

SHELBY COUNTY, TEXAS
Center, Texas

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2017

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INDEPENDENT AUDITORS' REPORT

The Honorable Commissioners'
Court of Shelby County
Center, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Texas (the "County"), as of and for the year ended September 30, 2017, 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, 2017, 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 on pages 5 through 8 and budgetary comparison information on pages 33 through 39 and supplemental pension schedules on pages 40 and 41, 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 25, 2018, 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.

Lufkin, Texas
May 25, 2018


CERTIFIED PUBLIC ACCOUNTANTS

Managements' Discussion and Analysis

This section of the Shelby County, Texas (the "County") financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended September 30, 2017 ("FY 2017").

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 \$15,952,287 on a government-wide basis as of September 30, 2017.
- For FY 2017, taxes and other revenues, including program revenues, of the County's governmental activities amounted to \$12,633,661. Expenses, including program expenses, totaled \$13,137,691.

Fund Financial Statements - Highlights

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

- The County's governmental funds reported an increases in fund balance of \$124,587 for the fiscal year.
- The County's General Fund reported a fund balance of \$5,167,760, an increase of \$149,834 from September 30, 2016.

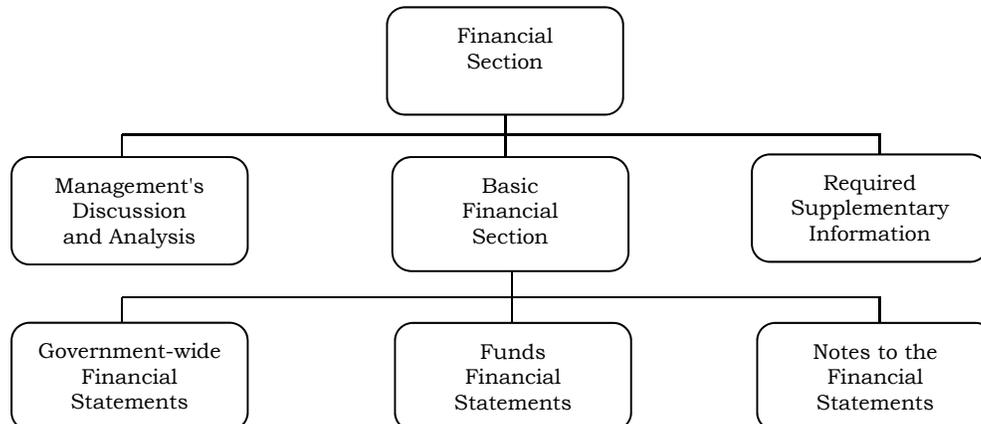
GENERAL FINANCIAL HIGHLIGHTS

Overview of the Financial Statements

The financial section of the financial report includes three parts:

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

COMPONENTS OF THE FINANCIAL SECTION



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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

Financial Analysis of the County as a Whole

Statement of Net Position

The following table presents a summary of the County's net position as of September 30, 2017 and 2016:

	As of September 30,	
	2017	2016
Assets:		
Current and other assets	\$ 10 325 135	\$ 10 333 137
Capital assets (net)	6 203 414	7 068 292
TOTAL ASSETS	<u>16 528 549</u>	<u>17 401 429</u>
Deferred outflow	1 058 968	1 276 921
Liabilities:		
Current liabilities	402 638	477 519
Long-term liabilities	923 413	912 207
TOTAL LIABILITIES	<u>1 326 051</u>	<u>1 389 726</u>
Deferred inflows	309 179	241 493
Net Position:		
Invested in capital assets, net of related debt	6 203 414	7 068 292
Restricted	3 214 727	3 298 042
Unrestricted	6 534 146	6 680 797
TOTAL NET POSITION	<u>\$ 15 952 287</u>	<u>\$ 17 047 131</u>

As noted earlier, net position, over time, serves as a barometer of a government's financial position. For the County, assets and deferred outflows exceeded liabilities and deferred inflows by \$15,952,287 as September 30, 2017, the County's fiscal year-end. This amount represents a decrease of \$1,094,844 from the net position at September 30, 2016, including a prior period adjustment which resulted in a decrease of \$590,814.

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

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

Capital Assets and Long Term Debt

Details of the capital assets are on page 22. The County does not currently have any related long-term debt.

Governmental Activities

Revenues for the governmental activities for the County totaled \$12,633,661 for the fiscal year 2017.

Taxes constitute the largest source of County revenues, totaling \$8,994,069 for fiscal year 2017.

The cost of the County's governmental activities totaled \$13,137,691. Major contributors to costs include:

	<u>2017</u>	<u>2016</u>
Streets and bridges	\$ 4 930 017	\$ 5 218 701
Law enforcement	\$ 3 652 238	\$ 3 148 746
General administration	\$ 1 574 082	\$ 1 682 880
Judicial	\$ 1 091 777	\$ 1 096 632

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, 2017, the County's governmental funds had a combined fund balance totaling \$8,382,487.

The General Fund is the primary operating fund of the County. Unassigned fund balance in the General Fund at September 30, 2017, totaled \$5,167,760. This represents approximately 82.6% of the total expenditures for FY 2017 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, 2017

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 8 703 088
Receivables Net of Allowance for Uncollectibles:	
Taxes	1 540 010
Other	82 037
TOTAL CURRENT ASSETS	10 325 135
Noncurrent Assets:	
Capital Assets:	
Land	384 866
Streets and infrastructure	16 298 039
Buildings and improvements	4 018 702
Furniture and equipment	7 937 456
Less: Accumulated depreciation	(22 435 649)
TOTAL CAPITAL ASSETS	6 203 414
TOTAL ASSETS	16 528 549
DEFERRED OUTFLOW	
Contribution subsequent to measurement date	254 804
Pension deferred outflows	804 164
TOTAL DEFERRED OUTFLOW	1 058 968
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 17 587 517
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 216 829
Accrued liabilities	185 809
TOTAL CURRENT LIABILITIES	402 638
Noncurrent Liabilities:	
Pension liability	816 660
Accrued compensation absence	106 753
TOTAL NONCURRENT LIABILITIES	923 413
TOTAL LIABILITIES	1 326 051
Deferred inflows	309 179
NET POSITION	
Invested in capital assets, net of related debt	6 203 414
Restricted	3 214 727
Unrestricted	6 534 146
TOTAL NET POSITION	\$ 15 952 287

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, 2017

FUNCTIONS/PROGRAM	EXPENSE	PROGRAM REVENUES			CHANGES IN
		CHARGES FOR SERVICE	OPERATING GRANTS AND CONTRIBUTION	CAPITAL GRANTS AND CONTRIBUTION	PRIMARY
					GOVERNMENTAL ACTIVITIES
Primary Government:					
Governmental					
General	\$ 1 574	\$ 1 066	\$ 39 514	\$ -	\$ (468 367)
Judicial	1 091	148 445	-	-	(943 332)
Law	3 652	130 455	391 920	-	(3 129 863)
Streets and Community	4 930	684 148	-	849 169	(3 396 700)
	581 146	-	-	-	(581 146)
	1 308	-	-	-	(1 308 431)
TOTAL ACTIVITIES	\$ 13 137	\$ 2 029	\$ 431 434	\$ 849 169	(9 827 839)
General Revenues:					
Taxes:					
					7 818 667
					1 175 402
					18 901
					47 119
					263 720
					<u>9 323 809</u>
					<u>(504 030)</u>
					17 047 131
					<u>(590 814)</u>
					<u>16 456 317</u>
					<u>\$ 15 952 287</u>

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

SHELBY COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017

	GENERAL	NON-MAJOR GOVERNMENTAL	TOTAL
ASSETS			
Cash and investments	\$ 5 261 753	\$ 3 441 335	\$ 8 703 088
Property tax receivable (net)	795 217	744 793	1 540 010
Other receivables	70 000	12 037	82 037
TOTAL ASSETS	\$ 6 126 970	\$ 4 198 165	\$ 10 325 135
 LIABILITIES, FUND EQUITY			
Liabilities:			
Accounts payable	\$ 33 281	\$ 183 548	\$ 216 829
Accrued liabilities	130 712	55 097	185 809
TOTAL LIABILITIES	163 993	238 645	402 638
 Deferred Inflows:			
Unavailable revenue	795 217	744 793	1 540 010
TOTAL LIABILITIES AND DEFERRED INFLOWS	959 210	983 438	1 942 648
 Fund Balances:			
Restricted fund balance	-	3 214 727	3 214 727
Unrestricted Reported in:			
General fund	5 167 760	-	5 167 760
TOTAL FUND BALANCES	5 167 760	3 214 727	8 382 487
 TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	\$ 6 126 970	\$ 4 198 165	
 Capital assets are not recorded in funds, but are included in Statement of Net Position			
			6 203 414
Pension liability and accrued compensated absences is not included in the funds, but are included in Statement of Net Position			
			(923 413)
Deferred outflows related to pensions are not included in funds, but are included in Statement of Net Position			
			1 058 968
Deferred inflows related to pensions are not included in funds, but in Statement of Net Position			
			(309 179)
Unavailable property taxes are included in funds, but are not recognized in the Statement of Net Position			
			1 540 010
 TOTAL NET POSITION			\$ 15 952 287

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

SHELBY COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	GENERAL	NON-MAJOR FUNDS	TOTAL
Revenues:			
Property taxes	\$ 5 197 915	\$ 2 572 730	\$ 7 770 645
Other taxes	6 237	1 169 165	1 175 402
Fines and fees	570 466	987 015	1 557 481
Interest	18 800	55	18 855
Charges for services	407 724	30 745	438 469
Grant and donations	34 125	1 226 116	1 260 241
Miscellaneous	232 688	84 739	317 427
TOTAL REVENUES	6 467 955	6 070 565	12 538 520
Expenditures:			
General administration	1 437 864	154 880	1 592 744
Judicial	761 804	237 393	999 231
Law enforcement and corrections	2 865 087	502 080	3 367 167
Streets and bridges	-	4 771 901	4 771 901
Community service	-	540 074	540 074
Non-departmental	1 191 350	-	1 191 350
TOTAL EXPENDITURES	6 256 105	6 206 328	12 462 433
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	211 850	(135 763)	76 087
Other Financing Sources (Uses):			
Proceeds from sale of capital assets	15 000	33 500	48 500
Transfers in (out)	(77 016)	77 016	-
TOTAL OTHER FINANCING SOURCES	(62 016)	110 516	48 500
NET CHANGE IN FUND BALANCES	149 834	(25 247)	124 587
Fund balances, beginning	5 065 588	3 298 042	8 363 630
Prior period adjustment	(47 662)	(58 068)	(105 730)
FUND BALANCES, BEGINNING (RESTATED)	5 017 926	3 239 974	8 257 900
FUND BALANCES, ENDING	\$ 5 167 760	\$ 3 214 727	\$ 8 382 487

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

SHELBY COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

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

Net change in fund balances - Total governmental funds.	\$ 124 587
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount capital outlay exceeded depreciation expenditures expense.	(379 794)
Governmental funds expense accrued compensated absence and pension liabilities as the payments are made, while government wide statements record the future liabilities.	(296 845)
Governmental funds defer property taxes until collection, while government wide funds statements recognize the revenue.	<u>48 022</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(504 030)</u>

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

SHELBY COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2017

	COMBINED FIDUCIARY FUNDS
Assets:	
Cash and cash equivalent	\$ 3 829 476
TOTAL ASSETS	<u>\$ 3 829 476</u>
Liabilities:	
Due to others	\$ 3 829 476
TOTAL LIABILITIES	<u>\$ 3 829 476</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, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements

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

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

Fund Financial Statements

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

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

General Fund

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

Special Revenue Funds

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

Fiduciary Funds - Trust

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

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

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

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

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

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

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

The County invested only in certificates of deposit for the fiscal year 2017. The County records investments at fair market value in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All investment income is recognized as revenue in the appropriate fund's statement of activity or statement of revenues, expenditures and changes in fund balance.

2. Receivables and Payables

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

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

3. Capital Assets

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

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

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

4. Compensated Absences

A liability for unused vacation 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.

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

8. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until 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 \$12,532,564, inclusive of fiduciary funds. All bank balances at year end were entirely covered by federal depository insurance or by collateral held by the depository bank in the County's name.

Investments

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

III. PROPERTY TAXES AND OTHER RECEIVABLES

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

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2017

III. PROPERTY TAXES AND OTHER RECEIVABLES - CONTINUED

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

Property Taxes Receivable:	
General fund	\$ 795 217
Special revenue funds	744 793
TOTAL UNAVAILABLE REVENUE	<u>\$ 1 540 010</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	\$ 935 550	\$ 876 225	\$ 1 811 775
Grants	70 000	-	70 000
Probation supervision fees	-	12 037	12 037
Less: Allowances for uncollectible	<u>(140 333)</u>	<u>(131 432)</u>	<u>(271 765)</u>
NET RECEIVABLES	<u>\$ 865 217</u>	<u>\$ 756 830</u>	<u>\$ 1 622 047</u>

IV. TAX ABATEMENTS

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

For the fiscal year ended September 30, 2017, the County abated property taxes totaling \$19,925 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 2017 fiscal year is the second of ten years of the agreement. The abatement amounted to \$9,716 for the year ended September 30, 2017.
- An 80 percent abatement to a hotel chain for developing improvements to its property to be used for hotel/hospitality services, expanding employment and retaining these additional employees. The 2017 fiscal year is the fourth of 10 years of the agreement. The abatement amounted to \$8,542 for the year ended September 30, 2017.
- A 40 percent abatement to a hotel chain for developing improvements to its property, expanding employment and retaining these additional employees. The 2017 fiscal year is the sixth of ten years of the agreement. The abatement amounted to \$1,667 for the year ended September 30, 2017.

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

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

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	\$ 373 550	\$ 11 316	\$ -	\$ 384 866
Infrastructure	16 298 039	-	-	16 298 039
Buildings and improvements	3 898 932	131 086	(11 316)	4 018 702
Vehicles and equipment	7 695 344	397 227	(155 115)	7 937 456
Accumulated depreciation	<u>(21 682 657)</u>	<u>(906 726)</u>	<u>153 734</u>	<u>(22 435 649)</u>
TOTAL ASSETS	<u>\$ 6 583 208</u>	<u>\$ (367 097)</u>	<u>\$ (12 697)</u>	<u>\$ 6 203 414</u>

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

General administration	\$ 108 907
Judicial	65 398
Law enforcement and corrections	229 993
Streets and bridges	371 749
Community service	33 937
Non-departmental	<u>96 742</u>
	<u>\$ 906 726</u>

VI. RETIREMENT PLAN

Plan Description

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

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

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2017

VI. RETIREMENT PLAN - CONTINUED

Actuarial Assumptions

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

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

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

Actuarial Methods and Assumptions Used for Funding Valuation:

Following is a description of the assumptions used in the December 31, 2015 actuarial valuation analysis for Shelby County. This information may also be found in the Shelby County December 31, 2016 Summary Valuation Report.

Economic Assumptions:

TCDRS System-Wide Economic Assumptions:

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

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

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

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

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

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2017

VI. RETIREMENT PLAN - CONTINUED

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

Employer-Specific Economic Assumptions:

Growth in membership	0.00%
Payroll growth	3.50%

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

Table 1
Merit Salary Increases*

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

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

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2017

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

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

Mortality

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

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, 2017

VI. RETIREMENT PLAN - CONTINUED

Table 3
Annual Rates of Service Retirement*

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

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

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

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

Table 4
Annual Rates of Termination

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

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.

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

VI. RETIREMENT PLAN - CONTINUED

Table 5
Probability of Withdrawal

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2017 information for a 7-10 year time horizon.

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

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.70%
Global Equities	MSCI World (net) Index	1.50%	5.00%
International Equities - Developed Markets	MSCI World Ex USA (net)	10.00%	4.70%
International Equities - Emerging Markets	MSCI EM Standard (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%

(1) Target asset allocation adopted at the April 2017 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per Cliffwater's 2017 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.

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:

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

VI. RETIREMENT PLAN - CONTINUED

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.

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2017

VI. RETIREMENT PLAN - CONTINUED

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	\$ 15 435 654	\$ 13 781 576	\$ 12 401 410
Fiduciary net position	\$ 12 964 916	\$ 12 964 916	\$ 12 964 916
Net pension liability/(asset)	\$ 2 470 738	\$ 816 660	\$ (563 506)

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, 2015	\$ 13 210 419	\$ 12 298 750	\$ 911 669
Changes for the Year:			
Service cost	576 630	-	576 630
Interest on total pension liability ⁽¹⁾	1 058 536	-	1 058 536
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(197 579)	-	(197 579)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(154 421)	(154 421)	-
Benefit payments	(712 009)	(712 009)	-
Administrative expenses	-	(9 883)	9 883
Member contributions	-	304 489	(304 489)
Net investment income	-	904 301	(904 301)
Employer contributions	-	365 822	(365 822)
Other ⁽³⁾	-	(32 133)	32 133
Balances as of December 31, 2016	\$ 13 781 576	\$ 12 964 916	\$ 816 660

(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, 2016 to December 31, 2016
Service cost	\$ 576 630
Interest on total pension liability ⁽¹⁾	1 058 536
Effect of plan changes	-
Administrative expenses	9 883
Member contributions	(304 489)
Expected investment return net of investment expenses	(986 742)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of economic/demographic gains or losses	(125 129)
Recognition of assumption changes or inputs	34 511
Recognition of investment gains or losses	248 481
Other ⁽²⁾	32 134
PENSION EXPENSE/(INCOME)	\$ 543 815

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

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

SHELBY COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 September 30, 2017

VI. RETIREMENT PLAN - CONTINUED

Pension Expense and Deferred Inflows/Outflows

As of December 31, 2016, 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	\$ 309 179	\$ 4 763
Change of assumptions	-	69 023
Net difference between projected and actual earnings	-	730 378
Contributions made subsequent to measurement date	-	254 804
	<u>\$ 309 179</u>	<u>\$ 1 058 968</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,	
2017	\$ 157 863
2018	\$ 153 100
2019	\$ 167 534
2020	\$ 16 488
2021	\$ -
Thereafter	\$ -

Membership Information

Membership Class	
Inactive employees entitled to but not yet receiving benefits	68
Active employees	125
Currently receiving benefits	81

VII. RISK MANAGEMENT

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

VIII. CONTINGENT LIABILITIES

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

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

SHELBY COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
September 30, 2017

IX. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 25, 2018, the date the financial statements were available to be issues.

X. PRIOR PERIOD ADJUSTMENT

Prior period adjustments of \$47,662 and \$58,068 were made to the General Fund and Road & Bridge #4, respectively, to properly reflect the opening balance of accounts payable items as of January 1, 2017.

Additionally, a prior period adjustment totaling \$3,000 to Furniture and Equipment and \$488,084 to Accumulated Depreciation was recorded on the Statement of Activities to reflect the appropriate beginning balances of these items.

XI. DEFICIT FUND BALANCES

The following funds have deficit fund balances as of September 30, 2017:

Grant Fund	\$ (5 250)
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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, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 5 160 343	\$ 5 160 343	\$ 5 197 915	\$ 37 572
Other taxes	6 000	6 000	6 237	237
Fines	267 000	267 000	283 147	16 147
Fees of office	230 000	230 000	287 319	57 319
Interest	15 000	15 000	18 800	3 800
Grants	25 000	25 000	34 125	9 125
Commissions	430 000	430 000	407 724	(22 276)
Miscellaneous	179 400	179 400	232 688	53 288
TOTAL REVENUES	<u>6 312 743</u>	<u>6 312 743</u>	<u>6 467 955</u>	<u>155 212</u>
Expenditures:				
General Administration Expenditures:				
County Agents:				
Payroll expense	69 515	68 642	68 762	(120)
Operating expense	26 060	28 859	28 859	-
TOTAL COUNTY AGENTS	<u>95 575</u>	<u>97 501</u>	<u>97 621</u>	<u>(120)</u>
County Auditor:				
Payroll expense	125 995	125 995	125 054	941
Operating expense	14 600	14 600	8 812	5 788
TOTAL COUNTY AUDITOR	<u>140 595</u>	<u>140 595</u>	<u>133 866</u>	<u>6 729</u>
County Clerk:				
Payroll expense	166 317	167 499	167 935	(436)
Operating expense	65 400	76 900	76 899	1
TOTAL COUNTY CLERK	<u>231 717</u>	<u>244 399</u>	<u>244 834</u>	<u>(435)</u>
County Clerk Election Deputy:				
Payroll expense	34 406	34 701	34 701	-
Operating expense	40 594	44 319	44 319	-
TOTAL COUNTY CLERK ELECTION DEPUTY	<u>75 000</u>	<u>79 020</u>	<u>79 020</u>	<u>-</u>
County Judge:				
Payroll expense	101 621	101 630	101 460	170
Operating expense	14 850	14 841	7 261	7 580
TOTAL COUNTY JUDGE	<u>116 471</u>	<u>116 471</u>	<u>108 721</u>	<u>7 750</u>
District Clerk:				
Payroll expense	198 115	198 115	186 767	11 348
Operating expense	57 200	57 200	54 658	2 542
TOTAL DISTRICT CLERK	<u>255 315</u>	<u>255 315</u>	<u>241 425</u>	<u>13 890</u>
Courthouse Manager:				
Operating expense	36 100	36 100	32 304	3 796
TOTAL COURTHOUSE MANAGER	<u>36 100</u>	<u>36 100</u>	<u>32 304</u>	<u>3 796</u>
Tax Assessor Collector:				
Payroll expense	303 944	303 944	273 215	30 729
Operating expense	61 300	61 300	55 129	6 171
TOTAL TAX ASSESSOR COLLECTOR	<u>365 244</u>	<u>365 244</u>	<u>328 344</u>	<u>36 900</u>
County Treasurer:				
Payroll expense	96 659	97 409	96 067	1 342
Operating expense	8 950	8 200	5 536	2 664
TOTAL COUNTY TREASURER	<u>105 609</u>	<u>105 609</u>	<u>101 603</u>	<u>4 006</u>
Commissioner Secretary:				
Payroll expense	32 594	32 596	32 406	190
Operating expense	3 500	3 498	1 385	2 113
TOTAL COMMISSIONER SECRETARY	<u>36 094</u>	<u>36 094</u>	<u>33 791</u>	<u>2 303</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, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Veterans Officer:				
Payroll expense	26 854	26 856	26 667	189
Operating expense	4 500	4 497	2 827	1 670
TOTAL VETERANS OFFICER	<u>31 354</u>	<u>31 353</u>	<u>29 494</u>	<u>1 859</u>
Emergency Management Coordinator:				
Payroll expense	14 209	14 209	6 675	7 534
Operating expense	5 500	5 500	166	5 334
TOTAL EMERGENCY MANAGEMENT COORDINATOR	<u>19 709</u>	<u>19 709</u>	<u>6 841</u>	<u>12 868</u>
TOTAL GENERAL ADMINISTRATION	<u>1 508 783</u>	<u>1 527 410</u>	<u>1 437 864</u>	<u>89 546</u>
Judicial Expenditures:				
County Attorney:				
Payroll expense	234 478	234 478	233 897	581
Operating expense	16 750	16 750	13 502	3 248
TOTAL COUNTY ATTORNEY	<u>251 228</u>	<u>251 228</u>	<u>247 399</u>	<u>3 829</u>
District Attorney:				
Payroll expense	184 705	184 705	149 290	35 415
Operating expense	40 800	40 800	35 922	4 878
TOTAL DISTRICT ATTORNEY	<u>225 505</u>	<u>225 505</u>	<u>185 212</u>	<u>40 293</u>
District Judges:				
Payroll expense	50 363	50 363	50 166	197
Operating expense	10 000	10 000	6 928	3 072
TOTAL DISTRICT JUDGES	<u>60 363</u>	<u>60 363</u>	<u>57 094</u>	<u>3 269</u>
Justice of the Peace #1:				
Payroll expense	84 017	83 261	81 535	1 726
Operating expense	11 050	11 806	11 648	158
TOTAL JUSTICE OF THE PEACE #1	<u>95 067</u>	<u>95 067</u>	<u>93 183</u>	<u>1 884</u>
Justice of the Peace #2:				
Payroll expense	37 531	37 534	37 119	415
Operating expense	9 910	9 907	9 366	541
TOTAL JUSTICE OF THE PEACE #2	<u>47 441</u>	<u>47 441</u>	<u>46 485</u>	<u>956</u>
Justice of the Peace #3:				
Payroll expense	33 052	33 052	33 075	(23)
Operating expense	7 000	7 000	6 137	863
TOTAL JUSTICE OF THE PEACE #3	<u>40 052</u>	<u>40 052</u>	<u>39 212</u>	<u>840</u>
Justice of the Peace #4:				
Payroll expense	38 272	38 232	38 272	(40)
Operating expense	6 610	8 604	8 604	-
TOTAL JUSTICE OF THE PEACE #4	<u>44 882</u>	<u>46 836</u>	<u>46 876</u>	<u>(40)</u>
Justice of the Peace #5:				
Payroll expense	40 000	40 003	40 022	(19)
Operating expense	6 710	6 706	6 321	385
TOTAL JUSTICE OF THE PEACE #5	<u>46 710</u>	<u>46 709</u>	<u>46 343</u>	<u>366</u>
TOTAL JUDICIAL EXPENDITURES	<u>811 248</u>	<u>813 201</u>	<u>761 804</u>	<u>51 397</u>
Law Enforcement and Corrections Expenditures:				
Constable Pct #1:				
Payroll expense	57 366	57 371	56 944	427
Operating expense	43 700	43 695	40 687	3 008
TOTAL CONSTABLE PCT #1	<u>101 066</u>	<u>101 066</u>	<u>97 631</u>	<u>3 435</u>
Constable Pct #2:				
Payroll expense	57 366	57 366	57 377	(11)
Operating expense	8 800	8 800	6 501	2 299
TOTAL CONSTABLE PCT #2	<u>66 166</u>	<u>66 166</u>	<u>63 878</u>	<u>2 288</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, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Constable Pct #3:				
Payroll expense	57 366	57 334	57 399	(65)
Operating expense	8 700	9 957	10 222	(265)
TOTAL CONSTABLE PCT #3	<u>66 066</u>	<u>67 291</u>	<u>67 621</u>	<u>(330)</u>
Constable Pct #4:				
Payroll expense	57 366	57 366	57 381	(15)
Operating expense	9 300	9 300	8 069	1 231
TOTAL CONSTABLE PCT #4	<u>66 666</u>	<u>66 666</u>	<u>65 450</u>	<u>1 216</u>
Constable Pct #5:				
Payroll expense	57 366	57 366	57 371	(5)
Operating expense	8 700	8 700	5 942	2 758
TOTAL CONSTABLE PCT #5	<u>66 066</u>	<u>66 066</u>	<u>63 313</u>	<u>5 753</u>
DPS Secretary:				
Payroll expense	50 953	50 953	48 017	2 936
Operating expense	4 000	4 000	3 974	26
TOTAL DPS SECRETARY	<u>54 953</u>	<u>54 953</u>	<u>51 991</u>	<u>2 962</u>
County Sheriff:				
Payroll expense	2 011 116	1 968 811	1 930 306	38 505
Operating expense	452 750	495 055	471 264	23 791
TOTAL COUNTY SHERIFF	<u>2 463 866</u>	<u>2 463 866</u>	<u>2 401 570</u>	<u>62 296</u>
Adult Probation:				
Payroll expense	-	-	807	(807)
Operating expense	23 000	23 000	21 533	1 467
TOTAL ADULT PROBATION	<u>23 000</u>	<u>23 000</u>	<u>22 340</u>	<u>660</u>
Juvenile Probation:				
Payroll expense	-	-	298	(298)
Operating expense	40 015	40 015	30 995	9 020
TOTAL JUVENILE PROBATION	<u>40 015</u>	<u>40 015</u>	<u>31 293</u>	<u>8 722</u>
TOTAL LAW ENFORCEMENT AND CORRECTIONS EXPENDITURES	<u>2 947 864</u>	<u>2 949 089</u>	<u>2 865 087</u>	<u>84 002</u>
Non-departmental expenditures	<u>1 337 307</u>	<u>1 315 502</u>	<u>1 191 350</u>	<u>124 152</u>
TOTAL EXPENDITURES	<u>6 605 202</u>	<u>6 605 202</u>	<u>6 256 105</u>	<u>349 097</u>
EXCESS (DEFICIENCY) OF REVENUES OVER	<u>(292 459)</u>	<u>(292 459)</u>	<u>211 850</u>	<u>504 309</u>
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	15 000	15 000
Transfers in (out)	-	-	(77 016)	(77 016)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(62 016)</u>	<u>(62 016)</u>
NET CHANGE IN FUND BALANCES	<u>(292 459)</u>	<u>(292 459)</u>	<u>149 834</u>	<u>442 293</u>
Fund balances, beginning	5 065 588	5 065 588	5 065 588	-
Prior period adjustment	(47 662)	(47 662)	(47 662)	-
FUND BALANCES, BEGINNING (RESTATED)	<u>5 017 926</u>	<u>5 017 926</u>	<u>5 017 926</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 4 725 467</u>	<u>\$ 4 725 467</u>	<u>\$ 5 167 760</u>	<u>\$ 442 293</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, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 498 860	\$ 498 860	\$ 520 015	\$ 21 155
Other taxes	256 468	256 468	268 673	12 205
Fines and fees	184 500	184 500	171 037	(13 463)
Miscellaneous	65 000	65 000	5 101	(59 899)
TOTAL REVENUES	<u>1 004 828</u>	<u>1 004 828</u>	<u>964 826</u>	<u>(40 002)</u>
Expenditures:				
Payroll expense	426 471	426 471	368 643	57 828
Operating expense	809 857	828 357	308 555	519 802
Debt service	18 500	18 500	-	18 500
TOTAL EXPENDITURES	<u>1 254 828</u>	<u>1 273 328</u>	<u>677 198</u>	<u>596 130</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(250 000)</u>	<u>(268 500)</u>	<u>287 628</u>	<u>556 128</u>
Other Financing Sources (Uses):				
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(250 000)	(268 500)	287 628	556 128
Fund balances, beginning	<u>178 342</u>	<u>178 342</u>	<u>178 342</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ (71 658)</u>	<u>\$ (90 158)</u>	<u>\$ 465 970</u>	<u>\$ 556 128</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, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 498 860	\$ 498 860	\$ 520 015	\$ 21 155
Other taxes	256 468	256 468	268 673	12 205
Fines and fees	184 500	184 500	171 039	(13 461)
Miscellaneous	65 000	65 000	24 101	(40 899)
TOTAL REVENUES	1 004 828	1 004 828	983 828	(21 000)
Expenditures:				
Payroll expense	403 476	403 476	352 685	50 791
Operating expense	836 352	836 352	661 217	175 135
Debt service	15 000	15 000	-	15 000
TOTAL EXPENDITURES	1 254 828	1 254 828	1 013 902	240 926
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(250 000)	(250 000)	(30 074)	219 926
Other Financing Sources (Uses):				
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	(250 000)	(250 000)	(30 074)	219 926
Fund balances, beginning	289 580	289 580	289 580	-
FUND BALANCES, ENDING	\$ 39 580	\$ 39 580	\$ 259 506	\$ 219 926

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, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 498 860	\$ 498 860	\$ 520 015	\$ 21 155
Other taxes	256 468	256 468	268 674	12 206
Fines and fees	184 500	184 500	171 034	(13 466)
Miscellaneous	65 000	65 000	6 335	(58 665)
TOTAL REVENUES	1 004 828	1 004 828	966 058	(38 770)
Expenditures:				
Payroll expense	437 235	437 235	375 397	61 838
Operating expense	717 593	717 593	570 520	147 073
TOTAL EXPENDITURES	1 154 828	1 154 828	945 917	208 911
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(150 000)	(150 000)	20 141	170 141
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	33 500	33 500
TOTAL OTHER FINANCING SOURCES (USES)	-	-	33 500	33 500
NET CHANGE IN FUND BALANCES	(150 000)	(150 000)	53 641	203 641
Fund balances, beginning	219 963	219 963	219 963	-
FUND BALANCES, ENDING	\$ 69 963	\$ 69 963	\$ 273 604	\$ 203 641

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, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Property taxes	\$ 498 860	\$ 498 860	\$ 520 015	\$ 21 155
Other taxes	256 468	256 468	268 673	12 205
Fines and fees	184 500	184 500	171 038	(13 462)
Miscellaneous	65 000	65 000	5 101	(59 899)
TOTAL REVENUES	1 004 828	1 004 828	964 827	(40 001)
Expenditures:				
Payroll expense	425 216	425 216	370 406	54 810
Operating expense	1 079 612	1 079 612	634 304	445 308
TOTAL EXPENDITURES	1 504 828	1 504 828	1 004 710	500 118
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(500 000)	(500 000)	(39 883)	460 117
Other Financing Sources (Uses):				
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	(500 000)	(500 000)	(39 883)	460 117
Fund balances, beginning	602 115	602 115	602 115	-
Prior period adjustment	(58 068)	(58 068)	(58 068)	-
FUND BALANCES, BEGINNING (RESTATED)	544 047	544 047	544 047	-
FUND BALANCES, ENDING	\$ 44 047	\$ 44 047	\$ 504 164	\$ 460 117

See independent auditors' report.

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

	2016	2015	2014
Total Pension Liability:			
Service cost	\$ 576 630	\$ 487 702	\$ 463 927
Interest (on the total pension liability)	1 058 536	1 020 941	960 407
Changes of benefit terms	-	(88 405)	-
Difference between expected and actual experience	-	(321 991)	-
Change of assumptions	(197 579)	138 045	19 055
Benefit payments, including refunds of employee contributions	(866 430)	(719 291)	(744 305)
NET CHANGE IN TOTAL PENSION LIABILITY	571 157	517 001	699 084
Total pension liability - Beginning	13 210 418	12 693 417	11 994 333
TOTAL PENSION LIABILITY - ENDING	13 781 575	13 210 418	12 693 417
 Plan Fiduciary Net Position:			
Contributions - Employer	365 822	367 665	338 996
Contributions - Employee	304 489	308 006	266 626
Net investment income	904 301	9 855	802 479
Benefit payments, including refunds of employee contributions	(866 430)	(719 291)	(744 306)
Administrative	(9 883)	(8 908)	(9 351)
Other	(32 134)	(135 211)	20 185
NET CHANGE IN PLAN FIDUCIARY NET POSITION	666 165	(177 884)	674 629
Plan fiduciary net position - Beginning	12 298 750	12 476 633	11 802 004
PLAN FIDUCIARY NET POSITION - ENDING	12 964 915	12 298 749	12 476 633
 NET PENSION LIABILITY - ENDING	\$ 816 660	\$ 911 669	\$ 216 784
 Plan fiduciary net position as a percentage of total pension liability	94.07%	93.10%	98.29%
Covered employee payroll	\$ 4 349 850	\$ 4 285 142	\$ 3 808 942
Net pension liability as a percentage of covered employee payroll	18.77%	21.28%	5.69%

Additional years will be provided as they become available.

See independent auditors' report.

SHELBY COUNTY, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS

YEAR ENDING DECEMBER 31,	ACTUARIALLY DETERMINED CONTRIBUTION	ACTUAL EMPLOYER CONTRIBUTION	CONTRIBUTION DEFICIENCY (EXCESS)	PENSIONABLE COVERED PAYROLL	ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL
2015	\$ 350 419	\$ 350 419	\$ -	\$ 4 049 430	8.7%
2016	\$ 367 451	\$ 367 451	\$ -	\$ 4 435 668	8.5%
2017	\$ 353 237	\$ 353 237	\$ -	\$ 4 509 968	7.8%

Additional years will be provided as they become available.

See independent auditors' report.

COMBINING SCHEDULES

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET -
 SPECIAL REVENUE FUNDS
 September 30, 2017

	ROAD & BRIDGE #1	ROAD & BRIDGE #2	ROAD & BRIDGE #3	ROAD & BRIDGE #4
ASSETS				
Cash and investments	\$ 499 255	\$ 362 495	\$ 328 908	\$ 542 949
Property tax receivable (net)	167 826	167 826	167 826	167 826
Other receivable	-	-	-	-
TOTAL ASSETS	\$ 667 081	\$ 530 321	\$ 496 734	\$ 710 775
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 23 544	\$ 90 774	\$ 42 467	\$ 26 763
Accrued expense	9 741	12 215	12 837	12 022
TOTAL LIABILITIES	33 285	102 989	55 304	38 785
Deferred Inflows:				
Unavailable revenue	167 826	167 826	167 826	167 826
TOTAL LIABILITIES AND DEFERRED INFLOWS	201 111	270 815	223 130	206 611
Fund Balances:				
Restricted fund balance	465 970	259 506	273 604	504 164
TOTAL FUND BALANCES	465 970	259 506	273 604	504 164
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 667 081	\$ 530 321	\$ 496 734	\$ 710 775

See independent auditors' report.

HISTORIC COURTHOUSE FUND	COUNTY CLERK VITAL ARCHIVES FEE FUND	GENERAL RECORDS MANAGEMENT	SHERIFF OFFICE EDUCATION FUND	VEHICLE INVENTORY TAX FUND	SHERIFF COMMISSARY FUND
\$ 23 352	\$ 30 796	\$ 15 684	\$ 4 013	\$ 59 599	\$ 45 167
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 23 352</u>	<u>\$ 30 796</u>	<u>\$ 15 684</u>	<u>\$ 4 013</u>	<u>\$ 59 599</u>	<u>\$ 45 167</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
23 352	30 796	15 684	4 013	59 599	45 167
<u>23 352</u>	<u>30 796</u>	<u>15 684</u>	<u>4 013</u>	<u>59 599</u>	<u>45 167</u>
<u>\$ 23 352</u>	<u>\$ 30 796</u>	<u>\$ 15 684</u>	<u>\$ 4 013</u>	<u>\$ 59 599</u>	<u>\$ 45 167</u>

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET -
 SPECIAL REVENUE FUNDS - CONTINUED
 September 30, 2017

	<u>CONSTABLE #4 FORFEITURE FUND</u>	<u>DISTRICT ATTORNEY TRUSTEE</u>	<u>COUNTY ATTORNEY FUND</u>
ASSETS			
Cash and investments	\$ -	\$ 1 264	\$ 3 690
Property tax receivable (net)	-	-	-
Other receivable	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 1 264</u>	<u>\$ 3 690</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued expense	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows:			
Unavailable revenue	-	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted fund balance	-	1 264	3 690
TOTAL FUND BALANCES	<u>-</u>	<u>1 264</u>	<u>3 690</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ -</u>	<u>\$ 1 264</u>	<u>\$ 3 690</u>

See independent auditors' report.

ROAD GRANT	JUVENILE COURT TECH FUND	LEOSE CONSTABLES FUND	CHAPTER 19 VOTER REGISTRATION	LAW LIBRARY FUND	DISTRICT CLERK RECORD MGMT FUND
\$ -	\$ 7 414	\$ 12 247	\$ 1 369	\$ 97 362	\$ 2 794
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 7 414</u>	<u>\$ 12 247</u>	<u>\$ 1 369</u>	<u>\$ 97 362</u>	<u>\$ 2 794</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	7 414	12 247	1 369	97 362	2 794
-	7 414	12 247	1 369	97 362	2 794
<u>\$ -</u>	<u>\$ 7 414</u>	<u>\$ 12 247</u>	<u>\$ 1 369</u>	<u>\$ 97 362</u>	<u>\$ 2 794</u>

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET -
 SPECIAL REVENUE FUNDS - CONTINUED
 September 30, 2017

	<u>COUNTY CLERK RECORD MGMT FUND</u>	<u>COURT- HOUSE SECURITY FUND</u>	<u>JURY FUND</u>	<u>RIGHT OF WAY FUND</u>
ASSETS				
Cash and investments	\$ 128 956	\$ 8 999	\$ 23 793	\$ 55 198
Property tax receivable (net)	-	-	11 619	-
Other receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 128 956</u>	<u>\$ 8 999</u>	<u>\$ 35 412</u>	<u>\$ 55 198</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expense	-	57	-	-
TOTAL LIABILITIES	<u>-</u>	<u>57</u>	<u>-</u>	<u>-</u>
Deferred Inflows:				
Unavailable revenue	-	-	11 619	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>11 619</u>	<u>-</u>
Fund Balances:				
Restricted fund balance	128 956	8 942	23 793	55 198
TOTAL FUND BALANCES	<u>128 956</u>	<u>8 942</u>	<u>23 793</u>	<u>55 198</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	 <u>\$ 128 956</u>	 <u>\$ 8 999</u>	 <u>\$ 35 412</u>	 <u>\$ 55 198</u>

See independent auditors' report.

INDIGENT HEALTH CARE FUND	COURT REPORTER SERVICE FUND	JUVENILE PROBATION FUND	SHERIFF FEDERAL SEIZURE	GRANT FUND
\$ 505 843	\$ 4 045	\$ 7 911	\$ 3 460	\$ (5 250)
61 870	-	-	-	-
-	-	-	-	-
<u>\$ 567 713</u>	<u>\$ 4 045</u>	<u>\$ 7 911</u>	<u>\$ 3 460</u>	<u>\$ (5 250)</u>
\$ -	\$ -	\$ -	\$ -	\$ -
772	-	-	-	-
<u>772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
61 870	-	-	-	-
61 870	-	-	-	-
505 071	4 045	7 911	3 460	(5 250)
<u>505 071</u>	<u>4 045</u>	<u>7 911</u>	<u>3 460</u>	<u>(5 250)</u>
<u>\$ 567 713</u>	<u>\$ 4 045</u>	<u>\$ 7 911</u>	<u>\$ 3 460</u>	<u>\$ (5 250)</u>

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET -
 SPECIAL REVENUE FUNDS - CONTINUED
 September 30, 2017

	SHERIFF LOCAL FORFEITURE	COUNTY COURT RECORDS TECH FUND	DISTRICT COURT RECORDS TECH FUND	APPELLATE JUDICIAL FEE COUNTY CLERK
ASSETS				
Cash and investments	\$ 6 953	\$ 32 069	\$ 4 607	\$ 125
Property tax receivable (net)	-	-	-	-
Other receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 6 953</u>	<u>\$ 32 069</u>	<u>\$ 4 607</u>	<u>\$ 125</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	6 953	32 069	4 607	125
TOTAL FUND BALANCES	<u>6 953</u>	<u>32 069</u>	<u>4 607</u>	<u>125</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	 <u>\$ 6 953</u>	 <u>\$ 32 069</u>	 <u>\$ 4 607</u>	 <u>\$ 125</u>

See independent auditors' report.

APPELLATE JUDICIAL FEE DISTRICT CLERK	RECORDS ARCHIVE FEE COUNTY CLERK	RECORDS ARCHIVE FEE DISTRICT CLERK	JP COURT SECURITY FUND	GUARDIANSHIP FUND
\$ 420	\$ 193 399	\$ 58 669	\$ 22 633	\$ 13 566
-	-	-	-	-
-	-	-	-	-
<u>420</u>	<u>193 399</u>	<u>58 669</u>	<u>22 633</u>	<u>13 566</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
420	193 399	58 669	22 633	13 566
420	193 399	58 669	22 633	13 566
<u>420</u>	<u>193 399</u>	<u>58 669</u>	<u>22 633</u>	<u>13 566</u>

SHELBY COUNTY, TEXAS
 COMBINING BALANCE SHEET -
 SPECIAL REVENUE FUNDS - CONTINUED
 September 30, 2017

	DISTRICT ATTORNEY SEIZURE FUND	DISTRICT ATTORNEY FORFEITURE FUND TRAFFIC
ASSETS		
Cash and investments	\$ 213 350	\$ 3 433
Property tax receivable (net)	-	-
Other receivable	-	-
TOTAL ASSETS	\$ 213 350	\$ 3 433
 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	213 350	3 433
TOTAL FUND BALANCES	213 350	3 433
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 213 350	\$ 3 433

See independent auditors' report.

DISTRICT ATTORNEY FORFEITURE FUNDS	CSCD BASIC SUPERVISION FUND	CSCD COMMUNITY CORRECTIONS FUND	PRETRIAL INTERVENTION PROGRAM FUND	TOTAL SPECIAL REVENUE FUNDS
\$ 22	\$ 94 951	\$ 23 840	\$ 1 985	\$ 3 441 335
-	-	-	-	744 793
-	12 037	-	-	12 037
<u>\$ 22</u>	<u>\$ 106 988</u>	<u>\$ 23 840</u>	<u>\$ 1 985</u>	<u>\$ 4 198 165</u>
\$ -	\$ -	\$ -	\$ -	\$ 183 548
-	7 453	-	-	55 097
-	7 453	-	-	238 645
-	-	-	-	744 793
-	7 453	-	-	983 438
22	99 535	23 840	1 985	3 214 727
22	99 535	23 840	1 985	3 214 727
<u>\$ 22</u>	<u>\$ 106 988</u>	<u>\$ 23 840</u>	<u>\$ 1 985</u>	<u>\$ 4 198 165</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS
 For the Year Ended September 30, 2017

	<u>ROAD & BRIDGE #1</u>	<u>ROAD & BRIDGE #2</u>	<u>ROAD & BRIDGE #3</u>	<u>ROAD & BRIDGE #4</u>
Revenues:				
Property taxes	\$ 520 015	\$ 520 015	\$ 520 015	\$ 520 015
Other taxes	268 673	268 673	268 674	268 673
Fines and fees	171 037	171 039	171 034	171 038
Charges for services	-	-	-	-
Grants and contributions	-	-	-	-
Interest	-	-	-	-
Miscellaneous income	<u>5 101</u>	<u>24 101</u>	<u>6 335</u>	<u>5 101</u>
TOTAL REVENUES	<u>964 826</u>	<u>983 828</u>	<u>966 058</u>	<u>964 827</u>
Expenditures:				
Payroll expense	368 643	352 685	375 397	370 406
Operating expense	<u>308 555</u>	<u>661 217</u>	<u>570 520</u>	<u>634 304</u>
TOTAL EXPENDITURES	<u>677 198</u>	<u>1 013 902</u>	<u>945 917</u>	<u>1 004 710</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>287 628</u>	<u>(30 074)</u>	<u>20 141</u>	<u>(39 883)</u>
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	33 500	-
Transfers out	-	-	-	-
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>33 500</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>287 628</u>	<u>(30 074)</u>	<u>53 641</u>	<u>(39 883)</u>
Fund balances, beginning	178 342	289 580	219 963	602 115
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58 068)</u>
FUND BALANCES, BEGINNING (RESTATED)	<u>178 342</u>	<u>289 580</u>	<u>219 963</u>	<u>544 047</u>
FUND BALANCES ENDING	<u>\$ 465 970</u>	<u>\$ 259 506</u>	<u>\$ 273 604</u>	<u>\$ 504 164</u>

See independent auditors' report.

HISTORIC COURTHOUSE FUND	COUNTY CLERK VITAL ARCHIVES FEE FUND	GENERAL RECORDS MANAGEMENT	SHERIFF OFFICE EDUCATION FUND	VEHICLE INVENTORY TAX FUND	SHERIFF COMMISSARY FUND
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	94 472	-
-	1 724	8 311	-	-	-
-	-	-	-	-	30 745
42	-	-	4 020	-	-
-	-	-	-	44	-
-	-	-	-	-	-
<u>42</u>	<u>1 724</u>	<u>8 311</u>	<u>4 020</u>	<u>94 516</u>	<u>30 745</u>
-	-	-	-	-	-
<u>6 233</u>	<u>419</u>	<u>3 210</u>	<u>975</u>	<u>96 088</u>	<u>51 717</u>
<u>6 233</u>	<u>419</u>	<u>3 210</u>	<u>975</u>	<u>96 088</u>	<u>51 717</u>
<u>(6 191)</u>	<u>1 305</u>	<u>5 101</u>	<u>3 045</u>	<u>(1 572)</u>	<u>(20 972)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(6 191)</u>	<u>1 305</u>	<u>5 101</u>	<u>3 045</u>	<u>(1 572)</u>	<u>(20 972)</u>
29 543	29 491	10 583	968	61 171	66 139
-	-	-	-	-	-
<u>29 543</u>	<u>29 491</u>	<u>10 583</u>	<u>968</u>	<u>61 171</u>	<u>66 139</u>
<u>\$ 23 352</u>	<u>\$ 30 796</u>	<u>\$ 15 684</u>	<u>\$ 4 013</u>	<u>\$ 59 599</u>	<u>\$ 45 167</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended September 30, 2017

	CONSTABLE #4 FORFEITURE FUND	DISTRICT ATTORNEY TRUSTEE	COUNTY ATTORNEY FUND
Revenues:			
Property taxes	\$ -	\$ -	\$ -
Other taxes	-	-	-
Fines and fees	-	-	-
Charges for services	-	-	-
Grants and contributions	-	-	-
Interest	-	-	9
Miscellaneous income	-	33 299	8 724
TOTAL REVENUES	-	33 299	8 733
Expenditures:			
Payroll expense	-	21 835	16 381
Operating expense	3 460	6 211	-
TOTAL EXPENDITURES	3 460	28 046	16 381
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3 460)	5 253	(7 648)
Other Financing Sources (Uses):			
Proceeds from sale of capital assets	-	-	-
Transfers out	-	-	-
Transfers in	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCES	(3 460)	5 253	(7 648)
Fund balances, beginning	3 460	(3 989)	11 338
Prior period adjustment	-	-	-
FUND BALANCES, BEGINNING (RESTATED)	3 460	(3 989)	11 338
FUND BALANCES ENDING	\$ -	\$ 1 264	\$ 3 690

See independent auditors' report.

ROAD GRANT	JUVENILE COURT TECH FUND	LEOSE CONSTABLE FUND	CHAPTER 19 VOTER REGISTRATION	LAW LIBRARY FUND	DISTRICT CLERK RECORD MGMT FUND
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	4 738	-	-	12 535	2 495
-	-	-	-	-	-
690 973	-	-	1 369	-	-
-	-	-	-	-	-
-	-	2 048	-	-	-
<u>690 973</u>	<u>4 738</u>	<u>2 048</u>	<u>1 369</u>	<u>12 535</u>	<u>2 495</u>
-	-	-	-	-	-
690 973	14 754	2 365	-	9 026	1 807
<u>690 973</u>	<u>14 754</u>	<u>2 365</u>	<u>-</u>	<u>9 026</u>	<u>1 807</u>
-	(10 016)	(317)	1 369	3 509	688
-	-	-	-	-	-
-	-	-	-	-	-
-	11 755	-	-	-	-
<u>-</u>	<u>11 755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	1 739	(317)	1 369	3 509	688
-	5 675	12 564	-	93 853	2 106
-	-	-	-	-	-
-	5 675	12 564	-	93 853	2 106
<u>\$ -</u>	<u>\$ 7 414</u>	<u>\$ 12 247</u>	<u>\$ 1 369</u>	<u>\$ 97 362</u>	<u>\$ 2 794</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended September 30, 2017

	COUNTY CLERK RECORD MGMT FUND	COURT- HOUSE SECURITY FUND	JURY FUND	RIGHT OF WAY FUND
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Property taxes	\$ -	\$ -	\$ 78 648	\$ 261
Other taxes	-	-	-	-
Fines and fees	51 004	10 497	4 396	-
Charges for services	-	-	-	-
Grants and contributions	-	-	-	-
Interest	-	-	-	-
Miscellaneous income	-	-	-	-
TOTAL REVENUES	<u>51 004</u>	<u>10 497</u>	<u>83 044</u>	<u>261</u>
Expenditures:				
Payroll expense	30 000	70 365	78 427	-
Operating expense	4 611	1 779	4 814	301 409
TOTAL EXPENDITURES	<u>34 611</u>	<u>72 144</u>	<u>83 241</u>	<u>301 409</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>16 393</u>	<u>(61 647)</u>	<u>(197)</u>	<u>(301 148)</u>
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	-	-
Transfers out	-	-	-	-
Transfers in	-	65 261	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>65 261</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>16 393</u>	<u>3 614</u>	<u>(197)</u>	<u>(301 148)</u>
Fund balances, beginning	112 563	5 328	23 990	356 346
Prior period adjustment	-	-	-	-
FUND BALANCES, BEGINNING (RESTATED)	<u>112 563</u>	<u>5 328</u>	<u>23 990</u>	<u>356 346</u>
FUND BALANCES ENDING	<u>\$ 128 956</u>	<u>\$ 8 942</u>	<u>\$ 23 793</u>	<u>\$ 55 198</u>

See independent auditors' report.

INDIGENT HEALTH CARE FUND	COURT REPORTER SERVICE FUND	JUVENILE PROBATION FUND	SHERIFF FEDERAL SEIZURE	GRANT FUND
\$ 413 761	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	5 025	-	-	-
-	-	-	-	-
-	-	144 725	-	164 542
-	-	-	-	-
-	-	-	-	-
<u>413 761</u>	<u>5 025</u>	<u>144 725</u>	<u>-</u>	<u>164 542</u>
41 103	-	111 617	-	-
<u>492 738</u>	<u>2 529</u>	<u>39 911</u>	<u>-</u>	<u>164 542</u>
<u>533 841</u>	<u>2 529</u>	<u>151 528</u>	<u>-</u>	<u>164 542</u>
<u>(120 080)</u>	<u>2 496</u>	<u>(6 803)</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>(120 080)</u>	<u>2 496</u>	<u>(6 803)</u>	<u>-</u>	<u>-</u>
625 151	1 549	14 714	3 460	(5 250)
-	-	-	-	-
<u>625 151</u>	<u>1 549</u>	<u>14 714</u>	<u>3 460</u>	<u>(5 250)</u>
<u>\$ 505 071</u>	<u>\$ 4 045</u>	<u>\$ 7 911</u>	<u>\$ 3 460</u>	<u>\$ (5 250)</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended September 30, 2017

	SHERIFF LOCAL FORFEITURE	COUNTY COURT RECORDS TECH FUND	DISTRICT COURT RECORDS TECH FUND	APPELLATE JUDICIAL FEE COUNTY CLERK
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and fees	-	4 454	816	455
Charges for services	-	-	-	-
Grants and contributions	-	-	-	-
Interest	-	-	-	-
Miscellaneous income	-	-	-	-
TOTAL REVENUES	-	4 454	816	455
Expenditures:				
Payroll expense	-	-	-	-
Operating expense	1 500	-	-	440
TOTAL EXPENDITURES	1 500	-	-	440
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1 500)	4 454	816	15
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	-	-
Transfers out	-	-	-	-
Transfers in	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	(1 500)	4 454	816	15
Fund balances, beginning	8 453	27 615	3 791	110
Prior period adjustment	-	-	-	-
FUND BALANCES, BEGINNING (RESTATED)	8 453	27 615	3 791	110
FUND BALANCES ENDING	\$ 6 953	\$ 32 069	\$ 4 607	\$ 125

See independent auditors' report.

APPELLATE JUDICIAL FEE DISTRICT CLERK	RECORDS ARCHIVE FEE COUNTY CLERK	RECORDS ARCHIVE FEE DISTRICT CLERK	JP COURT SECURITY FUND	GUARDIANSHIP FUND
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
1 660	50 645	4 655	1 070	1 150
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>1 660</u>	<u>50 645</u>	<u>4 655</u>	<u>1 070</u>	<u>1 150</u>
-	-	-	-	-
1 660	1 499	17 246	65	-
<u>1 660</u>	<u>1 499</u>	<u>17 246</u>	<u>65</u>	<u>-</u>
-	49 146	(12 591)	1 005	1 150
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>49 146</u>	<u>(12 591)</u>	<u>1 005</u>	<u>1 150</u>
420	144 253	71 260	21 628	12 416
-	-	-	-	-
<u>420</u>	<u>144 253</u>	<u>71 260</u>	<u>21 628</u>	<u>12 416</u>
\$ <u>420</u>	\$ <u>193 399</u>	\$ <u>58 669</u>	\$ <u>22 633</u>	\$ <u>13 566</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED
 For the Year Ended September 30, 2017

	DISTRICT ATTORNEY SEIZURE FUND NON-TRAFFIC	DISTRICT ATTORNEY FORFEITURE FUND TRAFFIC
Revenues:		
Property taxes	\$ -	\$ -
Other taxes	-	-
Fines and fees	15 607	-
Charges for services	-	-
Grants and contributions	-	-
Interest	-	2
Miscellaneous income	-	-
TOTAL REVENUES	15 607	2
Expenditures:		
Payroll expense	-	-
Operating expense	4 468	-
TOTAL EXPENDITURES	4 468	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11 139	2
Other Financing Sources (Uses):		
Proceeds from sale of capital assets	-	-
Transfers out	(35 182)	-
Transfers in	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(35 182)	-
NET CHANGE IN FUND BALANCES	(24 043)	2
Fund balances, beginning	237 393	3 431
Prior period adjustment	-	-
FUND BALANCES, BEGINNING (RESTATED)	237 393	3 431
FUND BALANCES ENDING	\$ 213 350	\$ 3 433

See independent auditors' report.

DISTRICT ATTORNEY FORFEITURE FUNDS	CSCD BASIC SUPERVISION FUND	CSCD COMMUNITY CORRECTIONS FUND	PRETRIAL INTERVENTION PROGRAM FUND	TOTAL SPECIAL REVENUE FUNDS
\$ -	\$ -	\$ -	\$ -	\$ 2 572 730
-	-	-	-	1 169 165
-	119 645	-	1 985	987 015
-	-	-	-	30 745
-	162 556	57 889	-	1 226 116
-	-	-	-	55
<u>1</u>	<u>29</u>	<u>-</u>	<u>-</u>	<u>84 739</u>
<u>1</u>	<u>282 230</u>	<u>57 889</u>	<u>1 985</u>	<u>6 070 565</u>
-	141 886	32 564	-	2 011 309
<u>51 680</u>	<u>40 809</u>	<u>1 485</u>	<u>-</u>	<u>4 195 019</u>
<u>51 680</u>	<u>182 695</u>	<u>34 049</u>	<u>-</u>	<u>6 206 328</u>
<u>(51 679)</u>	<u>99 535</u>	<u>23 840</u>	<u>1 985</u>	<u>(135 763)</u>
-	-	-	-	33 500
-	-	-	-	(35 182)
<u>35 182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112 198</u>
<u>35 182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110 516</u>
<u>(16 497)</u>	<u>99 535</u>	<u>23 840</u>	<u>1 985</u>	<u>(25 247)</u>
16 519	-	-	-	3 298 042
-	-	-	-	(58 068)
<u>16 519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3 239 974</u>
<u>\$ 22</u>	<u>\$ 99 535</u>	<u>\$ 23 840</u>	<u>\$ 1 985</u>	<u>\$ 3 214 727</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 September 30, 2017

		ARENA BLEACHER FUND	COUNTY CLERK	DISTRICT CLERK TRUST	DISTRICT CLERK	MOTOR VEHICLE TAX	PROPERTY TAXES
ASSETS							
Cash and cash equivalents	\$	37 341	\$ 103 025	\$ 1 804 754	\$ 1 199 705	\$ 297 529	\$ 130 790
TOTAL ASSETS	\$	<u>37 341</u>	<u>\$ 103 025</u>	<u>\$ 1 804 754</u>	<u>\$ 1 199 705</u>	<u>\$ 297 529</u>	<u>\$ 130 790</u>
LIABILITIES							
Due to others	\$	37 341	\$ 103 025	\$ 1 804 754	\$ 1 199 705	\$ 297 529	\$ 130 790
TOTAL LIABILITIES	\$	<u>37 341</u>	<u>\$ 103 025</u>	<u>\$ 1 804 754</u>	<u>\$ 1 199 705</u>	<u>\$ 297 529</u>	<u>\$ 130 790</u>

See independent auditors' report.

COUNTY ATTORNEY RESTITUTION	COUNTY ATTORNEY TRUST	INMATE ACCOUNT	DISTRICT ATTORNEY FORFEITURE	AGENCY FUND	GARZA COUNTY FUND	CHILD ABUSE PREVENTION FEE FUND
\$ 60 876	\$ 20 452	\$ 53 505	\$ 10 456	\$ 62 493	\$ 12 526	\$ 1 584
<u>\$ 60 876</u>	<u>\$ 20 452</u>	<u>\$ 53 505</u>	<u>\$ 10 456</u>	<u>\$ 62 493</u>	<u>\$ 12 526</u>	<u>\$ 1 584</u>
\$ 60 876	\$ 20 452	\$ 53 505	\$ 10 456	\$ 62 493	\$ 12 526	\$ 1 584
<u>\$ 60 876</u>	<u>\$ 20 452</u>	<u>\$ 53 505</u>	<u>\$ 10 456</u>	<u>\$ 62 493</u>	<u>\$ 12 526</u>	<u>\$ 1 584</u>

SHELBY COUNTY, TEXAS
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION - CONTINUED
 September 30, 2017

	FAMILY PROTECTION FEE FUND	CHILD SAFETY FEE FUND	ADULT PROBATION COLLECTIONS FUND	COMBINED FIDUCIARY FUNDS
ASSETS				
Cash and cash equivalents	\$ 6 850	\$ 524	\$ 27 066	\$ 3 829 476
TOTAL ASSETS	\$ 6 850	\$ 524	\$ 27 066	\$ 3 829 476
LIABILITIES				
Due to others	\$ 6 850	\$ 524	\$ 27 066	\$ 3 829 476
TOTAL LIABILITIES	\$ 6 850	\$ 524	\$ 27 066	\$ 3 829 476

See independent auditors' report.

COMPLIANCE SECTION

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

Honorable Commissioners'
Court of Shelby County
Center, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shelby County, Texas, as of and for the year ended September 30, 2017, 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 25, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the Schedule of Findings and Questioned Costs that we consider to be significant deficiencies. See Findings 2017-01.

Compliance and Other Matters

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

Shelby County's Response to Findings

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

Purpose of this Report

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

Lufkin, Texas
May 25, 2018


CERTIFIED PUBLIC ACCOUNTANTS

SHELBY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2017

A. Summary of the Auditor's Results:

1. Financial Statements

Type of report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(s) that are not considered
to be material weaknesses?

Yes None reported

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

Finding 2017-1:

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 functions 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 from fine collection.

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

SHELBY COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2017

Prior Audit Finding / Recommendation / Current Status

Finding 2016-01:

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, specifically the collection process, in the Justice of Peace office to assure proper controls.

Current Status - Ongoing