1:				
Payroll expense	64 037	65 446	63 893	1 553
Operating expense	8 050	8 982	8 982	-
TOTAL CONSTABLE PCT #1	72 087	74 428	72 875	1 553
Constable Pct #2:				
Payroll expense	64 037	66 077	64 450	1 627
Operating expense	8 050	6 010	3 028	2 982
TOTAL CONSTABLE PCT #2	72 087	72 087	67 478	4 609
Constable Pct #3:				
Payroll expense	64 037	66 003	64 450	1 553
Operating expense	8 700	11 628	11 628	-
TOTAL CONSTABLE PCT #3	72 737	77 631	76 078	1 553
Constable Pct #4:				
Payroll expense	64 037	65 955	64 402	1 553
Operating expense	8 150	9 237	9 237	-
TOTAL CONSTABLE PCT #4	72 187	75 192	73 639	1 553
Constable Pct #5:				
Payroll expense	64 037	66 003	64 450	1 553
Operating expense	8 150	9 977	9 977	-
TOTAL CONSTABLE PCT #5	72 187	75 980	74 427	1 553
DPS Secretary:				
Payroll expense	60 494	60 615	57 330	3 285
Operating expense	4 000	3 879	2 860	1 019
TOTAL DPS SECRETARY	64 494	64 494	60 190	4 304

SHELBY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CONTINUED
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
County Sheriff:				
Payroll expense	2 361 078	2 424 915	2 358 347	66 568
Operating expense	501 750	612 642	601 741	10 901
TOTAL COUNTY SHERIFF	<u>2 862 828</u>	<u>3 037 557</u>	<u>2 960 088</u>	<u>77 469</u>
Adult Probation:				
Operating expense	25 500	25 500	20 221	5 279
TOTAL ADULT PROBATION	<u>25 500</u>	<u>25 500</u>	<u>20 221</u>	<u>5 279</u>
Juvenile Probation:				
Operating expense	39 815	74 877	74 876	1
TOTAL JUVENILE PROBATION	<u>39 815</u>	<u>74 877</u>	<u>74 876</u>	<u>1</u>
911 Administrator:				
Payroll expense	46 606	47 674	46 635	1 039
Operating expense	2 000	2 580	2 580	-
TOTAL 911 ADMINISTRATOR	<u>48 606</u>	<u>50 254</u>	<u>49 215</u>	<u>1 039</u>
TOTAL LAW ENFORCEMENT AND CORRECTIONS EXPENDITURES	<u>3 402 528</u>	<u>3 628 000</u>	<u>3 529 087</u>	<u>98 913</u>
Non-departmental expenditures	1 935 282	1 705 667	1 316 491	389 176
TOTAL EXPENDITURES	<u>8 105 472</u>	<u>8 105 462</u>	<u>7 357 714</u>	<u>747 748</u>
NET CHANGE IN FUND BALANCES	(216 992)	(216 982)	796 478	1 013 460
Fund balances, beginning	<u>6 577 535</u>	<u>6 577 535</u>	<u>6 577 535</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 6 360 543</u>	<u>\$ 6 360 553</u>	<u>\$ 7 374 013</u>	<u>\$ 1 013 460</u>

See independent auditors' report.

SHELBY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD AND BRIDGE #1
For the Year Ended September 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 620 214	\$ 620 214	\$ 630 814	\$ 10 600
Other taxes	294 262	294 262	300 009	5 747
Fines and fees	188 500	188 500	173 507	(14 993)
Miscellaneous	40 000	124 140	165 918	41 778
TOTAL REVENUES	<u>1 142 976</u>	<u>1 227 116</u>	<u>1 270 248</u>	<u>43 132</u>
Expenditures:				
Payroll expense	435 462	435 462	403 158	32 304
Operating expense	707 514	853 432	797 393	56 039
TOTAL EXPENDITURES	<u>1 142 976</u>	<u>1 288 894</u>	<u>1 200 551</u>	<u>88 343</u>
NET CHANGE IN FUND BALANCES	-	(61 778)	69 697	131 475
Fund balances, beginning	<u>33 715</u>	<u>33 715</u>	<u>33 715</u>	-
FUND BALANCES, ENDING	<u>\$ 33 715</u>	<u>\$ (28 063)</u>	<u>\$ 103 412</u>	<u>\$ 131 475</u>

See independent auditors' report.

SHELBY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD AND BRIDGE #2
For the Year Ended September 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 620 214	\$ 620 214	\$ 630 814	\$ 10 600
Other taxes	294 262	294 262	300 009	5 747
Fines and fees	188 500	188 500	173 507	(14 993)
Miscellaneous	40 000	168 361	211 430	43 069
TOTAL REVENUES	<u>1 142 976</u>	<u>1 271 337</u>	<u>1 315 760</u>	<u>44 423</u>
Expenditures:				
Payroll expense	411 219	458 009	442 821	15 188
Operating expense	617 794	699 365	689 735	9 630
Debt service	113 963	113 963	113 863	100
TOTAL EXPENDITURES	<u>1 142 976</u>	<u>1 271 337</u>	<u>1 246 419</u>	<u>24 918</u>
NET CHANGE IN FUND BALANCES	-	-	69 341	69 341
Fund balances, beginning	<u>(5 890)</u>	<u>(5 890)</u>	<u>(5 890)</u>	-
FUND BALANCES, ENDING	<u>\$ (5 890)</u>	<u>\$ (5 890)</u>	<u>\$ 63 451</u>	<u>\$ 69 341</u>

See independent auditors' report.

SHELBY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD AND BRIDGE #3
For the Year Ended September 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 620 214	\$ 620 214	\$ 630 814	\$ 10 600
Other taxes	294 262	294 262	300 009	5 747
Fines and fees	188 500	188 500	173 507	(14 993)
Miscellaneous	40 000	86 549	156 928	70 379
TOTAL REVENUES	<u>1 142 976</u>	<u>1 189 525</u>	<u>1 261 258</u>	<u>71 733</u>
Expenditures:				
Payroll expense	486 460	486 460	456 664	29 796
Operating expense	560 272	606 821	582 338	24 483
Debt service	96 244	96 244	96 238	6
TOTAL EXPENDITURES	<u>1 142 976</u>	<u>1 189 525</u>	<u>1 135 240</u>	<u>54 285</u>
NET CHANGE IN FUND BALANCES	-	-	126 018	126 018
Fund balances, beginning	<u>(46 912)</u>	<u>(46 912)</u>	<u>(46 912)</u>	-
FUND BALANCES, ENDING	<u>\$ (46 912)</u>	<u>\$ (46 912)</u>	<u>\$ 79 106</u>	<u>\$ 126 018</u>

See independent auditors' report.

SHELBY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD AND BRIDGE #4
For the Year Ended September 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 620 214	\$ 620 214	\$ 630 814	\$ 10 600
Other taxes	294 262	294 262	300 009	5 747
Fines and fees	188 500	188 500	173 507	(14 993)
Miscellaneous	40 000	104 913	146 691	41 778
TOTAL REVENUES	<u>1 142 976</u>	<u>1 207 889</u>	<u>1 251 021</u>	<u>43 132</u>
Expenditures:				
Payroll expense	442 993	463 795	451 925	11 870
Operating expense	605 461	763 673	763 672	1
Debt service	94 522	94 522	94 499	23
TOTAL EXPENDITURES	<u>1 142 976</u>	<u>1 321 990</u>	<u>1 310 096</u>	<u>11 894</u>
NET CHANGE IN FUND BALANCES	-	(114 101)	(59 075)	55 026
Fund balances, beginning	<u>97 907</u>	<u>97 907</u>	<u>97 907</u>	-
FUND BALANCES, ENDING	<u>\$ 97 907</u>	<u>\$ (16 194)</u>	<u>\$ 38 832</u>	<u>\$ 55 026</u>

See independent auditors' report.

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:								
Service cost	\$ 545 247	\$ 567 011	\$ 530 224	\$ 582 300	\$ 560 000	\$ 576 630	\$ 487 702	\$ 463 927
Interest (on the total pension liability)	1 379 238	1 327 818	1 261 272	1 198 990	1 127 656	1 058 536	1 020 941	960 407
Changes of benefit terms	-	-	-	-	-	-	(88 405)	-
Change of assumptions	(80 172)	977 553	-	-	65 151	-	138 045	-
Demographic/economic (gains)/losses	(116 846)	(145 146)	(62 925)	(58 148)	(28 935)	(197 579)	(321 991)	19 055
Benefit payments, including refunds of employee contributions	(941 786)	(957 662)	(930 472)	(874 895)	(856 476)	(866 430)	(719 291)	(744 305)
NET CHANGE IN TOTAL PENSION LIABILITY	785 681	1 769 574	798 099	848 247	867 396	571 157	517 001	699 084
Total pension liability - Beginning	18 064 890	16 295 317	15 497 218	14 648 971	13 781 575	13 210 418	12 693 417	11 994 333
TOTAL PENSION LIABILITY - ENDING	18 850 571	18 064 891	16 295 317	15 497 218	14 648 971	13 781 575	13 210 418	12 693 417
Plan Fiduciary Net Position:								
Contributions - Employer	380 796	374 850	355 417	368 461	354 054	365 822	367 665	338 996
Contributions - Employee	345 281	329 642	332 610	331 521	324 821	304 489	308 006	266 626
Net investment income	3 858 501	1 680 386	2 332 127	(275 150)	1 889 569	904 301	9 855	802 479
Benefit payments, including refunds of employee contributions	(941 786)	(957 662)	(930 472)	(874 895)	(856 476)	(866 430)	(719 291)	(744 305)
Administrative	(11 529)	(12 936)	(12 399)	(11 405)	(9 752)	(9 883)	(8 908)	(9 351)
Other	(1 241)	(5 879)	(6 034)	(3 443)	(2 472)	(32 134)	(135 211)	20 185
NET CHANGE IN PLAN FIDUCIARY NET POSITION	3 630 022	1 408 401	2 071 249	(464 911)	1 699 744	666 165	(177 884)	674 630
Plan fiduciary net position - Beginning	17 679 397	16 270 997	14 199 748	14 664 659	12 964 915	12 298 750	12 476 634	11 802 004
PLAN FIDUCIARY NET POSITION - ENDING	21 309 419	17 679 398	16 270 997	14 199 748	14 664 659	12 964 915	12 298 750	12 476 634
NET PENSION LIABILITY (ASSET) - ENDING	\$ (2 458 848)	\$ 385 493	\$ 24 320	\$ 1 297 470	\$ (15 688)	\$ 816 660	\$ 911 668	\$ 216 783
Plan fiduciary net position as a percentage of total pension liability	113.04%	97.87%	99.85%	91.63%	100.11%	94.07%	93.10%	98.29%
Covered employee payroll	\$ 4 932 588	\$ 4 709 172	\$ 4 751 567	\$ 4 763 009	\$ 4 640 294	\$ 4 349 850	\$ 4 285 142	\$ 3 808 942
Net pension liability as a percentage of covered employee payroll	(49.85)%	8.19%	0.51%	27.40%	(0.34)%	18.77%	21.28%	5.69%

Additional years will be provided as they become available.

SHELBY COUNTY, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>YEAR ENDING DECEMBER 31,</u>	<u>ACTUARIALLY DETERMINED CONTRIBUTION</u>	<u>ACTUAL EMPLOYER CONTRIBUTION</u>	<u>CONTRIBUTION DEFICIENCY (EXCESS)</u>	<u>PENSIONABLE COVERED PAYROLL</u>	<u>ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL</u>
2015	\$ 350 419	\$ 350 419	\$ -	\$ 4 285 142	8.7%
2016	\$ 367 451	\$ 367 451	\$ -	\$ 4 349 850	8.5%
2017	\$ 353 237	\$ 353 237	\$ -	\$ 4 640 294	7.8%
2018	\$ 370 407	\$ 370 407	\$ -	\$ 4 763 009	7.7%
2019	\$ 375 062	\$ 375 062	\$ -	\$ 4 751 567	7.8%
2020	\$ 374 850	\$ 374 850	\$ -	\$ 4 709 172	8.0%
2021	\$ 380 796	\$ 380 796	\$ -	\$ 4 932 588	7.7%

Additional years will be provided as they become available.

SHELBY COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2022

Budgetary Procedures

Annual budgets are adopted for the general fund and the four road and bridge funds on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at year end. During the fiscal year, the County Judge prepares a budget to cover all proposed expenditures of the County government for the succeeding fiscal year. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. In preparing the budget, the Judge may require any County officer to furnish information necessary to properly prepare the budget.

The Commissioners' Court shall hold a public hearing on the proposed budget. At the conclusion of the public hearing, the Commissioners' Court shall take action on the proposed budget.

After final approval of the budget, the Commissioners' Court may spend County funds only in strict compliance with the budget, except in an emergency. The Commissioners' Court may authorize an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention. If the Court amends the original budget to meet an emergency, the Court shall file a copy of its order amending the budget with the County Clerk, and the Clerk shall attach the copy to the original budget. Management may not amend the budget without approval from the Commissioners' Court.

Expenditures may not legally exceed budgeted appropriations at the activity or department level. The budget is amended only by approval of the Commissioners' Court. Proposed amendments are presented to the Commissioners' Court in a public meeting, and each amendment must have Commissioners' Court approval. As required by law, such amendments are made before the fact, and are reflected in the minutes of the Commissioners' Court meetings. During the year, the budget was amended as necessary, with the Commissioners' Court approving all payments issued.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are canceled, consequently there are none as of September 30, 2022.

Pension Plan

See Note VII for details on retirement plan provisions and changes to the plan during the year ended September 30, 2022.

COMBINING SCHEDULES

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
 September 30, 2022

		DONATIONS FUND	COUNTY CLERK VITAL ARCHIVES FEE FUND	GENERAL RECORDS MANAGEMENT	SHERIFF OFFICE EDUCATION FUND	VEHICLE INVENTORY TAX FUND
ASSETS						
Cash and investments	\$	4 187	\$ 41 085	\$ 20 574	\$ 745	\$ 93 713
Property tax receivable (net)		-	-	-	-	-
TOTAL ASSETS	\$	<u>4 187</u>	<u>\$ 41 085</u>	<u>\$ 20 574</u>	<u>\$ 745</u>	<u>\$ 93 713</u>
 LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$	-	\$ -	\$ 99	\$ 32	\$ -
Accrued expense		-	-	-	-	-
TOTAL LIABILITIES		<u>-</u>	<u>-</u>	<u>99</u>	<u>32</u>	<u>-</u>
 Deferred Inflows:						
Unavailable revenue		-	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balances:						
Restricted fund balance		4 187	41 085	20 475	713	93 713
TOTAL FUND BALANCES		<u>4 187</u>	<u>41 085</u>	<u>20 475</u>	<u>713</u>	<u>93 713</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	 \$	 <u>4 187</u>	 <u>\$ 41 085</u>	 <u>\$ 20 574</u>	 <u>\$ 745</u>	 <u>\$ 93 713</u>

See independent auditors' report.

HISTORIC COURT- HOUSE FUND	GARZA COUNTY FUND	SHERIFF COMMISSARY FUND	DISTRICT ATTORNEY TRUSTEE	COUNTY ATTORNEY GAMBLING FORFEITURE	COUNTY ATTORNEY FUND	HAVA GRANT	COVID RELIEF FUND
\$ 615	\$ 13 200	\$ 81 676	\$ 27 062	\$ -	\$ 566	\$ -	\$ 116 299
-	-	-	-	-	-	-	-
<u>\$ 615</u>	<u>\$ 13 200</u>	<u>\$ 81 676</u>	<u>\$ 27 062</u>	<u>\$ -</u>	<u>\$ 566</u>	<u>\$ -</u>	<u>\$ 116 299</u>
\$ -	\$ -	\$ 3 405	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	<u>3 405</u>	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>615</u>	<u>13 200</u>	<u>78 271</u>	<u>27 062</u>	<u>-</u>	<u>566</u>	<u>-</u>	<u>116 299</u>
<u>615</u>	<u>13 200</u>	<u>78 271</u>	<u>27 062</u>	<u>-</u>	<u>566</u>	<u>-</u>	<u>116 299</u>
<u>\$ 615</u>	<u>\$ 13 200</u>	<u>\$ 81 676</u>	<u>\$ 27 062</u>	<u>\$ -</u>	<u>\$ 566</u>	<u>\$ -</u>	<u>\$ 116 299</u>

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS - CONTINUED
 September 30, 2022

	<u>JUSTICE COURT TECH FUND</u>	<u>LEOSE CONSTABLES FUND</u>	<u>LAW LIBRARY FUND</u>	<u>DISTRICT CLERK RECORD MGMT FUND</u>
ASSETS				
Cash and investments	\$ 9 516	\$ 13 562	\$ 109 624	\$ 5 389
Property tax receivable (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 9 516</u>	<u>\$ 13 562</u>	<u>\$ 109 624</u>	<u>\$ 5 389</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows:				
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted fund balance	<u>9 516</u>	<u>13 562</u>	<u>109 624</u>	<u>5 389</u>
TOTAL FUND BALANCES	<u>9 516</u>	<u>13 562</u>	<u>109 624</u>	<u>5 389</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 9 516</u>	<u>\$ 13 562</u>	<u>\$ 109 624</u>	<u>\$ 5 389</u>

See independent auditors' report.

COUNTY CLERK RECORD MGMT FUND	COURT- HOUSE SECURITY FUND	JURY FUND	PER- MANENT IMPROVE- MENT FUND	INDIGENT HEALTH CARE FUND	COURT REPORTER SERVICE FUND	JUVENILE PROBATION FUND	GRANT FUND
\$ 159 411	\$ 8 839	\$ 38 986	\$ 54 072	\$ 1 131 898	\$ 2 778	\$ 8 878	\$ -
-	13 524	16 839	-	40 310	-	-	-
<u>\$ 159 411</u>	<u>\$ 22 363</u>	<u>\$ 55 825</u>	<u>\$ 54 072</u>	<u>\$ 1 172 208</u>	<u>\$ 2 778</u>	<u>\$ 8 878</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 123	\$ -
89	95	111	-	1 865	-	78	-
<u>89</u>	<u>95</u>	<u>111</u>	<u>-</u>	<u>1 865</u>	<u>-</u>	<u>201</u>	<u>-</u>
-	13 524	16 839	-	40 310	-	-	-
-	13 619	16 950	-	42 175	-	-	-
159 322	8 744	38 875	54 072	1 130 033	2 778	8 677	-
<u>159 322</u>	<u>8 744</u>	<u>38 875</u>	<u>54 072</u>	<u>1 130 033</u>	<u>2 778</u>	<u>8 677</u>	<u>-</u>
<u>\$ 159 411</u>	<u>\$ 22 363</u>	<u>\$ 55 825</u>	<u>\$ 54 072</u>	<u>\$ 1 172 208</u>	<u>\$ 2 778</u>	<u>\$ 8 878</u>	<u>\$ -</u>

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS - CONTINUED
 September 30, 2022

	COURT FACILITY FEE FUND	SHERIFF LOCAL FORFEITURE	JUSTICE COURT SUPPORT FUND	LANGUAGE ACCESS FUND	COUNTY COURT RECORDS TECH FUND
ASSETS					
Cash and investments	\$ 3 238	\$ 182	\$ 5 525	\$ 1 380	\$ 50 545
Property tax receivable (net)	-	-	-	-	-
TOTAL ASSETS	\$ 3 238	\$ 182	\$ 5 525	\$ 1 380	\$ 50 545
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expense	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
 Deferred Inflows:					
Unavailable revenue	-	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	-	-	-	-	-
 Fund Balances:					
Restricted fund balance	3 238	182	5 525	1 380	50 545
TOTAL FUND BALANCES	3 238	182	5 525	1 380	50 545
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 3 238	\$ 182	\$ 5 525	\$ 1 380	\$ 50 545

See independent auditors' report.

DISTRICT COURT RECORDS TECH FUND	APPELLATE JUDICIAL FEE COUNTY CLERK	APPELLATE JUDICIAL FEE DISTRICT CLERK	RECORDS ARCHIVE FEE COUNTY CLERK	RECORDS ARCHIVE FEE DISTRICT CLERK	JP COURT SECURITY FUND	GUARDIAN- SHIP FUND	DISTRICT ATTORNEY SEIZURE FUND NON-TRAFFIC
\$ 1 526	\$ 150	\$ 297	\$ 441 618	\$ 40 163	\$ 21 420	\$ 4 857	\$ 147 994
-	-	-	-	-	-	-	-
<u>\$ 1 526</u>	<u>\$ 150</u>	<u>\$ 297</u>	<u>\$ 441 618</u>	<u>\$ 40 163</u>	<u>\$ 21 420</u>	<u>\$ 4 857</u>	<u>\$ 147 994</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1 526	150	297	441 618	40 163	21 420	4 857	147 994
<u>1 526</u>	<u>150</u>	<u>297</u>	<u>441 618</u>	<u>40 163</u>	<u>21 420</u>	<u>4 857</u>	<u>147 994</u>
<u>\$ 1 526</u>	<u>\$ 150</u>	<u>\$ 297</u>	<u>\$ 441 618</u>	<u>\$ 40 163</u>	<u>\$ 21 420</u>	<u>\$ 4 857</u>	<u>\$ 147 994</u>

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS - CONTINUED
 September 30, 2022

	DISTRICT ATTORNEY FORFEITURE FUND TRAFFIC	DISTRICT ATTORNEY FORFEITURE FUNDS	PRETRIAL INTER- VENTION PROGRAM FUND	DRUG COURT FUND
ASSETS				
Cash and investments	\$ -	\$ 7 372	\$ 27 746	\$ 47 254
Property tax receivable (net)	-	-	-	-
TOTAL ASSETS	\$ -	\$ 7 372	\$ 27 746	\$ 47 254
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expense	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
 Deferred Inflows:				
Unavailable revenue	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	-	-	-	-
 Fund Balances:				
Restricted fund balance	-	7 372	27 746	47 254
TOTAL FUND BALANCES	-	7 372	27 746	47 254
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ -	\$ 7 372	\$ 27 746	\$ 47 254

See independent auditors' report.

CHILD ABUSE PREVENTION FEE FUND	FAMILY PROTECTION FEE FUND	CHILD SAFETY FEE FUND	TOTAL SPECIAL REVENUE FUNDS
\$ 2 988	\$ 5 628	\$ 548	\$ 2 753 106
-	-	-	70 673
<u>\$ 2 988</u>	<u>\$ 5 628</u>	<u>\$ 548</u>	<u>\$ 2 823 779</u>
\$ -	\$ -	\$ -	\$ 3 659
-	-	-	2 238
-	-	-	5 897
-	-	-	70 673
-	-	-	76 570
2 988	5 628	548	2 747 209
2 988	5 628	548	2 747 209
<u>\$ 2 988</u>	<u>\$ 5 628</u>	<u>\$ 548</u>	<u>\$ 2 823 779</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS
 For the Year Ended September 30, 2022

	DONATIONS FUND	COUNTY CLERK VITAL ARCHIVES FEE FUND	GENERAL RECORDS MANAGEMENT	SHERIFF OFFICE EDUCATION FUND	VEHICLE INVENTORY TAX FUND
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	134 137
Fines and fees	-	2 031	5 331	-	-
Charges for services	-	-	-	-	-
Grants and contributions	6 500	-	-	-	-
Interest	-	-	-	-	22
Miscellaneous income	-	-	-	5 204	-
TOTAL REVENUES	<u>6 500</u>	<u>2 031</u>	<u>5 331</u>	<u>5 204</u>	<u>134 159</u>
Expenditures:					
Payroll expense	-	-	-	-	-
Operating expense	9 316	-	8 060	5 391	136 275
TOTAL EXPENDITURES	<u>9 316</u>	<u>-</u>	<u>8 060</u>	<u>5 391</u>	<u>136 275</u>
NET CHANGE IN FUND BALANCES	(2 816)	2 031	(2 729)	(187)	(2 116)
Fund balances, beginning	<u>7 003</u>	<u>39 054</u>	<u>23 204</u>	<u>900</u>	<u>95 829</u>
FUND BALANCES ENDING	<u>\$ 4 187</u>	<u>\$ 41 085</u>	<u>\$ 20 475</u>	<u>\$ 713</u>	<u>\$ 93 713</u>

See independent auditors' report.

HISTORIC COURT- HOUSE FUND	GARZA COUNTY FUND	SHERIFF COMMISSARY FUND	DISTRICT ATTORNEY TRUSTEE	COUNTY ATTORNEY GAMBLING FORFEITURE FUND	COUNTY ATTORNEY FUND	HAVA GRANT	COVID RELIEF FUND
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	57 345	37 221	-	-	-	-
24	-	-	-	-	-	-	-
-	-	-	-	-	3	-	-
-	13 200	-	-	17 241	2 457	-	-
<u>24</u>	<u>13 200</u>	<u>57 345</u>	<u>37 221</u>	<u>17 241</u>	<u>2 460</u>	<u>-</u>	<u>-</u>
-	-	-	15 202	-	16 768	-	497 928
2 755	13 756	88 720	12	17 241	-	2 974	-
<u>2 755</u>	<u>13 756</u>	<u>88 720</u>	<u>15 214</u>	<u>17 241</u>	<u>16 768</u>	<u>2 974</u>	<u>497 928</u>
(2 731)	(556)	(31 375)	22 007	-	(14 308)	(2 974)	(497 928)
<u>3 346</u>	<u>13 756</u>	<u>109 646</u>	<u>5 055</u>	<u>-</u>	<u>14 874</u>	<u>2 974</u>	<u>614 227</u>
\$ <u>615</u>	\$ <u>13 200</u>	\$ <u>78 271</u>	\$ <u>27 062</u>	\$ <u>-</u>	\$ <u>566</u>	\$ <u>-</u>	\$ <u>116 299</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended September 30, 2022

	JUSTICE COURT TECH FUND	LEOSE CONSTABLES FUND	LAW LIBRARY FUND	DISTRICT CLERK RECORD MGMT FUND
Revenues:				
Property taxes	\$ 7 519	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and fees	7 136	-	11 609	7 039
Charges for services	-	-	-	-
Grants and contributions	-	-	-	-
Interest	-	-	-	-
Miscellaneous income	-	2 774	-	-
TOTAL REVENUES	<u>14 655</u>	<u>2 774</u>	<u>11 609</u>	<u>7 039</u>
Expenditures:				
Payroll expense	-	-	-	-
Operating expense	14 228	6 013	8 971	4 414
TOTAL EXPENDITURES	<u>14 228</u>	<u>6 013</u>	<u>8 971</u>	<u>4 414</u>
NET CHANGE IN FUND BALANCES	427	(3 239)	2 638	2 625
Fund balances, beginning	<u>9 089</u>	<u>16 801</u>	<u>106 986</u>	<u>2 764</u>
FUND BALANCES ENDING	<u>\$ 9 516</u>	<u>\$ 13 562</u>	<u>\$ 109 624</u>	<u>\$ 5 389</u>

See independent auditors' report.

COUNTY CLERK RECORD MGMT FUND	COURT- HOUSE SECURITY FUND	JURY FUND	PER- MENANT IMPROVE- MENT FUND	INDIGENT HEALTH CARE FUND	COURT REPORTER SERVICE FUND	JUVENILE PROBATION FUND	GRANT FUND
\$ -	\$ 79 383	\$ 98 904	\$ -	\$ 237 711	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
71 738	19 013	3 329	-	-	7 401	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	172 515	322 196
-	-	-	-	-	-	-	-
<u>71 738</u>	<u>98 396</u>	<u>102 233</u>	<u>-</u>	<u>237 711</u>	<u>7 401</u>	<u>172 515</u>	<u>322 196</u>
40 266	88 234	100 922	-	48 754	-	129 014	-
633	1 094	1 832	-	189 592	7 037	46 952	322 196
<u>40 899</u>	<u>89 328</u>	<u>102 754</u>	<u>-</u>	<u>238 346</u>	<u>7 037</u>	<u>175 966</u>	<u>322 196</u>
30 839	9 068	(521)	-	(635)	364	(3 451)	-
<u>128 483</u>	<u>(324)</u>	<u>39 396</u>	<u>54 072</u>	<u>1 130 668</u>	<u>2 414</u>	<u>12 128</u>	<u>-</u>
\$ <u>159 322</u>	\$ <u>8 744</u>	\$ <u>38 875</u>	\$ <u>54 072</u>	\$ <u>1 130 033</u>	\$ <u>2 778</u>	\$ <u>8 677</u>	\$ <u>-</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended September 30, 2022

	COURT FACILITY FEE FUND	SHERIFF LOCAL FORFEITURE	JUSTICE COURT SUPPORT FUND	LANGUAGE ACCESS FUND	COUNTY COURT RECORDS TECH FUND
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-
Fines and fees	-	-	-	-	1 412
Charges for services	-	-	-	-	-
Grants and contributions	-	-	5 525	1 380	-
Interest	-	-	-	-	-
Miscellaneous income	3 238	-	-	-	-
TOTAL REVENUES	<u>3 238</u>	<u>-</u>	<u>5 525</u>	<u>1 380</u>	<u>1 412</u>
Expenditures:					
Payroll expense	-	-	-	-	-
Operating expense	-	1 173	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>1 173</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	3 238	(1 173)	5 525	1 380	1 412
Fund balances, beginning	<u>-</u>	<u>1 355</u>	<u>-</u>	<u>-</u>	<u>49 133</u>
FUND BALANCES ENDING	<u>\$ 3 238</u>	<u>\$ 182</u>	<u>\$ 5 525</u>	<u>\$ 1 380</u>	<u>\$ 50 545</u>

See independent auditors' report.

DISTRICT COURT RECORDS TECH FUND	APPELLATE JUDICIAL FEE COUNTY CLERK	APPELLATE JUDICIAL FEE DISTRICT CLERK	RECORDS ARCHIVE FEE COUNTY CLERK	RECORDS ARCHIVE FEE DISTRICT CLERK	JP COURT SECURITY FUND	GUARDIAN- SHIP FUND	DISTRICT ATTORNEY SEIZURE FUND NON-TRAFFIC
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
625	615	1 204	71 378	1 117	86	2 430	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>625</u>	<u>615</u>	<u>1 204</u>	<u>71 378</u>	<u>1 117</u>	<u>86</u>	<u>2 430</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	620	1 262	642	-	3 979	-	-
-	<u>620</u>	<u>1 262</u>	<u>642</u>	<u>-</u>	<u>3 979</u>	<u>-</u>	<u>-</u>
625	(5)	(58)	70 736	1 117	(3 893)	2 430	-
<u>901</u>	<u>155</u>	<u>355</u>	<u>370 882</u>	<u>39 046</u>	<u>25 313</u>	<u>2 427</u>	<u>147 994</u>
\$ <u>1 526</u>	\$ <u>150</u>	\$ <u>297</u>	\$ <u>441 618</u>	\$ <u>40 163</u>	\$ <u>21 420</u>	\$ <u>4 857</u>	\$ <u>147 994</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended September 30, 2022

	DISTRICT ATTORNEY FORFEITURE FUND <u>TRAFFIC</u>	DISTRICT ATTORNEY FORFEITURE FUNDS	PRETRIAL INTER- VENTION PROGRAM FUND	DRUG COURT FUND
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and fees	-	-	11 927	1 816
Charges for services	-	-	-	-
Grants and contributions	-	-	-	-
Interest	(1 865)	1 868	-	-
Miscellaneous income	-	-	-	-
TOTAL REVENUES	<u>(1 865)</u>	<u>1 868</u>	<u>11 927</u>	<u>1 816</u>
Expenditures:				
Payroll expense	-	-	-	-
Operating expense	-	433	3 574	-
TOTAL EXPENDITURES	<u>-</u>	<u>433</u>	<u>3 574</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1 865)	1 435	8 353	1 816
Fund balances, beginning	<u>1 865</u>	<u>5 937</u>	<u>19 393</u>	<u>45 438</u>
FUND BALANCES ENDING	<u>\$ -</u>	<u>\$ 7 372</u>	<u>\$ 27 746</u>	<u>\$ 47 254</u>

See independent auditors' report.

CHILD ABUSE PREVENTION FEE FUND	FAMILY PROTECTION FEE FUND	CHILD SAFETY FEE FUND	TOTAL SPECIAL REVENUE FUNDS
\$ -	\$ -	\$ -	\$ 423 517
-	-	-	134 137
220	378	35 446	263 281
-	-	-	94 566
-	-	-	508 140
-	-	-	28
-	-	-	44 114
<u>220</u>	<u>378</u>	<u>35 446</u>	<u>1 467 783</u>
-	-	-	937 088
-	-	35 468	934 613
-	-	35 468	1 871 701
220	378	(22)	(403 918)
<u>2 768</u>	<u>5 250</u>	<u>570</u>	<u>3 151 127</u>
\$ <u>2 988</u>	\$ <u>5 628</u>	\$ <u>548</u>	\$ <u>2 747 209</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 September 30, 2022

	ARENA BLEACHER FUND	COUNTY CLERK	DISTRICT CLERK TRUST	DISTRICT CLERK	MOTOR VEHICLE TAX	PROPERTY TAXES
ASSETS						
Cash and cash equivalents	\$ 1 109	\$ 107 056	\$ 1 886 181	\$ 710 190	\$ 469 123	\$ 373 447
TOTAL ASSETS	\$ 1 109	\$ 107 056	\$ 1 886 181	\$ 710 190	\$ 469 123	\$ 373 447
LIABILITIES						
Due to others	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-	-	-
Net position	1 109	107 056	1 886 181	710 190	469 123	373 447
TOTAL LIABILITIES AND NET POSITION	\$ 1 109	\$ 107 056	\$ 1 886 181	\$ 710 190	\$ 469 123	\$ 373 447

See independent auditors' report.

COUNTY ATTORNEY RESTITUTION	INMATE ACCOUNT	DISTRICT ATTORNEY FORFEITURE	AGENCY FUND	COMBINED FIDUCIARY FUNDS
\$ 25 346	\$ 78 554	\$ 10 489	\$ 60 152	\$ 3 721 647
<u>\$ 25 346</u>	<u>\$ 78 554</u>	<u>\$ 10 489</u>	<u>\$ 60 152</u>	<u>\$ 3 721 647</u>
\$ 1 000	\$ -	\$ -	\$ -	\$ 1 000
<u>1 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 000</u>
24 346	78 554	10 489	60 152	3 720 647
<u>\$ 25 346</u>	<u>\$ 78 554</u>	<u>\$ 10 489</u>	<u>\$ 60 152</u>	<u>\$ 3 720 647</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 September 30, 2022

	ARENA BLEACHER FUND	COUNTY CLERK	DISTRICT CLERK TRUST	DISTRICT CLERK	MOTOR VEHICLE TAX	PROPERTY TAXES
Additions:						
Interest income	\$ -	\$ 76	\$ -	\$ -	\$ -	\$ 289
Fees and fines	-	485 083	-	207 799	6 512 383	-
Taxes	-	-	-	-	-	29 047 185
Other income	-	-	182 182	-	-	-
TOTAL ADDITIONS	<u>-</u>	<u>485 159</u>	<u>182 182</u>	<u>207 799</u>	<u>6 512 383</u>	<u>29 047 474</u>
Deductions:						
Disbursements	<u>-</u>	<u>491 667</u>	<u>170 036</u>	<u>140 845</u>	<u>6 518 238</u>	<u>29 069 735</u>
TOTAL DEDUCTIONS	<u>-</u>	<u>491 667</u>	<u>170 036</u>	<u>140 845</u>	<u>6 518 238</u>	<u>29 069 735</u>
CHANGE IN NET POSITION	-	(6 508)	12 146	66 954	(5 855)	(22 261)
Net position - Beginning	<u>1 109</u>	<u>113 564</u>	<u>1 874 035</u>	<u>643 236</u>	<u>474 978</u>	<u>395 708</u>
NET POSITION - ENDING	<u>\$ 1 109</u>	<u>\$ 107 056</u>	<u>\$ 1 886 181</u>	<u>\$ 710 190</u>	<u>\$ 469 123</u>	<u>\$ 373 447</u>

See independent auditors' report.

<u>COUNTY ATTORNEY RESTITUTION</u>	<u>INMATE ACCOUNT</u>	<u>DISTRICT ATTORNEY FORFEITURE</u>	<u>AGENCY FUND</u>	<u>COMBINED FIDUCIARY FUNDS</u>
\$ -	\$ -	\$ 3	\$ -	\$ 368
-	-	-	222 030	7 427 295
-	-	-	-	29 047 185
<u>27 263</u>	<u>116 896</u>	<u>-</u>	<u>-</u>	<u>326 341</u>
<u>27 263</u>	<u>116 896</u>	<u>3</u>	<u>222 030</u>	<u>36 801 189</u>
<u>27 361</u>	<u>85 738</u>	<u>-</u>	<u>220 579</u>	<u>36 724 199</u>
<u>27 361</u>	<u>85 738</u>	<u>-</u>	<u>220 579</u>	<u>36 724 199</u>
(98)	31 158	3	1 451	76 990
<u>24 444</u>	<u>47 396</u>	<u>10 486</u>	<u>58 701</u>	<u>3 643 657</u>
\$ <u>24 346</u>	\$ <u>78 554</u>	\$ <u>10 489</u>	\$ <u>60 152</u>	\$ <u>3 720 647</u>

COMPLIANCE SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Commissioners'
Court of Shelby County
Center, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Shelby County, Texas' basic financial statements, and have issued our report thereon dated May 24, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the Schedule of Findings and Questioned Costs that we consider to be significant deficiencies. See Finding 2022-01.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shelby County, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

Shelby County's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lufkin, Texas
May 24, 2023


CERTIFIED PUBLIC ACCOUNTANTS

SHELBY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2022

A. Summary of the Auditor's Results:

1. Financial Statements

Type of report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(s) not considered material weaknesses? Yes None reported

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

Finding 2022-01:

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

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

Effect - There is a risk due to a lack of preventative controls of material misstatement in the financial records due to the lack of adequate segregation of controls related to these financial transactions. The County relies on detective controls to detect and correct errors after the fact with review processes in the County Auditor's office.

Questioned Cost - None

Recommendation - We recommend that the function identified be separated within the Justice of Peace offices. Centralizing the collection process outside of the various Justice of the Peace offices would allow for standardization of the process and would largely segregate case judgement and fine collection.

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

SHELBY COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2022

Prior Audit Finding / Recommendation / Current Status

Finding 2021-01:

Condition - Inadequate segregation of duties in Justice of the Peace Offices.

Status - The County continues to monitor and work to resolve this issue. (Ongoing)

Finding 2021-02:

Condition - Inadequate segregation of duties in journal entry function.

Status - Journal entries are now reviewed by Commissioners Court. (Resolved)

Finding 2021-03:

Condition - Failure to comply with state bid requirements.

Status - Changes in the monitoring resulted in no current findings. (Resolved)

Finding 2021-04:

Condition - The County did not have a complete list of amounts owed from the restitution fund.

Status - Changes in personnel and processes have resolved this issue. (Resolved)