

SHELBY COUNTY, TEXAS
Center, Texas

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2020

TABLE OF CONTENTS

Independent Auditors' Report.....	3
Managements' Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Fiduciary Net Position	16
Notes to the Basic Financial Statements.....	17
Required Supplemental Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	31
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Road and Bridge #1	34
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Road and Bridge #2	35
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Road and Bridge #3	36
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Road and Bridge #4	37
Schedule of Changes in Net Pension Liability and Related Ratios.....	38
Schedule of Employer Contributions	39
Notes to Required Supplementary Information	40
Combining Schedules:	
Combining Balance Sheet - Special Revenue Funds.....	42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Special Revenue Funds	49
Combining Schedule of Fiduciary Net Position	56
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 <i>Government Auditing Standards</i>	59
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance.....	60
Schedule of Expenditures of Federal Awards	62
Notes to Schedule of Expenditures of Federal Awards	63
Schedule of Findings and Questioned Costs.....	64
Summary Schedule of Prior Audit Findings	65

INDEPENDENT AUDITORS' REPORT

The Honorable Commissioners'
Court of Shelby County
Center, Texas

We have audited the accompanying financial statements of the governmental activities, fiduciary activities, each major fund, and the aggregate remaining fund information of Shelby County, Texas (the "County"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Texas, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shelby County, Texas' basic financial statements. The combining nonmajor fund financial statements and compliance section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purpose of additional analysis as required by Title 2, U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements for Federal Awards, and is not a required part of basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and compliance section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2021, on our consideration of Shelby County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shelby County's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
May 26, 2021

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, 2020 ("FY 2020").

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 \$16,493,515 on a government-wide basis as of September 30, 2020.
- For FY 2020, taxes and other revenues, including program revenues, of the County's governmental activities amounted to \$14,671,267. Expenses, including program expenses, totaled \$12,479,113.

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 \$2,150,056 for the fiscal year.
- The County's General Fund reported a fund balance of \$6,033,095, an increase of \$884,986 from September 30, 2019.

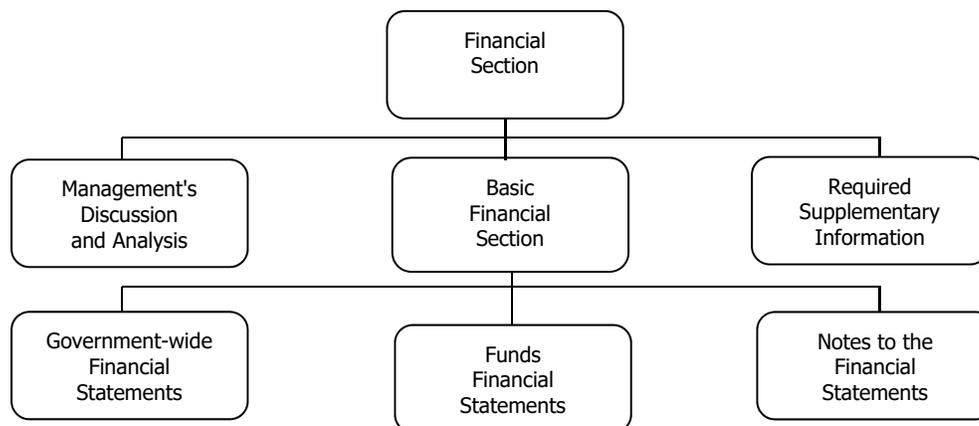
GENERAL FINANCIAL HIGHLIGHTS

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 agency funds used to account for monies received, held and disbursed on behalf of the state or other local governments.

Financial Analysis of the County as a Whole

Statement of Net Position

The following table presents a summary of the County's net position as of September 30, 2020 and 2019:

As of September 30

	2020	2019
Assets:		
Current and other assets	\$ 11 996 961	\$ 9 533 218
Capital assets (net)	5 835 799	6 268 149
TOTAL ASSETS	17 832 760	15 801 367
Deferred outflow	1 183 596	1 688 946
Liabilities:		
Current liabilities	757 385	705 719
Long-term liabilities	365 009	570 169
Pension liability	24 320	1 297 472
TOTAL LIABILITIES	1 146 714	2 573 360
Deferred inflows	1 376 127	615 642
Net Position:		
Net investment in capital assets	5 357 103	5 583 444
Restricted	3 542 547	2 277 321
Unrestricted	7 593 865	6 440 596
TOTAL NET POSITION	\$ 16 493 515	\$ 14 301 361

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 \$16,493,515 at September 30, 2020, the County's fiscal year-end. This amount represents an increase of \$2,192,154 from the net position at September 30, 2019.

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 \$478,696 in related long-term debt in the form of capital leases.

Governmental Activities

Revenues for the governmental activities for the County totaled \$14,671,267 for the fiscal year 2020.

Taxes constitute the largest source of County revenues, totaling \$10,733,231 for fiscal year 2020.

The cost of the County's governmental activities totaled \$12,479,113. Major contributors to costs include:

	2020	2019
Streets and bridges	\$ 4 331 405	\$ 5 264 496
Law enforcement	\$ 3 349 929	\$ 3 395 879
General administration	\$ 1 849 161	\$ 1 825 953
Judicial	\$ 1 195 973	\$ 1 220 505

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, 2020, the County's governmental funds had a combined fund balance totaling \$9,575,486.

The General Fund is the primary operating fund of the County. Unassigned fund balance in the General Fund at September 30, 2020, totaled \$6,033,095. This represents approximately 88% of the total expenditures for FY 2020 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, 2020

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 9 316 271
Receivables Net of Allowance for Uncollectibles:	
Taxes	1 883 520
Other	724 548
Prepaid expenditures	72 622
TOTAL CURRENT ASSETS	11 996 961
Noncurrent Assets:	
Capital Assets:	
Land	374 436
Streets and infrastructure	16 429 457
Buildings and improvements	3 859 534
Furniture and equipment	8 994 322
Construction in progress	34 000
Less: Accumulated depreciation	(23 855 950)
TOTAL CAPITAL ASSETS	5 835 799
TOTAL ASSETS	17 832 760
DEFERRED OUTFLOW	
Contribution subsequent to measurement date	277 550
Pension deferred outflows	906 046
TOTAL DEFERRED OUTFLOW	1 183 596
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 19 016 356
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 292 069
Accrued liabilities	245 886
Accrued interest payable	7 915
Capital leases due in one year	211 515
TOTAL CURRENT LIABILITIES	757 385
Noncurrent Liabilities:	
Capital leases due in more than one year	267 181
Pension liability	24 320
Accrued compensation absence	97 828
TOTAL NONCURRENT LIABILITIES	389 329
TOTAL LIABILITIES	1 146 714
DEFERRED INFLOWS	
Pension deferred inflows	1 376 127
TOTAL DEFERRED INFLOWS	1 376 127
NET POSITION	
Net investment in capital assets	5 357 103
Restricted	3 542 547
Unrestricted	7 593 865
TOTAL NET POSITION	\$ 16 493 515

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, 2020

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	\$ 1 849 161	\$ 977 802	\$ 1 059 104	\$ -	\$ 187 745
Judicial	1 195 973	130 463	-	-	(1 065 510)
Law enforcement and corrections	3 349 929	94 986	222 875	-	(3 032 068)
Streets and bridges	4 331 405	701 199	-	295 567	(3 334 639)
Community service	384 090	-	52 458	-	(331 632)
Nondepartmental	1 338 742	-	-	-	(1 338 742)
Debt service	29 813	-	-	-	(29 813)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 12 479 113	\$ 1 904 450	\$ 1 334 437	\$ 295 567	(8 944 659)
General Revenues:					
Taxes:					
Property taxes					9 455 153
Other tax revenue					1 278 078
Unrestricted investment earnings					132 727
Gain (loss) on sale of capital assets					150 001
Other unrestricted revenue					120 854
TOTAL GENERAL REVENUES					11 136 813
CHANGE IN NET POSITION					2 192 154
Net position, beginning					14 301 361
NET POSITION, ENDING					\$ 16 493 515

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

SHELBY COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2020

	GENERAL	ROAD & BRIDGE #1	ROAD & BRIDGE #2
ASSETS			
Cash and investments	\$ 6 370 065	\$ 187 311	\$ 169 953
Property tax receivable (net)	981 684	196 979	196 979
Other receivables	-	-	-
Prepaid expenditures	72 622	-	-
TOTAL ASSETS	\$ 7 424 371	\$ 384 290	\$ 366 932
 LIABILITIES, FUND EQUITY			
Liabilities:			
Accounts payable	\$ 224 983	\$ 19 003	\$ 15 437
Accrued liabilities	184 609	13 666	13 244
TOTAL LIABILITIES	409 592	32 669	28 681
 Deferred Inflows:			
Deferred revenue	981 684	196 979	196 979
TOTAL LIABILITIES AND DEFERRED INFLOWS	1 391 276	229 648	225 660
 Fund Balances:			
Non spendable - Prepaid expenditures	72 622	-	-
Restricted fund balance	-	154 642	141 272
Unassigned Reported in:			
General fund	5 960 47	-	-
TOTAL FUND BALANCES	6 033 095	154 642	141 272
 TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	 \$ 7 424 371	 \$ 384 290	 \$ 366 932

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

	<u>ROAD & BRIDGE #3</u>		<u>ROAD & BRIDGE #4</u>		<u>NONMAJOR GOVERNMENTAL</u>		<u>TOTAL</u>
\$	132 493	\$	66 163	\$	2 390 286	\$	9 316 271
	196 979		196 979		113 920		1 883 520
	-		-		724 548		724 548
	-		-		-		72 622
\$	<u>329 472</u>	\$	<u>263 142</u>	\$	<u>3 228 754</u>	\$	<u>11 996 961</u>

\$	29 508	\$	2 123	\$	1 015	\$	292 069
	15 641		16 688		2 038		245 886
	<u>45 149</u>		<u>18 811</u>		<u>3 053</u>		<u>537 955</u>

	<u>196 979</u>		<u>196 979</u>		<u>113 920</u>		<u>1 883 520</u>
	<u>242 128</u>		<u>215 790</u>		<u>116 817</u>		<u>2 421 319</u>

	-		-		-		72 622
	87 344		47 352		3 111 781		3 542 391
	-		-		-		5 960 473
	<u>87 344</u>		<u>47 352</u>		<u>3 111 781</u>		<u>9 575 486</u>
\$	<u>329 472</u>	\$	<u>263 142</u>	\$	<u>3 228 754</u>		

Capital assets are not recorded in funds, but are included in Statement of Net Position	5 835 799
Long-term liabilities related to capital leases are not recorded in the funds, but are included in the Statement of Net Position	(486 611)
Pension liability and accrued compensated absences is not included in the funds, but are included in Statement of Net Position	(122 148)
Deferred outflows related to pensions are not included in funds, but are included in Statement of Net Position	1 183 596
Deferred inflows related to pensions are not included in funds, but in Statement of Net Position	(1 376 127)
Unavailable property taxes are included in funds, but are not recognized in the Statement of Net Position	<u>1 883 520</u>
TOTAL NET POSITION	\$ <u>16 493 515</u>

SHELBY COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	GENERAL	ROAD & BRIDGE #1	ROAD & BRIDGE #2
Revenues:			
Property taxes	\$ 6 168 470	\$ 573 732	\$ 573 732
Other taxes	5 193	291 648	291 648
Fines and fees	505 433	175 300	175 299
Interest	132 481	-	-
Charges for services	464 196	-	-
Grant and donations	143 428	-	-
Miscellaneous	155 737	67 761	67 761
TOTAL REVENUES	7 574 938	1 108 441	1 108 440
Expenditures:			
General administration	1 542 328	-	-
Judicial	1 029 243	-	-
Law enforcement and corrections	3 021 571	-	-
Streets and bridges	-	952 857	985 613
Community service	-	-	-
Non-departmental	1 246 811	-	-
Debt service	-	104 711	59 174
TOTAL EXPENDITURES	6 839 953	1 057 568	1 044 787
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	734 985	50 873	63 653
Other Financing Sources (Uses):			
Proceeds from sale of capital assets	150 001	-	-
TOTAL OTHER FINANCING SOURCES	150 001	-	-
NET CHANGE IN FUND BALANCES	884 986	50 873	63 653
Fund balances, beginning	5 148 109	103 769	77 619
FUND BALANCES, ENDING	\$ 6 033 095	\$ 154 642	\$ 141 272

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

	<u>ROAD & BRIDGE #3</u>	<u>ROAD & BRIDGE #4</u>	<u>NON-MAJOR FUNDS</u>	<u>TOTAL</u>
\$	573 732	\$ 573 732	\$ 716 316	\$ 9 179 714
	291 648	291 648	106 293	1 278 078
	175 300	175 300	153 960	1 360 592
	-	-	246	132 727
	-	-	53 926	518 122
	-	-	1 165 287	1 308 715
	<u>67 761</u>	<u>67 761</u>	<u>41 098</u>	<u>467 879</u>
	<u>1 108 441</u>	<u>1 108 441</u>	<u>2 237 126</u>	<u>14 245 827</u>
	-	-	278 376	1 820 704
	-	-	235 668	1 264 911
	-	-	237 830	3 259 401
	1 013 203	1 089 820	26 831	4 068 324
	-	-	357 714	357 714
	-	-	-	1 246 811
	<u>51 396</u>	<u>12 626</u>	<u>-</u>	<u>227 907</u>
	<u>1 064 599</u>	<u>1 102 446</u>	<u>1 136 419</u>	<u>12 245 772</u>
	<u>43 842</u>	<u>5 995</u>	<u>1 100 707</u>	<u>2 000 055</u>
	-	-	-	150 001
	<u>-</u>	<u>-</u>	<u>-</u>	<u>150 001</u>
	43 842	5 995	1 100 707	2 150 056
	<u>43 502</u>	<u>41 357</u>	<u>2 011 074</u>	<u>7 425 430</u>
\$	<u><u>87 344</u></u>	\$ <u><u>47 352</u></u>	\$ <u><u>3 111 781</u></u>	\$ <u><u>9 575 486</u></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, 2020

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

Net change in fund balances - Total governmental funds.	\$ 2 150 056
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.	(432 350)
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.	198 094
Governmental funds expense accrued compensated absence and pension liabilities as the payments are made, while government-wide statements record the future liabilities.	915
Governmental funds defer property taxes until collection, while government-wide funds statements recognize the revenue.	<u>275 439</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2 192 154</u>

SHELBY COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2020

	COMBINED FIDUCIARY FUNDS
Assets:	
Cash and cash equivalent	\$ <u>3 237 522</u>
TOTAL ASSETS	\$ <u>3 237 522</u>
Liabilities:	
Due to others	\$ <u>3 237 522</u>
TOTAL LIABILITIES	\$ <u>3 237 522</u>

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

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2020

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.

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

General Fund

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

Special Revenue Funds

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

Fiduciary Funds - Trust

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

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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 2020. 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.

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

II. DEPOSIT, INVESTMENTS AND INVESTMENT POLICIES

Deposits

At September 30, the carrying amount of the County's deposits and cash on hand totaled \$12,469,793, inclusive of fiduciary funds. All bank balances at year end were entirely covered by federal depository insurance or by collateral held by the depository bank in the County's name.

Investments

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

III. PROPERTY TAXES AND OTHER RECEIVABLES

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

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

Property Taxes Receivable:		
General fund	\$	981 684
Special revenue funds		<u>901 836</u>
TOTAL UNAVAILABLE REVENUE	\$	<u>1 883 520</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	\$ 1 154 922	\$ 1 060 984	\$ 2 215 906
Less: Allowances for uncollectible	<u>(173 238)</u>	<u>(159 148)</u>	<u>(332 386)</u>
NET RECEIVABLES	<u>\$ 981 684</u>	<u>\$ 901 836</u>	<u>\$ 1 883 520</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.

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2020

IV. TAX ABATEMENTS - CONTINUED

For the fiscal year ended September 30, 2020, the County abated property taxes totaling \$2,318,240 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 2020 fiscal year is the fifth of ten years of the agreement. The abatement amounted to \$8,145 for the year ended September 30, 2020.

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.

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	\$ 392 436	\$ -	\$ (18 000)	\$ 374 436
Infrastructure	16 384 539	70 387	(25 469)	16 429 457
Buildings and improvements	4 228 049	208 897	(577 412)	3 859 534
Vehicles and equipment	8 824 150	215 010	(44 838)	8 994 322
Construction in progress	46 467	34 000	(46 467)	34 000
Accumulated depreciation	(23 607 492)	(893 377)	644 919	(23 855 950)
TOTAL ASSETS	\$ 6 268 149	\$ (365 083)	\$ (67 267)	\$ 5 835 799

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

General administration	\$ 135 336
Judicial	94 031
Law enforcement and corrections	242 299
Streets and bridges	302 433
Community service	26 592
Non-departmental	92 686
	\$ 893 377

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	\$ 684 705	\$ -	\$ 206 009	\$ 478 696	\$ 211 515
TOTAL GOVERNMENTAL ACTIVITIES	\$ 684 705	\$ -	\$ 206 009	\$ 478 696	\$ 211 515

Capital Leases

The County is obligated under certain leases accounted for as capital leases. The leases recorded here meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following schedule lists personal property leased, which also serves as the collateral:

DESCRIPTION	INTEREST RATE	ORIGINAL PROPERTY VALUE
2016 Motor Grader	3.65%	\$ 295 325
2017 Motor Grader	2.85%	\$ 238 414
2015 Wheel Loader	3.65%	\$ 112 200
2019 Motor Grader	3.65%	\$ 279 952

The lease terms range from three to five years. The terms call for annual payments over the life of the lease.

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2020

VI. LONG-TERM OBLIGATION ACTIVITY - CONTINUED

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

YEAR ENDING AUGUST 31,	TOTAL REQUIREMENTS
2021	\$ 227 908
2022	224 427
2023	24 252
2024	26 253
TOTAL MINIMUM LEASE PAYMENT	502 840
Less: Amount representing interest	(24 144)
PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	\$ 478 696

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

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 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.

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

Actuarial Assumptions

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

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Asset Valuation Method	5 year smoothed market
Inflation	Same as funding valuation
Salary Increases	Same as funding valuation
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the 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, 2019 actuarial valuation analysis for Shelby County. This information may also be found in the Shelby County December 31, 2019 Summary Valuation Report.

Economic Assumptions:

TCDRS System-Wide Economic Assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.0%

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2020

VII. RETIREMENT PLAN - CONTINUED

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

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

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

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

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% 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	3.25%

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

**Table 1
Merit Salary Increases***

Years of Service	Entry Age			
	Before 30	Ages 30-39	Ages 40-49	50 and Later
0	5.00%	4.50%	4.00%	3.50%
1	4.25%	3.75%	3.25%	2.75%
2	3.85%	3.35%	2.85%	2.35%
3	3.50%	3.00%	2.50%	2.00%
4	3.15%	2.65%	2.25%	1.85%
5	2.90%	2.55%	2.15%	1.70%
6	2.65%	2.30%	1.95%	1.55%
7	2.45%	2.10%	1.75%	1.40%
8	2.30%	1.95%	1.60%	1.25%
9	2.15%	1.80%	1.45%	1.10%
10	2.00%	1.70%	1.40%	1.05%
11	1.90%	1.60%	1.25%	1.00%
12	1.80%	1.50%	1.15%	0.95%
13	1.70%	1.40%	1.05%	0.90%
14	1.60%	1.30%	0.95%	0.85%
15	1.50%	1.23%	0.90%	0.80%
16	1.40%	1.15%	0.85%	0.75%
17	1.30%	1.05%	0.80%	0.70%
18	1.23%	0.97%	0.75%	0.65%
19	1.15%	0.90%	0.70%	0.60%
20	1.10%	0.85%	0.65%	0.55%
21	1.05%	0.80%	0.60%	0.50%
22	1.00%	0.75%	0.55%	0.50%
23	0.95%	0.70%	0.50%	0.50%
24	0.90%	0.65%	0.50%	0.50%
25	0.85%	0.60%	0.50%	0.50%
26	0.80%	0.60%	0.50%	0.50%
27	0.75%	0.60%	0.50%	0.50%
28	0.70%	0.60%	0.50%	0.50%
29	0.65%	0.60%	0.50%	0.50%
30 & Up	0.60%	0.60%	0.50%	0.50%

* These rates do not include the wage inflation rate of 3.25% 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 5.00% merit increase and the 3.25% wage inflation. Note that the two components are compounded, so it is a slightly different result than just adding the two percentages.

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2020

VII. RETIREMENT PLAN - CONTINUED

Demographic Assumptions

TCDRS System-Wide Demographic Assumptions:

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

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

Table 2
Annual Rates of Disability*

Age	Work Related Male and Female	All Other Causes Male and Female	Age	Work Related Male and Female	All Other Causes Male and Female
less than 25	0.000%	0.000%	43	0.004%	0.058%
25	0.000%	0.000%	44	0.004%	0.063%
26	0.000%	0.000%	45	0.004%	0.069%
27	0.000%	0.000%	46	0.005%	0.076%
28	0.000%	0.008%	47	0.006%	0.084%
29	0.000%	0.008%	48	0.007%	0.095%
30	0.000%	0.009%	49	0.009%	0.109%
31	0.000%	0.010%	50	0.010%	0.125%
32	0.000%	0.010%	51	0.012%	0.142%
33	0.000%	0.011%	52	0.013%	0.162%
34	0.000%	0.014%	53	0.015%	0.183%
35	0.001%	0.018%	54	0.018%	0.203%
36	0.001%	0.022%	55	0.018%	0.222%
37	0.002%	0.028%	56	0.018%	0.238%
38	0.002%	0.033%	57	0.018%	0.250%
39	0.002%	0.038%	58	0.018%	0.259%
40	0.002%	0.042%	59	0.018%	0.270%
41	0.003%	0.047%	60 & Above	0.018%	0.000%
42	0.003%	0.053%			

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

Mortality

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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

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

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2020

VII. RETIREMENT PLAN - CONTINUED

Table 3
Annual Rates of Service Retirement*

Age	Male	Female	Age	Male	Female
40-44	4.5%	4.5%	62	20.0%	20.0%
45-49	9.0%	9.0%	63	15.0%	15.0%
50	10.0%	10.0%	64	15.0%	15.0%
51	9.0%	9.0%	65	25.0%	25.0%
52	9.0%	9.0%	66	25.0%	25.0%
53	9.0%	9.0%	67	22.0%	22.0%
54	10.0%	10.0%	68	20.0%	20.0%
55	10.0%	10.0%	69	20.0%	20.0%
56	10.0%	10.0%	70	22.0%	22.0%
57	10.0%	10.0%	71	22.0%	22.0%
58	12.0%	12.0%	72	22.0%	22.0%
59	12.0%	12.0%	73	22.0%	22.0%
60	12.0%	12.0%	74**	22.0%	22.0%
61	12.0%	12.0%			

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

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

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

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.

Table 4
Annual Rates of Termination

Years of Service	Entry Age 20		Entry Age 30		Entry Age 40		Entry Age 50	
	Male	Female	Male	Female	Male	Female	Male	Female
0	36.7%	39.8%	30.6%	33.2%	26.1%	28.2%	24.5%	26.5%
1	25.1%	27.3%	21.1%	22.9%	17.9%	19.5%	16.9%	18.3%
2	18.7%	20.2%	15.8%	17.2%	13.4%	14.6%	12.7%	13.8%
3	14.9%	16.1%	12.7%	13.8%	10.8%	11.7%	10.1%	11.0%
4	12.2%	13.3%	10.6%	11.4%	9.0%	9.7%	8.5%	9.1%
5	10.9%	11.9%	9.5%	10.3%	8.0%	8.8%	7.6%	8.3%
6	9.7%	10.5%	8.5%	9.1%	7.2%	7.8%	6.7%	7.4%
7	8.6%	9.4%	7.6%	8.3%	6.5%	7.0%	6.1%	6.6%
8	7.2%	7.7%	6.4%	6.8%	5.4%	5.8%	5.1%	5.5%
9	6.8%	7.4%	6.2%	6.6%	5.2%	5.6%	5.0%	5.3%
10	6.1%	6.5%	5.5%	5.9%	4.6%	5.1%	4.4%	4.7%
11	5.3%	5.7%	4.8%	5.3%	4.2%	4.5%	3.9%	4.2%
12	4.8%	5.2%	4.4%	4.8%	3.7%	4.1%	3.5%	3.9%
13	4.3%	4.6%	4.0%	4.4%	3.4%	3.7%	3.2%	3.5%
14	3.9%	4.1%	3.6%	3.9%	3.1%	3.3%	2.9%	3.1%
15	3.3%	3.6%	3.2%	3.4%	2.6%	3.0%	2.5%	2.8%
16	2.9%	3.1%	2.8%	3.0%	2.3%	2.5%	2.2%	2.4%
17	2.5%	2.8%	2.4%	2.6%	2.1%	2.2%	2.0%	2.1%
18	2.2%	2.3%	2.1%	2.3%	1.8%	2.0%	1.7%	1.9%
19	1.9%	2.1%	1.9%	2.1%	1.7%	1.8%	1.5%	1.7%
20	1.7%	2.0%	1.7%	2.0%	1.5%	1.6%	1.4%	1.5%
21	1.6%	1.8%	1.6%	1.8%	1.4%	1.5%	1.3%	1.4%
22	1.4%	1.7%	1.4%	1.7%	1.2%	1.3%	1.2%	1.3%
23	1.4%	1.5%	1.4%	1.5%	1.1%	1.3%	1.1%	1.2%
24	1.3%	1.4%	1.3%	1.4%	1.1%	1.2%	1.1%	1.1%
25	1.2%	1.3%	1.2%	1.3%	1.0%	1.1%	1.0%	1.1%
26	1.2%	1.2%	1.2%	1.2%	1.0%	1.1%	1.0%	1.0%
27	1.1%	1.1%	1.1%	1.1%	0.9%	1.0%	0.9%	0.9%
28	1.0%	1.0%	1.0%	1.0%	0.8%	0.9%	0.8%	0.8%
29	1.0%	0.9%	1.0%	0.9%	0.8%	0.9%	0.8%	0.7%
30 & Later	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2020

VII. RETIREMENT PLAN - CONTINUED

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

Table 5
Probability of Withdrawal

Years of Service	Probability	Years of Service	Probability
0	100%	15	40%
1	100%	16	38%
2	100%	17	36%
3	100%	18	33%
4	100%	19	30%
5	100%	20	28%
6	100%	21	26%
7	100%	22	24%
8	47%	23	22%
9	46%	24	20%
10	45%	25	18%
11	44%	26	16%
12	43%	27	14%
13	42%	28	12%
14	41%	29*	10%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2019 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 - December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities - Developed Markets	MSCI World Ex USA (net) Index	7.00%	5.20%
International Equities - Emerging Markets	MSCI Emerging Markets (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	(0.20)%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.310%

(1) Target asset allocation adopted at the June 2020 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80%, per Cliffwater's 2020 capital market assumptions.

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

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

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

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2020

VII. RETIREMENT PLAN - CONTINUED

Depletion of Plan Assets / GASB Discount Rate

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

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension 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.
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 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Sensitivity Analysis

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 18 296 990	\$ 16 295 317	\$ 14 607 142
Fiduciary net position	\$ 16 270 997	\$ 16 270 997	\$ 16 270 997
Net pension liability/(asset)	\$ 2 025 993	\$ 24 320	\$ (1 663 855)

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2020

VII. RETIREMENT PLAN - CONTINUED

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, 2018	\$ 15 497 219	\$ 14 199 747	\$ 1 297 472
Changes for the Year:			
Service cost	530 223	-	530 223
Interest on total pension liability ⁽¹⁾	1 261 272	-	1 261 272
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(62 925)	-	(62 925)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(122 192)	(122 192)	-
Benefit payments	(808 280)	(808 280)	-
Administrative expenses	-	(12 399)	12 399
Member contributions	-	332 610	(332 610)
Net investment income	-	2 332 128	(2 332 128)
Employer contributions	-	355 417	(355 417)
Other ⁽³⁾	-	(6 034)	6 034
Balances as of December 31, 2019	\$ <u>16 295 317</u>	\$ <u>16 270 997</u>	\$ <u>24 320</u>

(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.

Pension Expense/(Income)

Pension Expense/(Income)	January 1, 2019 to December 31, 2019
Service cost	\$ 530 223
Interest on total pension liability ⁽¹⁾	1 261 272
Effect of plan changes	-
Administrative expenses	12 399
Member contributions	(332 610)
Expected investment return net of investment expenses	(1 139 820)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of economic/demographic gains or losses	(86 896)
Recognition of assumption changes or inputs	16 288
Recognition of investment gains or losses	100 167
Other ⁽²⁾	6 034
PENSION EXPENSE/(INCOME)	\$ <u>367 058</u>

(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 December 31, 2019, 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	\$ 83 501	\$ -
Change of assumptions	-	16 288
Net difference between projected and actual earnings	1 292 626	889 758
Contributions made subsequent to measurement date	-	277 550
	\$ <u>1 376 127</u>	\$ <u>1 183 596</u>

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,	
2020	\$ (121 487)
2021	\$ (147 029)
2022	\$ 36 898
2023	\$ (238 463)
2024	\$ -
Thereafter	\$ -

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2020

VII. RETIREMENT PLAN - CONTINUED

Membership Information

	Membership Class	
Inactive employees entitled to but not yet receiving benefits		104
Active employees		129
Currently receiving benefits		88

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.

X. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 26, 2021, the date the financial statements were available to be issued.

Subsequent to year-end, the COVID-19 crisis disrupted the world economy. At this time, the effect on the County due to this event cannot be determined.

XI. COMPLIANCE

The County's expenditures exceeded budgeted amounts at the department level for several departments. See the budgetary comparison reports included with the required supplementary information for details.

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, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 6 283 321	\$ 6 283 321	\$ 6 168 470	\$ (114 851)
Other taxes	5 000	5 000	5 193	193
Fines	209 000	209 000	240 788	31 778
Fees of office	230 000	230 000	264 645	34 645
Interest	100 000	100 000	132 481	32 481
Grants	123 200	123 200	143 428	20 228
Commissions	400 000	400 000	464 196	64 196
Miscellaneous	111 700	111 700	155 737	44 037
TOTAL REVENUES	<u>7 462 221</u>	<u>7 462 221</u>	<u>7 574 938</u>	<u>112 717</u>
Expenditures:				
General Administration Expenditures:				
County Agents:				
Payroll expense	72 607	72 607	72 524	83
Operating expense	29 060	29 060	17 758	11 302
TOTAL COUNTY AGENTS	<u>101 667</u>	<u>101 667</u>	<u>90 282</u>	<u>11 385</u>
County Auditor:				
Payroll expense	137 533	137 533	137 362	376
Operating expense	12 100	12 100	8 898	2 997
TOTAL COUNTY AUDITOR	<u>149 633</u>	<u>149 633</u>	<u>146 260</u>	<u>3 373</u>
County Clerk:				
Payroll expense	190 946	190 946	199 342	(1 065)
Operating expense	74 200	74 200	62 494	4 375
TOTAL COUNTY CLERK	<u>265 146</u>	<u>265 146</u>	<u>261 836</u>	<u>3 310</u>
County Clerk Election Deputy:				
Payroll expense	39 255	40 757	40 608	149
Operating expense	37 577	36 058	31 606	4 452
TOTAL COUNTY CLERK ELECTION DEPUTY	<u>76 832</u>	<u>76 815</u>	<u>72 214</u>	<u>4 601</u>
County Judge:				
Payroll expense	107 925	107 926	108 376	(450)
Operating expense	20 550	20 549	15 009	5 540
TOTAL COUNTY JUDGE	<u>128 475</u>	<u>128 475</u>	<u>123 385</u>	<u>5 090</u>
District Clerk:				
Payroll expense	245 721	245 721	219 294	26 427
Operating expense	48 200	48 200	29 886	18 314
TOTAL DISTRICT CLERK	<u>293 921</u>	<u>293 921</u>	<u>249 180</u>	<u>44 741</u>
Courthouse Manager:				
Operating expense	38 100	38 100	34 086	4 014
TOTAL COURTHOUSE MANAGER	<u>38 100</u>	<u>38 100</u>	<u>34 086</u>	<u>4 014</u>
Tax Assessor Collector:				
Payroll expense	296 187	295 714	294 529	1 185
Operating expense	68 300	68 773	68 772	1
TOTAL TAX ASSESSOR COLLECTOR	<u>364 487</u>	<u>364 487</u>	<u>363 301</u>	<u>1 186</u>
County Treasurer:				
Payroll expense	106 046	106 654	107 047	(393)
Operating expense	8 950	8 342	8 342	-
TOTAL COUNTY TREASURER	<u>114 996</u>	<u>114 996</u>	<u>115 389</u>	<u>(393)</u>
Commissioner Secretary:				
Payroll expense	37 358	37 817	38 036	(219)
Operating expense	3 500	3 939	3 939	-
TOTAL COMMISSIONER SECRETARY	<u>40 858</u>	<u>41 756</u>	<u>41 975</u>	<u>(219)</u>
Veterans Officer:				
Payroll expense	30 418	31 045	31 120	(75)
Operating expense	4 750	4 123	1 358	2 765
TOTAL VETERANS OFFICER	<u>35 168</u>	<u>35 168</u>	<u>32 478</u>	<u>2 690</u>
Emergency Management Coordinator:				
Payroll expense	7 229	10 614	10 665	(51)
Operating expense	11 979	11 979	1 277	10 702
TOTAL EMERGENCY MANAGEMENT COORDINATOR	<u>19 208</u>	<u>22 593</u>	<u>11 942</u>	<u>10 651</u>
TOTAL GENERAL ADMINISTRATION	<u>1 628 491</u>	<u>1 632 757</u>	<u>1 542 328</u>	<u>90 429</u>

SHELBY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CONTINUED
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Judicial Expenditures:				
County Attorney:				
Payroll expense	265 774	268 133	269 188	(1 055)
Operating expense	11 000	8 641	6 315	2 326
TOTAL COUNTY ATTORNEY	<u>276 774</u>	<u>276 774</u>	<u>275 503</u>	<u>1 271</u>
District Attorney:				
Payroll expense	188 629	188 629	182 806	5 823
Operating expense	28 800	28 800	13 570	15 230
TOTAL DISTRICT ATTORNEY	<u>217 429</u>	<u>217 429</u>	<u>196 376</u>	<u>21 053</u>
District Judges:				
Payroll expense	103 956	107 279	107 882	(603)
Operating expense	15 500	12 177	9 507	2 670
TOTAL DISTRICT JUDGES	<u>119 456</u>	<u>119 456</u>	<u>117 389</u>	<u>2 067</u>
Justice of the Peace #1:				
Payroll expense	94 014	91 382	91 892	(510)
Operating expense	87 365	148 803	148 802	1
TOTAL JUSTICE OF THE PEACE #1	<u>181 379</u>	<u>240 185</u>	<u>240 694</u>	<u>(509)</u>
Justice of the Peace #2:				
Payroll expense	41 336	41 336	41 246	90
Operating expense	10 910	10 910	9 405	1 505
TOTAL JUSTICE OF THE PEACE #2	<u>52 246</u>	<u>52 246</u>	<u>50 651</u>	<u>1 595</u>
Justice of the Peace #3:				
Payroll expense	35 818	37 058	37 294	(236)
Operating expense	7 660	13 573	13 573	-
TOTAL JUSTICE OF THE PEACE #3	<u>43 478</u>	<u>50 631</u>	<u>50 867</u>	<u>(236)</u>
Justice of the Peace #4:				
Payroll expense	33 944	33 944	34 050	(106)
Operating expense	11 270	11 270	10 293	977
TOTAL JUSTICE OF THE PEACE #4	<u>45 214</u>	<u>45 214</u>	<u>44 343</u>	<u>871</u>
Justice of the Peace #5:				
Payroll expense	44 014	44 014	44 119	(105)
Operating expense	10 450	10 450	9 301	1 149
TOTAL JUSTICE OF THE PEACE #5	<u>54 464</u>	<u>54 464</u>	<u>53 420</u>	<u>1 044</u>
TOTAL JUDICIAL EXPENDITURES	<u>990 440</u>	<u>1 056 399</u>	<u>1 029 243</u>	<u>27 156</u>
Law Enforcement and Corrections Expenditures:				
Constable Pct #1:				
Payroll expense	62 627	62 628	62 155	473
Operating expense	8 050	8 049	6 745	1 304
TOTAL CONSTABLE PCT #1	<u>70 677</u>	<u>70 677</u>	<u>68 900</u>	<u>1 777</u>
Constable Pct #2:				
Payroll expense	62 627	62 628	62 854	(226)
Operating expense	8 050	8 049	4 511	3 538
TOTAL CONSTABLE PCT #2	<u>70 677</u>	<u>70 677</u>	<u>67 365</u>	<u>3 312</u>
Constable Pct #3:				
Payroll expense	62 627	62 628	62 854	(226)
Operating expense	13 500	13 499	8 818	4 681
TOTAL CONSTABLE PCT #3	<u>76 127</u>	<u>76 127</u>	<u>71 672</u>	<u>4 455</u>
Constable Pct #4:				
Payroll expense	62 627	62 122	52 870	9 252
Operating expense	8 150	8 655	8 519	136
TOTAL CONSTABLE PCT #4	<u>70 777</u>	<u>70 777</u>	<u>61 389</u>	<u>9 388</u>
Constable Pct #5:				
Payroll expense	62 627	62 628	62 842	(214)
Operating expense	7 950	7 949	6 546	1 403
TOTAL CONSTABLE PCT #5	<u>70 577</u>	<u>70 577</u>	<u>69 388</u>	<u>1 189</u>
DPS Secretary:				
Payroll expense	56 368	56 390	54 286	2 104
Operating expense	4 000	3 978	3 667	311
TOTAL DPS SECRETARY	<u>60 368</u>	<u>60 368</u>	<u>57 953</u>	<u>2 415</u>

SHELBY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CONTINUED
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended September 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
County Sheriff:				
Payroll expense	2 177 962	2 177 962	2 057 578	120 384
Operating expense	550 250	540 250	524 488	15 762
TOTAL COUNTY SHERIFF	<u>2 728 212</u>	<u>2 718 212</u>	<u>2 582 066</u>	<u>136 146</u>
Adult Probation:				
Operating expense	28 100	25 100	22 243	2 857
TOTAL ADULT PROBATION	<u>28 100</u>	<u>25 100</u>	<u>22 243</u>	<u>2 857</u>
Juvenile Probation:				
Payroll expense	-	-	1 286	(1 286)
Operating expense	39 765	39 765	19 309	20 456
TOTAL JUVENILE PROBATION	<u>39 765</u>	<u>39 765</u>	<u>20 595</u>	<u>19 170</u>
TOTAL LAW ENFORCEMENT AND CORRECTIONS EXPENDITURES	<u>3 215 280</u>	<u>3 202 280</u>	<u>3 021 571</u>	<u>180 709</u>
Non-departmental expenditures	1 679 291	1 625 435	1 246 811	378 624
TOTAL EXPENDITURES	<u>7 513 502</u>	<u>7 516 871</u>	<u>6 839 953</u>	<u>676 918</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(51 281)</u>	<u>(54 650)</u>	734 985	<u>789 635</u>
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	150 001	150 001
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>150 001</u>	<u>150 001</u>
NET CHANGE IN FUND BALANCES	(51 281)	(54 650)	884 986	939 636
Fund balances, beginning	5 148 109	5 148 109	5 148 109	-
FUND BALANCES, ENDING	<u>\$ 5 096 828</u>	<u>\$ 5 093 459</u>	<u>\$ 6 033 095</u>	<u>\$ 939 636</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, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 568 097	\$ 568 097	\$ 573 732	\$ 5 635
Other taxes	287 933	287 933	291 648	3 715
Fines and fees	188 500	188 500	175 300	(13 200)
Miscellaneous	45 000	45 000	67 761	22 761
TOTAL REVENUES	<u>1 089 530</u>	<u>1 089 530</u>	<u>1 108 441</u>	<u>18 911</u>
Expenditures:				
Payroll expense	427 343	453 364	433 517	19 847
Operating expense	557 187	649 041	519 340	129 701
Debt service	105 000	105 080	104 711	369
TOTAL EXPENDITURES	<u>1 089 530</u>	<u>1 207 485</u>	<u>1 057 568</u>	<u>149 917</u>
NET CHANGE IN FUND BALANCES	-	(117 955)	50 873	168 828
Fund balances, beginning	<u>103 769</u>	<u>103 769</u>	<u>103 769</u>	-
FUND BALANCES, ENDING	<u>\$ 103 769</u>	<u>\$ (14 186)</u>	<u>\$ 154 642</u>	<u>\$ 168 828</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, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 568 097	\$ 568 097	\$ 573 732	\$ 5 635
Other taxes	287 933	287 933	291 648	3 715
Fines and fees	188 500	188 500	175 299	(13 201)
Miscellaneous	45 000	45 000	67 761	22 761
TOTAL REVENUES	<u>1 089 530</u>	<u>1 089 530</u>	<u>1 108 440</u>	<u>18 910</u>
Expenditures:				
Payroll expense	423 346	430 133	422 568	7 565
Operating expense	606 999	690 888	563 045	127 843
Debt service	59 185	59 188	59 174	14
TOTAL EXPENDITURES	<u>1 089 530</u>	<u>1 180 209</u>	<u>1 044 787</u>	<u>135 422</u>
NET CHANGE IN FUND BALANCES	-	(90 679)	63 653	154 332
Fund balances, beginning	<u>77 619</u>	<u>77 619</u>	<u>77 619</u>	-
FUND BALANCES, ENDING	\$ <u>77 619</u>	\$ <u>(13 060)</u>	\$ <u>141 272</u>	\$ <u>154 332</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, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 568 097	\$ 568 097	\$ 573 732	\$ 5 635
Other taxes	287 933	287 933	291 648	3 715
Fines and fees	188 500	188 500	175 300	(13 200)
Miscellaneous	45 000	45 000	67 761	22 761
TOTAL REVENUES	<u>1 089 530</u>	<u>1 089 530</u>	<u>1 108 441</u>	<u>18 911</u>
Expenditures:				
Payroll expense	448 566	448 566	443 022	5 544
Operating expense	589 559	647 533	570 181	77 352
Debt service	51 405	51 407	51 396	11
TOTAL EXPENDITURES	<u>1 089 530</u>	<u>1 147 506</u>	<u>1 064 599</u>	<u>82 907</u>
NET CHANGE IN FUND BALANCES	-	(57 976)	43 842	101 818
Fund balances, beginning	<u>43 502</u>	<u>43 502</u>	<u>43 502</u>	-
FUND BALANCES, ENDING	<u>\$ 43 502</u>	<u>\$ (14 474)</u>	<u>\$ 87 344</u>	<u>\$ 101 818</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, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 568 097	\$ 568 097	\$ 573 732	\$ 5 635
Other taxes	287 933	287 933	291 648	3 715
Fines and fees	188 500	188 500	175 300	(13 200)
Miscellaneous	45 000	45 000	67 761	22 761
TOTAL REVENUES	<u>1 089 530</u>	<u>1 089 530</u>	<u>1 108 441</u>	<u>18 911</u>
Expenditures:				
Payroll expense	429 272	429 272	428 241	1 031
Operating expense	647 628	713 229	661 579	51 650
Debt service	12 630	12 630	12 626	4
TOTAL EXPENDITURES	<u>1 089 530</u>	<u>1 155 131</u>	<u>1 102 446</u>	<u>52 685</u>
NET CHANGE IN FUND BALANCES	-	(65 601)	5 995	71 596
Fund balances, beginning	<u>41 357</u>	<u>41 357</u>	<u>41 357</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 41 357</u>	<u>\$ (24 244)</u>	<u>\$ 47 352</u>	<u>\$ 71 596</u>

See independent auditors' report.

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

	2019	2018	2017	2016	2015	2014
Total Pension Liability:						
Service cost	\$ 530 223	\$ 582 300	\$ 560 000	\$ 576 630	\$ 487 702	\$ 463 927
Interest (on the total pension liability)	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	-	-	65 151	-	138 045	-
Demographic/economic (gains)/losses	(62 925)	(58 148)	(28 935)	(197 579)	(321 991)	19 055
Benefit payments, including refunds of employee contributions	(930 472)	(874 894)	(856 476)	(866 430)	(719 291)	(744 305)
NET CHANGE IN TOTAL PENSION LIABILITY	798 098	848 248	867 396	571 157	517 001	699 084
Total pension liability - Beginning	15 497 219	14 648 971	13 781 575	13 210 418	12 693 417	11 994 333
TOTAL PENSION LIABILITY - ENDING	16 295 317	15 497 219	14 648 971	13 781 575	13 210 418	12 693 417
Plan Fiduciary Net Position:						
Contributions - Employer	355 417	368 461	354 054	365 822	367 665	338 996
Contributions - Employee	332 610	331 521	324 821	304 489	308 006	266 626
Net investment income	2 332 128	(275 150)	1 889 569	904 301	9 855	802 479
Benefit payments, including refunds of employee contributions	(930 472)	(874 895)	(856 476)	(866 430)	(719 291)	(744 305)
Administrative	(12 399)	(11 405)	(9 752)	(9 883)	(8 908)	(9 351)
Other	(6 034)	(3 443)	(2 472)	(32 134)	(135 211)	20 185
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2 071 250	(464 911)	1 699 744	666 165	(177 884)	674 630
Plan fiduciary net position - Beginning	14 199 747	14 664 659	12 964 915	12 298 750	12 476 634	11 802 004
PLAN FIDUCIARY NET POSITION - ENDING	16 270 997	14 199 748	14 664 659	12 964 915	12 298 750	12 476 634
NET PENSION LIABILITY - ENDING	\$ 24 320	\$ 1 297 471	\$ (15 688)	\$ 816 660	\$ 911 668	\$ 216 783
Plan fiduciary net position as a percentage of total pension liability	99.85%	91.63%	100.11%	94.07%	93.10%	98.29%
Covered employee payroll	\$ 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	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

YEAR ENDING DECEMBER 31,	ACTUARIALLY DETERMINED CONTRIBUTION	ACTUAL EMPLOYER CONTRIBUTION	CONTRIBUTION DEFICIENCY (EXCESS)	PENSIONABLE COVERED PAYROLL	ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL
2015	\$ 367 665	\$ 367 665	\$ -	\$ 4 285 142	8.6%
2016	\$ 365 822	\$ 365 822	\$ -	\$ 4 349 850	8.4%
2017	\$ 354 054	\$ 354 054	\$ -	\$ 4 640 294	7.6%
2018	\$ 368 461	\$ 368 461	\$ -	\$ 4 736 009	7.8%
2019	\$ 355 417	\$ 355 417	\$ -	\$ 4 751 567	7.5%

Additional years will be provided as they become available.

SHELBY COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2020

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, 2020.

Pension Plan

See Note VII for details on retirement plan provisions and changes to the plan during the year ended September 30, 2020.

COMBINING SCHEDULES

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
 September 30, 2020

	COUNTY CLERK VITAL ARCHIVES FEE FUND	GENERAL RECORDS MANAGEMENT	SHERIFF OFFICE EDUCATION FUND	VEHICLE INVENTORY TAX FUND
ASSETS				
Cash and investments	\$ 36 669	\$ 19 260	\$ 5 725	\$ 67 909
Property tax receivable (net)	-	-	-	-
Other receivable	-	-	-	-
TOTAL ASSETS	\$ <u>36 669</u>	\$ <u>19 260</u>	\$ <u>5 725</u>	\$ <u>67 909</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expense	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Deferred Inflows:				
Unavailable revenue	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balances:				
Restricted fund balance	<u>36 669</u>	<u>19 260</u>	<u>5 725</u>	<u>67 909</u>
TOTAL FUND BALANCES	<u>36 669</u>	<u>19 260</u>	<u>5 725</u>	<u>67 909</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	 \$ <u>36 669</u>	 \$ <u>19 260</u>	 \$ <u>5 725</u>	 \$ <u>67 909</u>

See independent auditors' report.

HISTORIC COURT- HOUSE FUND	GARZA COUNTY FUND	SHERIFF COMMISSARY FUND	DISTRICT ATTORNEY TRUSTEE	COUNTY ATTORNEY FUND	HAVA CARES ACT	CORONA VIRUS RELIEF FUND	ROAD GRANT
\$ 3 508	\$ 12 526	\$ 85 012	\$ 3 368	\$ 23 151	\$ 22 574	\$ 123 934	\$ 1 284
-	-	-	-	-	-	-	-
-	-	-	-	-	-	724 548	-
<u>\$ 3 508</u>	<u>\$ 12 526</u>	<u>\$ 85 012</u>	<u>\$ 3 368</u>	<u>\$ 23 151</u>	<u>\$ 22 574</u>	<u>\$ 848 482</u>	<u>\$ 1 284</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3 508	12 526	85 012	3 368	23 151	22 574	848 482	1 284
<u>3 508</u>	<u>12 526</u>	<u>85 012</u>	<u>3 368</u>	<u>23 151</u>	<u>22 574</u>	<u>848 482</u>	<u>1 284</u>
<u>\$ 3 508</u>	<u>\$ 12 526</u>	<u>\$ 85 012</u>	<u>\$ 3 368</u>	<u>\$ 23 151</u>	<u>\$ 22 574</u>	<u>\$ 848 482</u>	<u>\$ 1 284</u>

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET -
 SPECIAL REVENUE FUNDS - CONTINUED
 September 30, 2020

	<u>JUVENILE COURT TECH FUND</u>	<u>LEOSE CONSTABLES FUND</u>	<u>CHAPTER 19 VOTER REGISTRATION</u>	<u>LAW LIBRARY FUND</u>
ASSETS				
Cash and investments	\$ 13 378	\$ 17 842	\$ -	\$ 107 168
Property tax receivable (net)	-	-	-	-
Other receivable	-	-	-	-
TOTAL ASSETS	\$ <u>13 378</u>	\$ <u>17 842</u>	\$ <u>-</u>	\$ <u>107 168</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expense	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows:				
Unavailable revenue	-	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted fund balance	<u>13 378</u>	<u>17 842</u>	<u>-</u>	<u>107 168</u>
TOTAL FUND BALANCES	<u>13 378</u>	<u>17 842</u>	<u>-</u>	<u>107 168</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	 \$ <u>13 378</u>	 \$ <u>17 842</u>	 \$ <u>-</u>	 \$ <u>107 168</u>

See independent auditors' report.

DISTRICT CLERK RECORD MGMT FUND	COUNTY CLERK RECORD MGMT FUND	COURT- HOUSE SECURITY FUND	JURY FUND	RIGHT OF WAY FUND	INDIGENT HEALTH CARE FUND	COURT REPORTER SERVICE FUND	JUVENILE PROBATION FUND
\$ 7 527	\$ 129 082	\$ 4 421	\$ 34 901	\$ 55 198	\$ 907 129	\$ 1 858	\$ 49 093
-	-	9 611	15 236	-	89 073	-	-
-	-	-	-	-	-	-	-
<u>\$ 7 527</u>	<u>\$ 129 082</u>	<u>\$ 14 032</u>	<u>\$ 50 137</u>	<u>\$ 55 198</u>	<u>\$ 996 202</u>	<u>\$ 1 858</u>	<u>\$ 49 093</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 976	\$ 39
-	-	95	-	-	1 865	-	78
-	-	95	-	-	1 865	976	117
-	-	9 611	15 236	-	89 073	-	-
-	-	9 611	15 236	-	89 073	-	-
7 527	129 082	4 326	34 901	55 198	905 264	882	48 976
<u>7 527</u>	<u>129 082</u>	<u>4 326</u>	<u>34 901</u>	<u>55 198</u>	<u>905 264</u>	<u>882</u>	<u>48 976</u>
<u>\$ 7 527</u>	<u>\$ 129 082</u>	<u>\$ 14 032</u>	<u>\$ 50 137</u>	<u>\$ 55 198</u>	<u>\$ 996 202</u>	<u>\$ 1 858</u>	<u>\$ 49 093</u>

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET -
 SPECIAL REVENUE FUNDS - CONTINUED
 September 30, 2020

	GRANT FUND	SHERIFF LOCAL FORFEITURE	COUNTY COURT RECORDS TECH FUND	DISTRICT COURT RECORDS TECH FUND
ASSETS				
Cash and investments	\$ -	\$ 7 319	\$ 44 727	\$ 266
Property tax receivable (net)	-	-	-	-
Other receivable	-	-	-	-
TOTAL ASSETS	\$ -	\$ 7 319	\$ 44 727	\$ 266
 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	-	7 319	44 727	266
TOTAL FUND BALANCES	-	7 319	44 727	266
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ -	\$ 7 319	\$ 44 727	\$ 266

See independent auditors' report.

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
\$ 115	\$ 315	\$ 318 669	\$ 35 349	\$ 25 071	\$ 827	\$ 143 636
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 115</u>	<u>\$ 315</u>	<u>\$ 318 669</u>	<u>\$ 35 349</u>	<u>\$ 25 071</u>	<u>\$ 827</u>	<u>\$ 143 636</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
115	315	318 669	35 349	25 071	827	143 636
<u>115</u>	<u>315</u>	<u>318 669</u>	<u>35 349</u>	<u>25 071</u>	<u>827</u>	<u>143 636</u>
<u>\$ 115</u>	<u>\$ 315</u>	<u>\$ 318 669</u>	<u>\$ 35 349</u>	<u>\$ 25 071</u>	<u>\$ 827</u>	<u>\$ 143 636</u>

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS - CONTINUED
 September 30, 2020

	<u>DISTRICT ATTORNEY FORFEITURE FUND TRAFFIC</u>	<u>DISTRICT ATTORNEY FORFEITURE FUNDS</u>	<u>PRETRIAL INTER- VENTION PROGRAM FUND</u>	<u>DRUG COURT FUND</u>	<u>TOTAL SPECIAL REVENUE FUNDS</u>
ASSETS					
Cash and investments	\$ 3 441	\$ 199	\$ 25 768	\$ 52 067	\$ 2 390 286
Property tax receivable (net)	-	-	-	-	113 920
Other receivable	-	-	-	-	724 548
TOTAL ASSETS	<u>\$ 3 441</u>	<u>\$ 199</u>	<u>\$ 25 768</u>	<u>\$ 52 067</u>	<u>\$ 3 228 754</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1 015
Accrued expense	-	-	-	-	2 038
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3 053</u>
Deferred Inflows:					
Unavailable revenue	-	-	-	-	113 920
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113 920</u>
Fund Balances:					
Restricted fund balance	<u>3 441</u>	<u>199</u>	<u>25 768</u>	<u>52 067</u>	<u>3 111 781</u>
TOTAL FUND BALANCES	<u>3 441</u>	<u>199</u>	<u>25 768</u>	<u>52 067</u>	<u>3 111 781</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 3 441</u>	<u>\$ 199</u>	<u>\$ 25 768</u>	<u>\$ 52 067</u>	<u>\$ 3 228 754</u>

See independent auditors' report.

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS
 For the Year Ended September 30, 2020

	COUNTY CLERK VITAL ARCHIVES FEE FUND	GENERAL RECORDS MANAGEMENT	SHERIFF OFFICE EDUCATION FUND	VEHICLE INVENTORY TAX FUND
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	106 293
Fines and fees	2 226	6 485	-	-
Charges for services	-	-	-	-
Grants and contributions	-	-	-	-
Interest	-	-	-	69
Miscellaneous income	-	-	2 684	-
TOTAL REVENUES	<u>2 226</u>	<u>6 485</u>	<u>2 684</u>	<u>106 362</u>
Expenditures:				
Payroll expense	-	-	-	-
Operating expense	-	3 210	972	127 892
TOTAL EXPENDITURES	<u>-</u>	<u>3 210</u>	<u>972</u>	<u>127 892</u>
NET CHANGE IN FUND BALANCES	2 226	3 275	1 712	(21 530)
Fund balances, beginning	<u>34 443</u>	<u>15 985</u>	<u>4 013</u>	<u>89 439</u>
FUND BALANCES ENDING	<u>\$ 36 669</u>	<u>\$ 19 260</u>	<u>\$ 5 725</u>	<u>\$ 67 909</u>

See independent auditors' report.

HISTORIC COURTHOUSE FUND	GARZA COUNTY FUND	SHERIFF COMMISSARY FUND	DISTRICT ATTORNEY TRUSTEE	COUNTY ATTORNEY FUND	HAVA CARES ACT	CORONA VIRUS RELIEF FUND	ROAD GRANT
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	53 926	-	-	-	-	-
19	-	-	-	-	28 677	905 685	3 182
-	-	-	-	26	-	148	-
-	12 000	-	19 016	3 972	-	-	-
<u>19</u>	<u>12 000</u>	<u>53 926</u>	<u>19 016</u>	<u>3 998</u>	<u>28 677</u>	<u>905 833</u>	<u>3 182</u>
-	-	-	20 548	12 839	-	57 351	-
-	12 000	46 780	5 195	-	6 103	-	2 155
<u>-</u>	<u>12 000</u>	<u>46 780</u>	<u>25 743</u>	<u>12 839</u>	<u>6 103</u>	<u>57 351</u>	<u>2 155</u>
19	-	7 146	(6 727)	(8 841)	22 574	848 482	1 027
<u>3 489</u>	<u>12 526</u>	<u>77 866</u>	<u>10 095</u>	<u>31 992</u>	<u>-</u>	<u>-</u>	<u>257</u>
<u>\$ 3 508</u>	<u>\$ 12 526</u>	<u>\$ 85 012</u>	<u>\$ 3 368</u>	<u>\$ 23 151</u>	<u>\$ 22 574</u>	<u>\$ 848 482</u>	<u>\$ 1 284</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended September 30, 2020

	JUVENILE COURT TECH FUND	LEOSE CONSTABLES FUND	CHAPTER 19 VOTER REGISTRATION	LAW LIBRARY FUND
Revenues:				
Property taxes	\$ 82	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and fees	4 922	-	-	10 080
Charges for services	-	-	-	-
Grants and contributions	-	-	5 895	-
Interest	-	-	-	-
Miscellaneous income	-	3 426	-	-
TOTAL REVENUES	<u>5 004</u>	<u>3 426</u>	<u>5 895</u>	<u>10 080</u>
Expenditures:				
Payroll expense	-	-	-	-
Operating expense	18 020	801	6 361	7 594
TOTAL EXPENDITURES	<u>18 020</u>	<u>801</u>	<u>6 361</u>	<u>7 594</u>
NET CHANGE IN FUND BALANCES	(13 016)	2 625	(466)	2 486
Fund balances, beginning	<u>26 394</u>	<u>15 217</u>	<u>466</u>	<u>104 682</u>
FUND BALANCES ENDING	<u>\$ 13 378</u>	<u>\$ 17 842</u>	<u>\$ -</u>	<u>\$ 107 168</u>

See independent auditors' report.

DISTRICT CLERK RECORD MGMT FUND	COUNTY CLERK RECORD MGMT FUND	COURT- HOUSE SECURITY FUND	JURY FUND	RIGHT OF WAY FUND	INDIGENT HEALTH CARE FUND	COURT REPORTER SERVICE FUND	JUVENILE PROBATION FUND
\$ -	\$ -	\$ 60 414	\$ 95 664	\$ -	\$ 560 156	\$ -	\$ -
-	-	-	-	-	-	-	-
1 880	41 713	11 005	2 923	-	-	3 810	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	197 153
-	-	-	-	-	-	-	-
<u>1 880</u>	<u>41 713</u>	<u>71 419</u>	<u>98 587</u>	<u>-</u>	<u>560 156</u>	<u>3 810</u>	<u>197 153</u>
-	35 104	69 245	86 880	-	36 741	-	121 885
472	25 305	2 208	2 610	-	320 973	4 198	64 528
<u>472</u>	<u>60 409</u>	<u>71 453</u>	<u>89 490</u>	<u>-</u>	<u>357 714</u>	<u>4 198</u>	<u>186 413</u>
1 408	(18 696)	(34)	9 097	-	202 442	(388)	10 740
<u>6 119</u>	<u>147 778</u>	<u>4 360</u>	<u>25 804</u>	<u>55 198</u>	<u>702 822</u>	<u>1 270</u>	<u>38 236</u>
<u>\$ 7 527</u>	<u>\$ 129 082</u>	<u>\$ 4 326</u>	<u>\$ 34 901</u>	<u>\$ 55 198</u>	<u>\$ 905 264</u>	<u>\$ 882</u>	<u>\$ 48 976</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended September 30, 2020

	<u>GRANT FUND</u>	<u>SHERIFF LOCAL FORFEITURE</u>	<u>COUNTY COURT RECORDS TECH FUND</u>	<u>DISTRICT COURT RECORDS TECH FUND</u>
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and fees	-	-	3 854	572
Charges for services	-	-	-	-
Grants and contributions	24 676	-	-	-
Interest	-	-	-	-
Miscellaneous income	-	-	-	-
TOTAL REVENUES	<u>24 676</u>	<u>-</u>	<u>3 854</u>	<u>572</u>
Expenditures:				
Payroll expense	-	-	-	-
Operating expense	<u>24 676</u>	<u>1 379</u>	<u>-</u>	<u>1 993</u>
TOTAL EXPENDITURES	<u>24 676</u>	<u>1 379</u>	<u>-</u>	<u>1 993</u>
NET CHANGE IN FUND BALANCES	-	(1 379)	3 854	(1 421)
Fund balances, beginning	<u>-</u>	<u>8 698</u>	<u>40 873</u>	<u>1 687</u>
FUND BALANCES ENDING	<u>\$ -</u>	<u>\$ 7 319</u>	<u>\$ 44 727</u>	<u>\$ 266</u>

See independent auditors' report.

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
595	1 266	41 422	3 343	647	1 620	2 803
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>595</u>	<u>1 266</u>	<u>41 422</u>	<u>3 343</u>	<u>647</u>	<u>1 620</u>	<u>2 803</u>
-	-	-	-	-	-	-
<u>635</u>	<u>1 366</u>	<u>4 578</u>	<u>-</u>	<u>-</u>	<u>2 337</u>	<u>-</u>
<u>635</u>	<u>1 366</u>	<u>4 578</u>	<u>-</u>	<u>-</u>	<u>2 337</u>	<u>-</u>
(40)	(100)	36 844	3 343	647	(717)	2 803
<u>155</u>	<u>415</u>	<u>281 825</u>	<u>32 006</u>	<u>24 424</u>	<u>1 544</u>	<u>140 833</u>
\$ <u><u>115</u></u>	\$ <u><u>315</u></u>	\$ <u><u>318 669</u></u>	\$ <u><u>35 349</u></u>	\$ <u><u>25 071</u></u>	\$ <u><u>827</u></u>	\$ <u><u>143 636</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, 2020

	DISTRICT ATTORNEY FORFEITURE FUND <u>TRAFFIC</u>	DISTRICT ATTORNEY FORFEITURE FUNDS	PRETRIAL INTER- VENTION PROGRAM FUND	DRUG COURT FUND	TOTAL SPECIAL REVENUE FUNDS
Revenues:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 716 316
Other taxes	-	-	-	-	106 293
Fines and fees	-	-	10 508	2 286	153 960
Charges for services	-	-	-	-	53 926
Grants and contributions	-	-	-	-	1 165 287
Interest	3	-	-	-	246
Miscellaneous income	-	-	-	-	41 098
TOTAL REVENUES	<u>3</u>	<u>-</u>	<u>10 508</u>	<u>2 286</u>	<u>2 237 126</u>
Expenditures:					
Payroll expense	-	-	-	-	440 593
Operating expense	-	-	-	1 485	695 826
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 485</u>	<u>1 136 419</u>
NET CHANGE IN FUND BALANCES	3	-	10 508	801	1 100 707
Fund balances, beginning	<u>3 438</u>	<u>199</u>	<u>15 260</u>	<u>51 266</u>	<u>2 011 074</u>
FUND BALANCES ENDING	<u>\$ 3 441</u>	<u>\$ 199</u>	<u>\$ 25 768</u>	<u>\$ 52 067</u>	<u>\$ 3 111 781</u>

See independent auditors' report.

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 September 30, 2020

	ARENA BLEACHER FUND	COUNTY CLERK	DISTRICT CLERK TRUST	DISTRICT CLERK	MOTOR VEHICLE TAX	PROPERTY TAXES
ASSETS						
Cash and cash equivalents	\$ 47 428	\$ 107 510	\$ 1 729 101	\$ 676 825	\$ 313 877	\$ 194 568
TOTAL ASSETS	<u>\$ 47 428</u>	<u>\$ 107 510</u>	<u>\$ 1 729 101</u>	<u>\$ 676 825</u>	<u>\$ 313 877</u>	<u>\$ 194 568</u>
 LIABILITIES						
Due to others	\$ 47 428	\$ 107 510	\$ 1 729 101	\$ 676 825	\$ 313 877	\$ 194 568
TOTAL LIABILITIES	<u>\$ 47 428</u>	<u>\$ 107 510</u>	<u>\$ 1 729 101</u>	<u>\$ 676 825</u>	<u>\$ 313 877</u>	<u>\$ 194 568</u>

See independent auditors' report.

<u>COUNTY ATTORNEY RESTITUTION</u>	<u>INMATE ACCOUNT</u>	<u>DISTRICT ATTORNEY FORFEITURE</u>	<u>AGENCY FUND</u>	<u>CHILD ABUSE PREVENTION FEE FUND</u>	<u>FAMILY PROTECTION FEE FUND</u>	<u>CHILD SAFETY FEE FUND</u>	<u>COMBINED FIDUCIARY FUNDS</u>
\$ 34 410	\$ 66 237	\$ 10 482	\$ 50 252	\$ 2 477	\$ 3 705	\$ 650	\$ 3 237 522
<u>\$ 34 410</u>	<u>\$ 66 237</u>	<u>\$ 10 482</u>	<u>\$ 50 252</u>	<u>\$ 2 477</u>	<u>\$ 3 705</u>	<u>\$ 650</u>	<u>\$ 3 237 522</u>
\$ 34 410	\$ 66 237	\$ 10 482	\$ 50 252	\$ 2 477	\$ 3 705	\$ 650	\$ 3 237 522
<u>\$ 34 410</u>	<u>\$ 66 237</u>	<u>\$ 10 482</u>	<u>\$ 50 252</u>	<u>\$ 2 477</u>	<u>\$ 3 705</u>	<u>\$ 650</u>	<u>\$ 3 237 522</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, 2020, 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 26, 2021.

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 2020-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shelby County, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed Finding 2020-2 that is required to be reported under *Government Auditing Standards*.

Shelby County's Response to Findings

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

Purpose of this Report

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Honorable Judge and Commissioners
Shelby County, Texas
Center, Texas

Compliance

We have audited the compliance of Shelby County, Texas with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020. Shelby County, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, terms and conditions of its federal awards applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on Shelby County, Texas' compliance with major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shelby County, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Shelby County, Texas' compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Shelby County, Texas, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Internal Control Over Compliance

The management of Shelby County, Texas, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Shelby County, Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shelby County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Axley & Rode LLP
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
May 26, 2021

SHELBY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2020

GRANT/CONTRACT	FEDERAL CFDA NUMBER	CONTRACT NUMBER/ PASS - THROUGH GRANTOR'S NUMBER	TOTAL EXPENDITURES
U. S. Department of the Interior:			
Payments in Lieu of Taxes	15.226	N/A	\$ 24 523
National Forest Acquired Lands	15.438	N/A	190 268
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>214 791</u>
U. S. Department of Treasury:			
Passed through Texas Division of Emergency Management:			
Corona Virus Relief Fund	21.019	432	905 685
TOTAL U. S. DEPARTMENT OF TREASURY			<u>905 685</u>
U. S. Department of Agriculture:			
Schools and Roads - Grant to Counties	10.666	N/A	80 776
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>80 776</u>
U. S. Department of Housing and Urban Development:			
Passed through Texas Department of Agriculture:			
Community Block Development Grant	14.228	7218440	24 676
TOTAL U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>24 676</u>
TOTAL FEDERAL AWARDS			\$ <u>1 225 928</u>

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

SHELBY COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2020

Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Shelby County. The information in the SEFA is presented in accordance with the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in the general purpose financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

The County has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

SHELBY COUNTY, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended September 30, 2020

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

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Reportable condition(s) identified that are not considered to be material weaknesses? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
21.019	Corona Virus Relief Fund

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

Auditee qualified as low-risk auditee? Yes No

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

Finding 2020-1:

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

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

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

C. Compliance Findings

Finding 2020-2:

Condition - The County did not properly follow applicable bid requirements of the Texas Local Government Code related to cumulative purchases of materials from a single vendor.

Criteria - Expenditures occurred during the year that were subject to the bid requirements of the Texas Local Government Code; however, a formal bid process did not occur until subsequent to the beginning of the purchases of materials.

Effect - The County did not comply with applicable procurement regulations.

Questioned Cost - None

Recommendation - We recommend that the County evaluate significant cumulative vendor expenditures against the Texas Local Government Code for applicability of bid requirements.

Client Response - Shelby County has implemented a system to ensure that Texas Local Government Code requirements, in regards to purchasing for Counties, is adhered and fully documents in regards to bid notice publications, bid receipt compliance, bid confidentiality, and retention of bid documents.

SHELBY COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2020

Prior Audit Finding / Recommendation / Current Status

Finding 2019-01:

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

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

Current Status - Ongoing