

SHELBY COUNTY, TEXAS  
Center, Texas

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Honorable County Judge  
and Commissioners  
Center, Texas

**Opinions**

We have audited the accompanying financial statements of the governmental activities, the fiduciary activities, each major fund, and the aggregate remaining fund information of Shelby County, as of and for the year ended September 30, 2023, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinions, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the fiduciary activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2023, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

#### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying *Schedule of Expenditures of Federal and State Awards* is also presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### *Required Supplementary Information*

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2024, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Lufkin, Texas  
June 12, 2024

  
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, 2023 ("FY 2023").

### 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 \$26,276,129 on a government-wide basis as of September 30, 2023.
- For FY 2023, taxes and other revenues, including program revenues, of the County's governmental activities amounted to \$18,052,684. Expenses, including program expenses, totaled \$15,135,253.

#### Fund Financial Statements - Highlights

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

- The County's governmental funds reported an increase in fund balance of \$846,617 for the fiscal year.
- The County's General Fund reported a fund balance of \$9,326,590, an increase of \$1,952,577 from September 30, 2022.

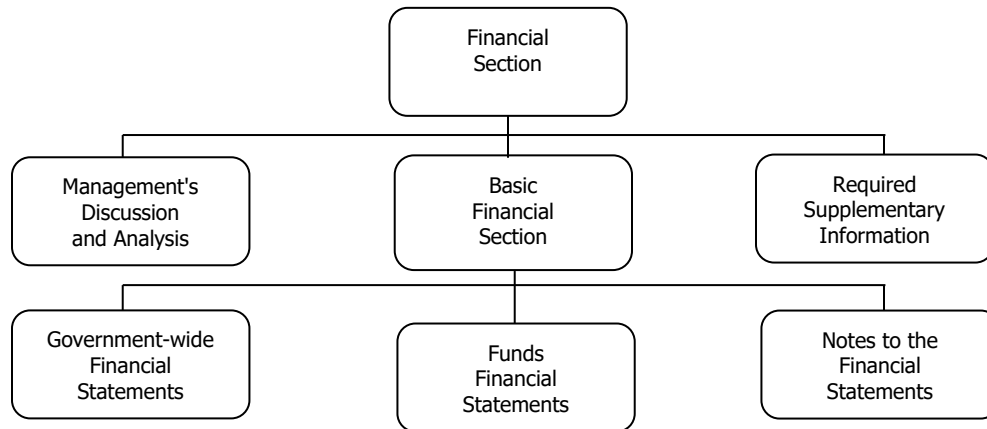
### GENERAL FINANCIAL HIGHLIGHTS

#### Overview of the Financial Statements

The financial section of the financial report includes three parts:

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

#### COMPONENTS OF THE FINANCIAL SECTION



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

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

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

#### Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

Financial Analysis of the County as a Whole

Statement of Net Position

The following table presents a summary of the County's net position as of September 30, 2023 and 2022:

As of September 30

|                                  | <u>2023</u>          | <u>2022</u>          |
|----------------------------------|----------------------|----------------------|
| Assets:                          |                      |                      |
| Current and other assets         | \$ 18 398 664        | \$ 17 577 719        |
| Capital assets (net)             | 8 083 060            | 6 454 569            |
| Pension asset                    | 162 849              | 2 458 848            |
| TOTAL ASSETS                     | <u>26 644 573</u>    | <u>26 491 136</u>    |
| Deferred outflow                 | <u>665 359</u>       | <u>891 503</u>       |
| Liabilities:                     |                      |                      |
| Current liabilities              | 445 922              | 563 993              |
| Long-term liabilities            | 343 973              | 417 187              |
| TOTAL LIABILITIES                | <u>789 895</u>       | <u>981 180</u>       |
| Deferred inflows                 | <u>243 908</u>       | <u>2 996 034</u>     |
| Net Position:                    |                      |                      |
| Net investment in capital assets | 7 657 737            | 5 860 271            |
| Restricted                       | 6 804 343            | 8 504 601            |
| Unrestricted                     | <u>11 814 049</u>    | <u>8 993 826</u>     |
| TOTAL NET POSITION               | <u>\$ 26 276 129</u> | <u>\$ 23 358 698</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 \$26,276,129 at September 30, 2023, the County's fiscal year-end. This amount represents an increase of \$2,917,431 from the net position at September 30, 2022 before prior period adjustments.

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

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

Capital Assets and Long Term Debt

Details of the capital assets are in the notes. The County currently has \$425,323 in related long-term debt in the form of capital leases and subscription based IT arrangements.

Governmental Activities

Revenues for the governmental activities for the County totaled \$18,052,684 for the fiscal year 2023.

Taxes constitute the largest source of County revenues, totaling \$11,151,309 for fiscal year 2023.

The cost of the County's governmental activities totaled \$15,135,253. Major contributors to costs include:

|                        | 2023         | 2022         |
|------------------------|--------------|--------------|
| Streets and bridges    | \$ 5 507 592 | \$ 4 789 280 |
| Law enforcement        | \$ 4 343 096 | \$ 4 123 296 |
| General administration | \$ 2 188 690 | \$ 1 848 125 |
| Judicial               | \$ 1 280 040 | \$ 1 232 241 |

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, 2023, the County's governmental funds had a combined fund balance totaling \$16,130,933.

The General Fund is the primary operating fund of the County. Unassigned fund balance in the General Fund at September 30, 2023, totaled \$9,326,590. This represents approximately 121% of the total expenditures for FY 2023 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, 2023

|  | GOVERNMENTAL<br>ACTIVITIES |
|--|----------------------------|
| <b>ASSETS</b>                                    |                            |
| Current Assets:                                  |                            |
| Cash and cash equivalents                        | \$ 16 368 029              |
| Receivables Net of Allowance for Uncollectibles: |                            |
| Taxes  | 1 878 175                  |
| Lease receivable                                 | 152 460                    |
| TOTAL CURRENT ASSETS                             | 18 398 664                 |
| Noncurrent Assets:                               |                            |
| Pension asset                                    | 162 849                    |
| Capital Assets:                                  |                            |
| Land   | 374 436                    |
| Streets and infrastructure                       | 16 642 738                 |
| Buildings and improvements                       | 5 056 232                  |
| Furniture and equipment                          | 11 724 368                 |
| Less: Accumulated depreciation                   | (25 714 714)               |
| TOTAL CAPITAL ASSETS                             | 8 083 060                  |
| <br>TOTAL NONCURRENT ASSETS                      | <br>8 245 909              |
| <br>TOTAL ASSETS                                 | <br>26 644 573             |
| <br><b>DEFERRED OUTFLOW</b>                      |                            |
| Contribution subsequent to measurement date      | 285 806                    |
| Pension deferred outflows                        | 379 553                    |
| TOTAL DEFERRED OUTFLOW                           | 665 359                    |
| TOTAL ASSETS AND DEFERRED OUTFLOWS               | \$ 27 309 932              |
| <br><b>LIABILITIES</b>                           |                            |
| Current Liabilities:                             |                            |
| Accounts payable                                 | \$ 135 975                 |
| Accrued liabilities                              | 118 581                    |
| Accrued interest payable                         | 2 126                      |
| Long term debts due in one year                  | 189 240                    |
| TOTAL CURRENT LIABILITIES                        | 445 922                    |
| Noncurrent Liabilities:                          |                            |
| Long term debts due in more than one year        | 236 083                    |
| Accrued compensation absence                     | 107 890                    |
| TOTAL NONCURRENT LIABILITIES                     | 343 973                    |
| TOTAL LIABILITIES                                | 789 895                    |
| <br><b>DEFERRED INFLOWS</b>                      |                            |
| Pension deferred inflows                         | 189 908                    |
| Deferred lease inflows                           | 54 000                     |
| TOTAL DEFERRED INFLOWS                           | 243 908                    |
| <br><b>NET POSITION</b>                          |                            |
| Net investment in capital assets                 | 7 657 737                  |
| Restricted                                       | 6 804 343                  |
| Unrestricted                                     | 11 814 049                 |
| TOTAL NET POSITION                               | \$ 26 276 129              |

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, 2023

| FUNCTIONS/PROGRAMS                    | EXPENSES      | PROGRAM REVENUES           |  |  | CHANGES IN<br>NET POSITION |
|---------------------------------------|---------------|----------------------------|--|--|----------------------------|
|                                       |               | CHARGES<br>FOR<br>SERVICES | OPERATING<br>GRANTS AND<br>CONTRIBUTIONS | CAPITAL<br>GRANTS AND<br>CONTRIBUTIONS | PRIMARY<br>GOVERNMENT      |
|                                       |               |                            |  |  | GOVERNMENTAL<br>ACTIVITIES |
| Primary Government:                   |               |                            |  |  |                            |
| Governmental Activities:              |               |                            |  |  |                            |
| General administration                | \$ 2 188 690  | \$ 1 295 731               | \$ 470 597                               | \$ -                                   | \$ (422 362)               |
| Judicial                              | 1 280 040     | 108 150                    | 47 062                                   | -                                      | (1 124 828)                |
| Law enforcement and corrections       | 4 343 096     | 246 118                    | 227 441                                  | -                                      | (3 869 537)                |
| Streets and bridges                   | 5 507 592     | 701 968                    | -  | 920 063                                | (3 885 561)                |
| Community service                     | 347 888       | -                          | -  | -                                      | (347 888)                  |
| Nondepartmental                       | 1 463 700     | -                          | -  | -                                      | (1 463 700)                |
| Interest expense                      | 4 247         | -                          | -  | -                                      | (4 247)                    |
| TOTAL GOVERNMENTAL ACTIVITIES         | \$ 15 135 253 | \$ 2 351 967               | \$ 745 100                               | \$ 920 063                             | (11 118 123)               |
| General Revenues:                     |               |                            |  |  |                            |
| Taxes:                                |               |                            |  |  |                            |
| Property taxes                        |               |                            |  |  | 11 151 309                 |
| Other tax revenue                     |               |                            |  |  | 1 270 635                  |
| Unrestricted investment earnings      |               |                            |  |  | 743 360                    |
| Gain (loss) on sale of capital assets |               |                            |  |  | 8 000                      |
| Other unrestricted revenue            |               |                            |  |  | 862 250                    |
| TOTAL GENERAL REVENUES                |               |                            |  |  | 14 035 554                 |
| CHANGE IN NET POSITION                |               |                            |  |  | 2 917 431                  |
| Net position, beginning               |               |                            |  |  | 23 358 698                 |
| NET POSITION, ENDING                  |               |                            |  |  | \$ 26 276 129              |

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

SHELBY COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2023

|  | GENERAL              | ROAD &<br>BRIDGE #1 | ROAD &<br>BRIDGE #2 |
|--|----------------------|---------------------|---------------------|
| <b>ASSETS</b>  |                      |                     |                     |
| Cash and investments   | \$ 9 468 904         | \$ 314 517          | \$ 243 299          |
| Property tax receivable (net)                                | 1 183 005            | 169 708             | 169 708             |
| Other receivables  | 54 000               | -                   | -                   |
| <b>TOTAL ASSETS</b>  | <b>\$ 10 705 909</b> | <b>\$ 484 225</b>   | <b>\$ 413 007</b>   |
| <b>LIABILITIES, FUND EQUITY</b>                              |                      |                     |                     |
| Liabilities:   |                      |                     |                     |
| Accounts payable   | \$ 55 506            | \$ 8 915            | \$ 38 723           |
| Accrued liabilities  | 86 808               | 7 366               | 8 328               |
| <b>TOTAL LIABILITIES</b>                                     | <b>142 314</b>       | <b>16 281</b>       | <b>47 051</b>       |
| Deferred Inflows:  |                      |                     |                     |
| Unavailable revenue  | 1 237 005            | 169 708             | 169 708             |
| <b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>                | <b>1 237 005</b>     | <b>169 708</b>      | <b>169 708</b>      |
| Fund Balances:   |                      |                     |                     |
| Restricted fund balance                                      | -                    | 298 236             | 196 248             |
| Unassigned Reported in:                                      |                      |                     |                     |
| General fund   | 9 326 590            | -                   | -                   |
| <b>TOTAL FUND BALANCES</b>                                   | <b>9 326 590</b>     | <b>298 236</b>      | <b>196 248</b>      |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b> | <b>\$ 10 705 909</b> | <b>\$ 484 225</b>   | <b>\$ 413 007</b>   |

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

| ROAD &<br>BRIDGE #3 | ROAD &<br>BRIDGE #4 | AMERICAN RESCUE<br>PLAN GRANT | NON-MAJOR<br>GOVERNMENTAL | TOTAL                |
|---------------------|---------------------|-------------------------------|---------------------------|----------------------|
| \$ 192 868          | \$ 226 028          | \$ 2 652 688                  | \$ 3 269 725              | \$ 16 368 029        |
| 169 708             | 169 708             | -                             | 97 338                    | 1 959 175            |
| -                   | -                   | -                             | 17 460                    | 71 460               |
| <u>\$ 362 576</u>   | <u>\$ 395 736</u>   | <u>\$ 2 652 688</u>           | <u>\$ 3 384 523</u>       | <u>\$ 18 398 664</u> |

|               |               |          |               |                |
|---------------|---------------|----------|---------------|----------------|
| \$ 6 050      | \$ 18 601     | \$ -     | \$ 8 180      | \$ 135 975     |
| <u>6 607</u>  | <u>7 202</u>  | <u>-</u> | <u>2 270</u>  | <u>118 581</u> |
| <u>12 657</u> | <u>25 803</u> | <u>-</u> | <u>10 450</u> | <u>254 556</u> |

|                |                |          |               |                  |
|----------------|----------------|----------|---------------|------------------|
| <u>169 708</u> | <u>169 708</u> | <u>-</u> | <u>97 338</u> | <u>2 013 175</u> |
| <u>169 708</u> | <u>169 708</u> | <u>-</u> | <u>97 338</u> | <u>2 013 175</u> |

|                   |                   |                     |                     |                   |
|-------------------|-------------------|---------------------|---------------------|-------------------|
| 180 211           | 200 225           | 2 652 688           | 3 276 735           | 6 804 343         |
| -                 | -                 | -                   | -                   | 9 326 590         |
| <u>180 211</u>    | <u>200 225</u>    | <u>2 652 688</u>    | <u>3 276 735</u>    | <u>16 130 933</u> |
| <u>\$ 362 576</u> | <u>\$ 395 736</u> | <u>\$ 2 652 688</u> | <u>\$ 3 384 523</u> |                   |

|   |                             |
|---|-----------------------------|
| Capital assets are not recorded in funds, but are included in Statement of Net Position   | 8 083 060                   |
| Long-term liabilities related to capital leases and accrued interest payable are not recorded in the funds, but are included in the Statement of Net Position | (427 449)                   |
| Pension asset and accrued compensated absences is not included in the funds, but are included in Statement of Net Position                                    | 54 959                      |
| Deferred outflows related to pensions are not included in funds, but are included in Statement of Net Position  | 665 359                     |
| Deferred inflows related to pensions are not included in funds, but in Statement of Net Position  | (189 908)                   |
| Unavailable property taxes are included in funds, but are not recognized in the Statement of Net Position   | <u>1 959 175</u>            |
| <b>TOTAL NET POSITION</b>   | <b>\$ <u>26 276 129</u></b> |

SHELBY COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2023

|   | GENERAL      | ROAD &<br>BRIDGE #1 | ROAD &<br>BRIDGE #2 |
|---|--------------|---------------------|---------------------|
| Revenues:   |              |                     |                     |
| Property taxes                                    | \$ 7 610 029 | \$ 709 590          | \$ 709 590          |
| Other taxes                                       | 7 879        | 315 689             | 315 689             |
| Fines and fees                                    | 528 338      | 175 492             | 175 492             |
| Interest  | 743 222      | -                   | -                   |
| Charges for services                              | 544 548      | -                   | -                   |
| Grant and donations                               | 33 168       | -                   | -                   |
| Miscellaneous                                     | 203 431      | 335 306             | 215 406             |
| TOTAL REVENUES                                    | 9 670 615    | 1 536 077           | 1 416 177           |
| Expenditures:                                     |              |                     |                     |
| General administration                            | 1 736 710    | -                   | -                   |
| Judicial  | 959 721      | -                   | -                   |
| Law enforcement and corrections                   | 3 673 424    | -                   | -                   |
| Streets and bridges                               | -            | 1 341 253           | 1 228 627           |
| Community service                                 | -            | -                   | -                   |
| Non-departmental                                  | 1 356 183    | -                   | -                   |
| Debt service                                      | -            | -                   | 54 753              |
| TOTAL EXPENDITURES                                | 7 726 038    | 1 341 253           | 1 283 380           |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 1 944 577    | 194 824             | 132 797             |
| Other Financing Sources (Uses):                   |              |                     |                     |
| Proceeds from sale of capital assets              | 8 000        | -                   | -                   |
| TOTAL OTHER FINANCING SOURCES (USES)              | 8 000        | -                   | -                   |
| NET CHANGE IN FUND BALANCES                       | 1 952 577    | 194 824             | 132 797             |
| Fund balances, beginning                          | 7 374 013    | 103 412             | 63 451              |
| FUND BALANCES, ENDING                             | \$ 9 326 590 | \$ 298 236          | \$ 196 248          |

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

|    | ROAD &<br>BRIDGE #3 | ROAD &<br>BRIDGE #4 | AMERICAN RESCUE<br>PLAN GRANT | NON-MAJOR<br>GOVERNMENTAL | TOTAL                |
|----|---------------------|---------------------|-------------------------------|---------------------------|----------------------|
| \$ | 709 590             | \$ 709 590          | \$ -                          | \$ 626 018                | \$ 11 074 407        |
|    | 315 689             | 315 689             | -                             | -                         | 1 270 635            |
|    | 175 492             | 175 492             | -                             | 242 605                   | 1 472 911            |
|    | -                   | -                   | -                             | 138                       | 743 360              |
|    | -                   | -                   | -                             | 133 738                   | 678 286              |
|    | -                   | -                   | -                             | 1 041 874                 | 1 075 042            |
|    | 460 839             | 262 001             | -                             | 176 158                   | 1 653 141            |
|    | <u>1 661 610</u>    | <u>1 462 772</u>    | <u>-</u>                      | <u>2 220 531</u>          | <u>17 967 782</u>    |
|    | -                   | -                   | 264 622                       | 263 113                   | 2 264 445            |
|    | -                   | -                   | -                             | 270 554                   | 1 230 275            |
|    | -                   | -                   | 562 733                       | 638 867                   | 4 875 024            |
|    | 1 498 847           | 1 288 753           | 1 378 780                     | 191 510                   | 6 927 770            |
|    | -                   | -                   | -                             | 326 961                   | 326 961              |
|    | -                   | -                   | 19 470                        | -                         | 1 375 653            |
|    | 61 658              | 12 626              | -                             | -                         | 129 037              |
|    | <u>1 560 505</u>    | <u>1 301 379</u>    | <u>2 225 605</u>              | <u>1 691 005</u>          | <u>17 129 165</u>    |
|    | <u>101 105</u>      | <u>161 393</u>      | <u>(2 225 605)</u>            | <u>529 526</u>            | <u>838 617</u>       |
|    | -                   | -                   | -                             | -                         | 8 000                |
|    | -                   | -                   | -                             | -                         | 8 000                |
|    | 101 105             | 161 393             | (2 225 605)                   | 529 526                   | 846 617              |
|    | <u>79 106</u>       | <u>38 832</u>       | <u>4 878 293</u>              | <u>2 747 209</u>          | <u>15 284 316</u>    |
| \$ | <u>180 211</u>      | \$ <u>200 225</u>   | \$ <u>2 652 688</u>           | \$ <u>3 276 735</u>       | \$ <u>16 130 933</u> |

SHELBY COUNTY, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2023

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

|  |    |                         |
|--|----|-------------------------|
| Net change in fund balances - Total governmental funds.  | \$ | 846 617                 |
| 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. |    | 1 628 491               |
| Governmental funds report principal payments on long-term debt as expenditures; however, in the government-wide financial statements, such payments are reflected as a reduction of the liabilities.   |    | 169 980                 |
| Governmental funds expense accrued compensated absence and pension liabilities as the payments are made, while government-wide statements record the future liabilities.   |    | 195 441                 |
| Governmental funds defer property taxes until collection, while government-wide funds statements recognize the revenue.  |    | <u>76 902</u>           |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES  | \$ | <u><u>2 917 431</u></u> |

SHELBY COUNTY, TEXAS  
STATEMENT OF FIDUCIARY NET POSITION  
September 30, 2023

|                          | COMBINED<br>FIDUCIARY<br>FUNDS |
|--------------------------|--------------------------------|
| Assets:                  |                                |
| Cash and cash equivalent | \$ 3 624 107                   |
| TOTAL ASSETS             | <u>\$ 3 624 107</u>            |
| Liabilities:             |                                |
| Accounts payable         | \$ 889                         |
| Unearned revenues        | <u>512 718</u>                 |
| TOTAL LIABILITIES        | <u>513 607</u>                 |
| Net Position:            |                                |
| Restricted Net Position  | <u>3 110 500</u>               |
| TOTAL NET POSITION       | <u>\$ 3 624 107</u>            |

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



SHELBY COUNTY, TEXAS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
For the Year Ended September 30, 2023

|                          | <u>COMBINED<br/>FIDUCIARY<br/>FUNDS</u> |
|--------------------------|---|
| Additions:               |   |
| Interest income          | \$ 294                                  |
| Fees and fines           | 7 556 583                               |
| Taxes                    | 32 434 993                              |
| Other income             | 530 272                                 |
| TOTAL ADDITIONS          | <u>40 522 142</u>                       |
| Deductions:              |   |
| Disbursements            | <u>41 133 289</u>                       |
| TOTAL DEDUCTIONS         | <u>41 133 289</u>                       |
| CHANGE IN NET POSITION   | (611 147)                               |
| Net position - Beginning | <u>3 721 647</u>                        |
| NET POSITION - ENDING    | <u>\$ 3 110 500</u>                     |

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

SHELBY COUNTY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements

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

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

Fund Financial Statements

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

*General Fund*

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

*Road & Bridge Funds*

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

*American Rescue Plan Grant Fund*

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

*Fiduciary Funds - Trust*

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

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

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

SHELBY COUNTY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

D. Assets, Liabilities and Net Position or Equity

1. Cash and Investments

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

The County invested only in certificates of deposit for the fiscal year 2023. The County records investments at fair market value in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. All investment income is recognized as revenue in the appropriate fund's statement of activity or statement of revenues, expenditures and changes in fund balance.

2. Receivables and Payables

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

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

3. Capital Assets

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

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

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

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

SHELBY COUNTY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
September 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Compensated Absences

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

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

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

5. Long-term Obligations

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

6. Use of Estimates

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

7. Fund Balance

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

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

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

8. Deferred Outflows and Inflows of Resources

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

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

SHELBY COUNTY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
September 30, 2023

II. DEPOSIT, INVESTMENTS AND INVESTMENT POLICIES

Deposits

At September 30, the carrying amount of the County's deposits and cash on hand totaled \$19,991,636, inclusive of fiduciary funds. All bank balances at year end were entirely covered by federal depository insurance or by collateral held by the depository bank in the County's name.

Investments

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

|                        |    |           |
|------------------------|----|-----------|
| Investments Held:      |    |           |
| Tex Pool               | \$ | 6 836 900 |
| Certificate of Deposit |    | 9 062 978 |

III. PROPERTY TAXES AND OTHER RECEIVABLES

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

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

|                                 |    |                  |
|---------------------------------|----|------------------|
| Property Taxes Receivable, Net: |    |                  |
| General fund                    | \$ | 1 183 005        |
| Special revenue funds           |    | <u>776 170</u>   |
| TOTAL UNAVAILABLE REVENUE       | \$ | <u>1 959 175</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<br>REVENUE | TOTAL               |
|------------------------------------|---------------------|--------------------|---------------------|
| Receivables:                       |                     |                    |                     |
| Taxes                              | \$ 1 391 771        | \$ 913 143         | \$ 2 304 914        |
| Less: Allowances for uncollectible | <u>(208 766)</u>    | <u>(136 973)</u>   | <u>(345 739)</u>    |
| NET RECEIVABLES                    | <u>\$ 1 183 005</u> | <u>\$ 776 170</u>  | <u>\$ 1 959 175</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, 2023, the County abated property taxes totaling \$12,240,610 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 2023 fiscal year is the seventh of ten years of the agreement. The abatement amounted to \$73,015 for the year ended September 30, 2023.

The County approved a 5-year abatement of 50% of the expansion for a chicken processing facility dependent on expanding employment.

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, 2023

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<br>10/01    | ADDITIONS           | DELETIONS           | BALANCE<br>09/30    |
|----------------------------|---------------------|---------------------|---------------------|---------------------|
| Governmental Activities:   |                     |                     |                     |                     |
| Land                       | \$ 374 436          | \$ -                | \$ -                | \$ 374 436          |
| Infrastructure             | 16 490 928          | 151 810             | -                   | 16 642 738          |
| Buildings and improvements | 4 534 193           | 522 039             | -                   | 5 056 232           |
| Vehicles and equipment     | 10 280 512          | 2 433 568           | (989 712)           | 11 724 368          |
| Construction in progress   | 32 000              | -                   | (32 000)            | -                   |
| Accumulated depreciation   | (25 257 500)        | (1 291 046)         | 833 832             | (25 714 714)        |
| <b>TOTAL ASSETS</b>        | <b>\$ 6 454 569</b> | <b>\$ 1 816 371</b> | <b>\$ (187 880)</b> | <b>\$ 8 083 060</b> |

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

|                                 |                     |
|---------------------------------|---------------------|
| General administration          | \$ 171 969          |
| Judicial                        | 93 431              |
| Law enforcement and corrections | 370 225             |
| Streets and bridges             | 526 118             |
| Community service               | 24 831              |
| Non-departmental                | 104 472             |
|                                 | <b>\$ 1 291 046</b> |

VI. LONG-TERM OBLIGATION ACTIVITY

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

| GOVERNMENTAL ACTIVITIES                  | BEGINNING<br>BALANCE | INCREASES        | DECREASES         | ENDING<br>BALANCE | AMOUNTS<br>DUE WITHIN<br>ONE YEAR |
|--|----------------------|------------------|-------------------|-------------------|-----------------------------------|
| Capital lease                            | \$ 594 298           | \$ -             | \$ 229 542        | \$ 364 756        | \$ 177 646                        |
| Subscription based IT arrangements       | -                    | 62 359           | 1 792             | 60 567            | 11 594                            |
| <b>TOTAL GOVERNMENTAL<br/>ACTIVITIES</b> | <b>\$ 594 298</b>    | <b>\$ 62 359</b> | <b>\$ 231 334</b> | <b>\$ 425 323</b> | <b>\$ 189 240</b>                 |

Commitments under capitalized lease agreements for equipment and subscription based IT arrangements for software usage provide for minimum future payments as of year-end are as follows:

| YEAR ENDING<br>AUGUST 31, | PRINCIPAL         | INTEREST         |
|---------------------------|-------------------|------------------|
| 2024                      | \$ 189 240        | \$ 8 060         |
| 2025                      | 117 969           | 4 001            |
| 2026                      | 78 325            | 2 227            |
| 2027                      | 28 413            | 975              |
| 2028                      | 11 376            | 212              |
| Thereafter                | -                 | -                |
| <b>TOTAL</b>              | <b>\$ 425 323</b> | <b>\$ 15 475</b> |

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

VII. RETIREMENT PLAN

**Plan Description**

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

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

SHELBY COUNTY, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2023

VII. RETIREMENT PLAN - CONTINUED

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

**Actuarial Assumptions**

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

|                                   |  |
|-----------------------------------|--|
| <b>Valuation Timing</b>           | 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.   |
| <b>Actuarial Cost Method</b>      | Entry Age Normal <sup>(1)</sup>  |
| <b>Asset Valuation Method</b>     | 5 year smoothed market   |
| <b>Inflation</b>                  | Same as funding valuation  |
| <b>Salary Increases</b>           | Same as funding valuation  |
| <b>Investment Rate of Return</b>  | 7.60%  |
| <b>Cost-of-Living Adjustments</b> | Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation. |
| <b>Retirement Age</b>             | Same as funding valuation  |
| <b>Turnover</b>                   | Same as funding valuation  |
| <b>Mortality</b>                  | 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, 2022 actuarial valuation analysis for Shelby County. This information may also be found in the Shelby County December 31, 2022 Summary Valuation Report.

**Economic Assumptions:**

**TCDRS System-Wide Economic Assumptions:**

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

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

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

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

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

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

**Employer-Specific Economic Assumptions:**

|                      |       |
|----------------------|-------|
| Growth in membership | 0.00% |
| Payroll growth       | 3.00% |

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

SHELBY COUNTY, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
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VII. RETIREMENT PLAN - CONTINUED

**Table 1**  
**Merit Salary Increases\***

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

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

Demographic Assumptions

TCDRS System-Wide Demographic Assumptions:

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

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

**Table 2**  
**Annual Rates of Disability\***

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

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



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VII. RETIREMENT PLAN - CONTINUED

Mortality

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

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

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

**Table 3**  
**Annual Rates of Service Retirement\***

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

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

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

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VII. RETIREMENT PLAN - CONTINUED

**Table 4**  
**Annual Rates of Termination**

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

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

**Table 5**  
**Probability of Withdrawal**

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

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

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VII. RETIREMENT PLAN - CONTINUED

**Long-Term Expected Rate of Return**

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

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

| Asset Class                                   | Benchmark   | Target Allocation <sup>(1)</sup> | Geometric Real Rate of Return <sup>(2)</sup> |
|---|---|----------------------------------|--|
| US Equities                                   | Dow Jones U.S. Total Stock Market Index   | 11.50%                           | 4.95%  |
| Global Equities                               | MSCI World (net) Index  | 2.50%                            | 4.95%  |
| International Equities -<br>Developed Markets | MSCI World Ex USA (net) Index   | 5.00%                            | 4.95%  |
| International Equities -<br>Emerging Markets  | MSCI Emerging Markets (net) Index   | 6.00%                            | 4.95%  |
| Investment-Grade Bonds                        | Bloomberg Barclays U.S. Aggregate Bond Index                                      | 3.00%                            | 2.40%  |
| Strategic Credit                              | FTSE High-Yield Cash-Pay Capped Index   | 9.00%                            | 3.39%  |
| Direct Lending                                | Morningstar LSTA US Leveraged Loan TR USD Index                                   | 16.00%                           | 6.95%  |
| Distressed Debt                               | Cambridge Associates Distressed Securities Index <sup>(3)</sup>                   | 4.00%                            | 7.60%  |
| REIT Equities                                 | 67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index          | 2.00%                            | 4.15%  |
| Master Limited Partnerships (MLPs)            | Alerian MLP Index   | 2.00%                            | 5.30%  |
| Private Real Estate Partnerships              | Cambridge Associates Real Estate Index <sup>(4)</sup>                             | 6.00%                            | 5.70%  |
| Private Equity                                | Cambridge Associates Global Private Equity & Venture Capital Index <sup>(5)</sup> | 25.00%                           | 7.95%  |
| Hedge Funds                                   | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index                    | 6.00%                            | 2.90%  |
| Cash Equivalents                              | 90-Day U.S. Treasury  | 2.00%                            | 0.20%  |

(1) Target asset allocation adopted at the March 2023 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.3%, per Cliffwater's 2023 capital market assumptions.

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

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

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

**Depletion of Plan Assets / GASB Discount Rate**

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

- 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.
- 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.

- 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.
- Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
- 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.

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4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

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

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

**Sensitivity Analysis**

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

|                               | 1%<br>Decrease<br>6.60% | Current<br>Discount Rate<br>7.60% | 1%<br>Increase<br>8.60% |
|-------------------------------|-------------------------|-----------------------------------|-------------------------|
| Total pension liability       | \$ 22 311 820           | \$ 19 761 026                     | \$ 17 631 452           |
| Fiduciary net position        | \$ 19 923 875           | \$ 19 923 875                     | \$ 19 923 875           |
| Net pension liability/(asset) | \$ 2 387 945            | \$ (162 849)                      | \$ (2 292 423)          |

**Changes in Net Pension Liability**

| Changes in Net Pension<br>Liability / (Asset)      | Total<br>Pension<br>Liability<br>(a) | Increase<br>(Decrease)<br>Fiduciary<br>Net Position<br>(b) | Net<br>Pension<br>Liability /<br>(Asset)<br>(a) - (b) |
|--|--------------------------------------|--|---|
| Balances as of December 31, 2021                   | \$ 18 850 571                        | \$ 21 309 419  | \$ (2 458 848)  |
| Changes for the Year:                              |                                      |  |   |
| Service cost                                       | 607 503                              | -  | 607 503   |
| Interest on total pension liability <sup>(1)</sup> | 1 443 228                            | -  | 1 443 228   |
| Effect of plan changes <sup>(2)</sup>              | -                                    | -  | -   |
| Effect of economic/demographic gains or losses     | (186 354)                            | -  | (186 354)   |
| Effect of assumptions changes or inputs            | -                                    | -  | -   |
| Refund of contributions                            | (64 008)                             | (64 008)   | -   |
| Benefit payments                                   | (889 914)                            | (889 914)  | -   |
| Administrative expenses                            | -                                    | (11 676)   | 11 676  |
| Member contributions                               | -                                    | 361 217  | (361 217)   |
| Net investment income                              | -                                    | (1 237 680)  | 1 237 680   |
| Employer contributions                             | -                                    | 457 713  | (457 713)   |
| Other <sup>(3)</sup>                               | -                                    | (1 196)  | 1 196   |
| Balances as of December 31, 2022                   | \$ 19 761 026                        | \$ 19 923 875  | \$ (162 849)  |

(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, 2022 to<br>December 31, 2022 |
|--|---|
| Service cost   | \$ 607 503                              |
| Interest on total pension liability <sup>(1)</sup>     | 1 443 228                               |
| Effect of plan changes                                 | -                                       |
| Administrative expenses                                | 11 676                                  |
| Member contributions                                   | (361 217)                               |
| Employer contribution                                  | (457 713)                               |
| Expected investment return net of investment expenses  | 1 237 680                               |
| Recognition of Deferred Inflows/Outflows of Resources: |   |
| Recognition of economic/demographic gains or losses    | (186 354)                               |
| Recognition of assumption changes or inputs            | -                                       |
| Recognition of investment gains or losses              | -                                       |
| Other <sup>(2)</sup>                                   | 1 196                                   |
| <b>PENSION EXPENSE/(INCOME)</b>                        | <b>\$ 2 296 007</b>                     |

(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, 2023

VII. RETIREMENT PLAN - CONTINUED

**Pension Expense and Deferred Inflows/Outflows**

As of September 30, 2023, the deferred inflows and outflows of resources are as follows:

| Deferred Inflows/<br>Outflows of Resources           | Deferred<br>Inflows of<br>Resources | Deferred<br>Outflows of<br>Resources |
|--|-------------------------------------|--------------------------------------|
| Differences between expected and actual experience   | \$ 163 184                          | \$ -                                 |
| Change of assumptions                                | 26 724                              | -                                    |
| Net difference between projected and actual earnings | -                                   | 379 553                              |
| Contributions made subsequent to measurement date    | -                                   | 285 806                              |
|  | \$ 189 908                          | \$ 665 359                           |

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, |             |
|-------------------------|-------------|
| 2023                    | \$ (35 239) |
| 2024                    | \$ (71 107) |
| 2025                    | \$ 65 658   |
| 2026                    | \$ 570 334  |
| 2027                    | \$ -        |
| Thereafter              | \$ -        |

**Membership Information**

| Membership Class  |     |
|---|-----|
| Inactive employees entitled to but not yet receiving benefits | 149 |
| Active employees  | 127 |
| Currently receiving benefits                                  | 89  |
|   | 365 |

VIII. RISK MANAGEMENT

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

IX. CONTINGENT LIABILITIES

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

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

X. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 12, 2024, the date the financial statements were available to be issued.

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, 2023

|   | ORIGINAL<br>BUDGET | FINAL<br>BUDGET  | ACTUAL<br>AMOUNTS | VARIANCE WITH<br>FINAL BUDGET -<br>POSITIVE<br>(NEGATIVE) |
|---|--------------------|------------------|-------------------|---|
| <b>Revenues:</b>                              |                    |                  |                   |   |
| Property taxes                                | \$ 7 347 751       | \$ 7 347 751     | \$ 7 610 029      | \$ 262 278  |
| Other taxes                                   | 5 000              | 5 000            | 7 879             | 2 879   |
| Fines   | 209 000            | 209 000          | 221 389           | 12 389  |
| Fees of office                                | 230 000            | 230 000          | 306 949           | 76 949  |
| Interest                                      | 30 000             | 30 000           | 743 222           | 713 222   |
| Grants  | 165 700            | 165 700          | 33 168            | (132 532)   |
| Commissions                                   | 400 000            | 400 000          | 544 548           | 144 548   |
| Miscellaneous                                 | 80 500             | 80 500           | 203 431           | 122 931   |
| <b>TOTAL REVENUES</b>                         | <b>8 467 951</b>   | <b>8 467 951</b> | <b>9 670 615</b>  | <b>1 202 664</b>  |
| <b>Expenditures:</b>                          |                    |                  |                   |   |
| <b>General Administration Expenditures:</b>   |                    |                  |                   |   |
| <b>County Agents:</b>                         |                    |                  |                   |   |
| Payroll expense                               | 86 123             | 86 123           | 85 157            | 966   |
| Operating expense                             | 30 278             | 30 278           | 23 635            | 6 643   |
| <b>TOTAL COUNTY AGENTS</b>                    | <b>116 401</b>     | <b>116 401</b>   | <b>108 792</b>    | <b>7 609</b>  |
| <b>County Auditor:</b>                        |                    |                  |                   |   |
| Payroll expense                               | 159 429            | 159 429          | 152 180           | 7 249   |
| Operating expense                             | 14 100             | 14 100           | 7 107             | 6 993   |
| <b>TOTAL COUNTY AUDITOR</b>                   | <b>173 529</b>     | <b>173 529</b>   | <b>159 287</b>    | <b>14 242</b>   |
| <b>County Clerk:</b>                          |                    |                  |                   |   |
| Payroll expense                               | 226 774            | 226 774          | 223 946           | 2 838   |
| Operating expense                             | 97 600             | 97 600           | 86 524            | 11 066  |
| <b>TOTAL COUNTY CLERK</b>                     | <b>324 374</b>     | <b>324 374</b>   | <b>310 470</b>    | <b>13 904</b>   |
| <b>County Clerk Election Deputy:</b>          |                    |                  |                   |   |
| Payroll expense                               | 46 588             | 46 588           | 77 918            | 2   |
| Operating expense                             | 60 000             | 60 000           | 48 458            | -   |
| <b>TOTAL COUNTY CLERK ELECTION DEPUTY</b>     | <b>106 588</b>     | <b>106 588</b>   | <b>126 376</b>    | <b>2</b>  |
| <b>County Judge:</b>                          |                    |                  |                   |   |
| Payroll expense                               | 112 614            | 112 614          | 112 288           | 6   |
| Operating expense                             | 24 250             | 24 250           | 19 769            | 4 801   |
| <b>TOTAL COUNTY JUDGE</b>                     | <b>136 864</b>     | <b>136 864</b>   | <b>132 057</b>    | <b>4 807</b>  |
| <b>District Clerk:</b>                        |                    |                  |                   |   |
| Payroll expense                               | 286 676            | 286 676          | 249 000           | 37 676  |
| Operating expense                             | 54 300             | 54 300           | 34 265            | 20 035  |
| <b>TOTAL DISTRICT CLERK</b>                   | <b>340 976</b>     | <b>340 976</b>   | <b>283 265</b>    | <b>57 711</b>   |
| <b>Courthouse Manager:</b>                    |                    |                  |                   |   |
| Operating expense                             | 48 100             | 48 100           | 48 421            | -   |
| <b>TOTAL COURTHOUSE MANAGER</b>               | <b>48 100</b>      | <b>48 100</b>    | <b>48 421</b>     | <b>-</b>  |
| <b>Tax Assessor Collector:</b>                |                    |                  |                   |   |
| Payroll expense                               | 299 910            | 299 910          | 297 729           | -   |
| Operating expense                             | 80 300             | 80 300           | 91 892            | (1)   |
| <b>TOTAL TAX ASSESSOR COLLECTOR</b>           | <b>380 210</b>     | <b>380 210</b>   | <b>389 621</b>    | <b>(1)</b>  |
| <b>County Treasurer:</b>                      |                    |                  |                   |   |
| Payroll expense                               | 122 591            | 122 591          | 122 088           | 553   |
| Operating expense                             | 10 700             | 10 700           | 8 161             | 2 490   |
| <b>TOTAL COUNTY TREASURER</b>                 | <b>133 291</b>     | <b>133 291</b>   | <b>130 249</b>    | <b>3 043</b>  |
| <b>Veterans Officer:</b>                      |                    |                  |                   |   |
| Payroll expense                               | 36 471             | 36 471           | 36 414            | -   |
| Operating expense                             | 3 900              | 3 900            | 4 599             | -   |
| <b>TOTAL VETERANS OFFICER</b>                 | <b>40 371</b>      | <b>40 371</b>    | <b>41 013</b>     | <b>-</b>  |
| <b>Emergency Management Coordinator:</b>      |                    |                  |                   |   |
| Payroll expense                               | 28 721             | 28 721           | 6 068             | 22 653  |
| Operating expense                             | 33 871             | 33 871           | 1 091             | 32 780  |
| <b>TOTAL EMERGENCY MANAGEMENT COORDINATOR</b> | <b>62 592</b>      | <b>62 592</b>    | <b>7 159</b>      | <b>55 433</b>   |
| <b>TOTAL GENERAL ADMINISTRATION</b>           | <b>1 863 296</b>   | <b>1 893 460</b> | <b>1 736 710</b>  | <b>156 750</b>  |

SHELBY COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CONTINUED  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended September 30, 2023

|  | ORIGINAL<br>BUDGET | FINAL<br>BUDGET  | ACTUAL<br>AMOUNTS | VARIANCE WITH<br>FINAL BUDGET -<br>POSITIVE<br>(NEGATIVE) |
|--|--------------------|------------------|-------------------|---|
| <b>Judicial Expenditures:</b>                        |                    |                  |                   |   |
| County Attorney:                                     |                    |                  |                   |   |
| Payroll expense                                      | 249 651            | 249 658          | 245 319           | 4 339   |
| Operating expense                                    | 12 800             | 12 793           | 9 779             | 3 014   |
| <b>TOTAL COUNTY ATTORNEY</b>                         | <b>262 451</b>     | <b>262 451</b>   | <b>255 098</b>    | <b>7 353</b>  |
| District Attorney:                                   |                    |                  |                   |   |
| Payroll expense                                      | 252 186            | 252 186          | 212 200           | 39 986  |
| Operating expense                                    | 31 800             | 31 800           | 30 851            | 949   |
| <b>TOTAL DISTRICT ATTORNEY</b>                       | <b>283 986</b>     | <b>283 986</b>   | <b>243 051</b>    | <b>40 935</b>   |
| District Judges:                                     |                    |                  |                   |   |
| Payroll expense                                      | 102 172            | 102 675          | 101 573           | 1 102   |
| Operating expense                                    | 15 500             | 14 997           | 11 888            | 3 109   |
| <b>TOTAL DISTRICT JUDGES</b>                         | <b>117 672</b>     | <b>117 672</b>   | <b>113 461</b>    | <b>4 211</b>  |
| Justice of the Peace #1:                             |                    |                  |                   |   |
| Payroll expense                                      | 106 794            | 106 799          | 103 234           | 3 565   |
| Operating expense                                    | 14 750             | 14 745           | 12 606            | 2 139   |
| <b>TOTAL JUSTICE OF THE PEACE #1</b>                 | <b>121 544</b>     | <b>121 544</b>   | <b>115 840</b>    | <b>5 704</b>  |
| Justice of the Peace #2:                             |                    |                  |                   |   |
| Payroll expense                                      | 48 848             | 48 850           | 48 744            | 106   |
| Operating expense                                    | 10 910             | 10 908           | 9 629             | 1 279   |
| <b>TOTAL JUSTICE OF THE PEACE #2</b>                 | <b>59 758</b>      | <b>59 758</b>    | <b>58 373</b>     | <b>1 385</b>  |
| Justice of the Peace #3:                             |                    |                  |                   |   |
| Payroll expense                                      | 48 848             | 48 850           | 48 744            | 106   |
| Operating expense                                    | 20 260             | 20 258           | 16 966            | 3 292   |
| <b>TOTAL JUSTICE OF THE PEACE #3</b>                 | <b>69 108</b>      | <b>69 108</b>    | <b>65 710</b>     | <b>3 398</b>  |
| Justice of the Peace #4:                             |                    |                  |                   |   |
| Payroll expense                                      | 48 848             | 48 848           | 33 883            | 14 965  |
| Operating expense                                    | 11 270             | 11 270           | 10 248            | 1 022   |
| <b>TOTAL JUSTICE OF THE PEACE #4</b>                 | <b>60 118</b>      | <b>60 118</b>    | <b>44 131</b>     | <b>15 987</b>   |
| Justice of the Peace #5:                             |                    |                  |                   |   |
| Payroll expense                                      | 48 848             | 48 866           | 48 754            | 112   |
| Operating expense                                    | 18 250             | 18 232           | 15 303            | 2 929   |
| <b>TOTAL JUSTICE OF THE PEACE #5</b>                 | <b>67 098</b>      | <b>67 098</b>    | <b>64 057</b>     | <b>3 041</b>  |
| <b>TOTAL JUDICIAL EXPENDITURES</b>                   | <b>1 041 735</b>   | <b>1 041 735</b> | <b>959 721</b>    | <b>82 014</b>   |
| <b>Law Enforcement and Corrections Expenditures:</b> |                    |                  |                   |   |
| Constable Pct #1:                                    |                    |                  |                   |   |
| Payroll expense                                      | 67 251             | 67 049           | 67 049            | -   |
| Operating expense                                    | 9 250              | 13 382           | 13 381            | 1   |
| <b>TOTAL CONSTABLE PCT #1</b>                        | <b>76 501</b>      | <b>80 431</b>    | <b>80 430</b>     | <b>1</b>  |
| Constable Pct #2:                                    |                    |                  |                   |   |
| Payroll expense                                      | 67 251             | 67 049           | 67 049            | -   |
| Operating expense                                    | 9 250              | 12 424           | 12 424            | -   |
| <b>TOTAL CONSTABLE PCT #2</b>                        | <b>76 501</b>      | <b>79 473</b>    | <b>79 473</b>     | <b>-</b>  |
| Constable Pct #3:                                    |                    |                  |                   |   |
| Payroll expense                                      | 67 251             | 67 049           | 67 049            | -   |
| Operating expense                                    | 9 900              | 13 744           | 13 745            | (1)   |
| <b>TOTAL CONSTABLE PCT #3</b>                        | <b>77 151</b>      | <b>80 793</b>    | <b>80 794</b>     | <b>(1)</b>  |
| Constable Pct #4:                                    |                    |                  |                   |   |
| Payroll expense                                      | 67 251             | 67 253           | 67 002            | 251   |
| Operating expense                                    | 9 350              | 9 348            | 9 068             | 280   |
| <b>TOTAL CONSTABLE PCT #4</b>                        | <b>76 601</b>      | <b>76 601</b>    | <b>76 070</b>     | <b>531</b>  |
| Constable Pct #5:                                    |                    |                  |                   |   |
| Payroll expense                                      | 67 251             | 75 904           | 75 905            | (1)   |
| Operating expense                                    | 9 350              | 16 434           | 16 433            | 1   |
| <b>TOTAL CONSTABLE PCT #5</b>                        | <b>76 601</b>      | <b>92 338</b>    | <b>92 338</b>     | <b>-</b>  |
| DPS Secretary:                                       |                    |                  |                   |   |
| Payroll expense                                      | 63 740             | 63 771           | 60 252            | 3 519   |
| Operating expense                                    | 4 000              | 3 969            | 3 679             | 290   |
| <b>TOTAL DPS SECRETARY</b>                           | <b>67 740</b>      | <b>67 740</b>    | <b>63 931</b>     | <b>3 809</b>  |



SHELBY COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CONTINUED  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended September 30, 2023

|   | ORIGINAL<br>BUDGET  | FINAL<br>BUDGET     | ACTUAL<br>AMOUNTS   | VARIANCE WITH<br>FINAL BUDGET -<br>POSITIVE<br>(NEGATIVE) |
|---|---------------------|---------------------|---------------------|---|
| County Sheriff:                                       |                     |                     |                     |   |
| Payroll expense                                       | 2 641 484           | 2 464 775           | 2 305 386           | 159 389   |
| Operating expense                                     | 548 750             | 724 459             | 728 709             | (3 250)   |
| TOTAL COUNTY SHERIFF                                  | <u>3 190 234</u>    | <u>3 189 234</u>    | <u>3 034 095</u>    | <u>156 139</u>  |
| Adult Probation:                                      |                     |                     |                     |   |
| Operating expense                                     | 25 500              | 25 500              | 17 907              | 7 593   |
| TOTAL ADULT PROBATION                                 | <u>25 500</u>       | <u>25 500</u>       | <u>17 907</u>       | <u>7 593</u>  |
| Juvenile Probation:                                   |                     |                     |                     |   |
| Payroll expense                                       | 6 037               | 6 037               | 6 037               | -   |
| Operating expense                                     | 39 815              | 89 961              | 89 961              | -   |
| TOTAL JUVENILE PROBATION                              | <u>45 852</u>       | <u>95 998</u>       | <u>95 998</u>       | <u>-</u>  |
| 911 Administrator:                                    |                     |                     |                     |   |
| Payroll expense                                       | 49 955              | 49 588              | 49 587              | 1   |
| Operating expense                                     | 2 000               | 2 801               | 2 801               | -   |
| TOTAL 911 ADMINISTRATOR                               | <u>51 955</u>       | <u>52 389</u>       | <u>52 388</u>       | <u>1</u>  |
| TOTAL LAW ENFORCEMENT AND CORRECTIONS<br>EXPENDITURES | <u>3 764 636</u>    | <u>3 841 497</u>    | <u>3 673 424</u>    | <u>168 073</u>  |
| Non-departmental expenditures                         | 1 827 005           | 1 719 983           | 1 356 183           | 363 800   |
| TOTAL EXPENDITURES                                    | <u>8 496 672</u>    | <u>8 496 675</u>    | <u>7 726 038</u>    | <u>770 637</u>  |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER EXPENDITURES  | <u>(28 721)</u>     | <u>(28 724)</u>     | <u>1 944 577</u>    | <u>1 973 301</u>  |
| Other Financing Sources (Uses):                       |                     |                     |                     |   |
| Proceeds from sale of capital assets                  | -                   | -                   | 8 000               | 8 000   |
| TOTAL OTHER FINANCING SOURCES (USES)                  | <u>-</u>            | <u>-</u>            | <u>8 000</u>        | <u>8 000</u>  |
| NET CHANGE IN FUND BALANCES                           | (28 721)            | (28 724)            | 1 952 577           | 1 981 301   |
| Fund balances, beginning                              | <u>7 374 013</u>    | <u>7 374 013</u>    | <u>7 374 013</u>    | <u>-</u>  |
| FUND BALANCES, ENDING                                 | <u>\$ 7 345 292</u> | <u>\$ 7 345 289</u> | <u>\$ 9 326 590</u> | <u>\$ 1 981 301</u>                                       |

See independent auditor's 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, 2023

|                             | ORIGINAL<br>BUDGET | FINAL<br>BUDGET   | ACTUAL<br>AMOUNTS | VARIANCE WITH<br>FINAL BUDGET -<br>POSITIVE<br>(NEGATIVE) |
|-----------------------------|--------------------|-------------------|-------------------|---|
| Revenues:                   |                    |                   |                   |   |
| Property taxes              | \$ 668 788         | \$ 668 788        | \$ 709 590        | \$ 40 802   |
| Other taxes                 | 295 981            | 295 981           | 315 689           | 19 708  |
| Fines and fees              | 188 500            | 188 500           | 175 492           | (13 008)  |
| Miscellaneous               | 40 000             | 245 032           | 335 306           | 90 274  |
| TOTAL REVENUES              | <u>1 193 269</u>   | <u>1 398 301</u>  | <u>1 536 077</u>  | <u>137 776</u>  |
| Expenditures:               |                    |                   |                   |   |
| Payroll expense             | 459 498            | 486 944           | 484 182           | 2 762   |
| Operating expense           | 733 771            | 1 022 132         | 857 071           | 165 061   |
| TOTAL EXPENDITURES          | <u>1 193 269</u>   | <u>1 509 076</u>  | <u>1 341 253</u>  | <u>167 823</u>  |
| NET CHANGE IN FUND BALANCES | -                  | (110 775)         | 194 824           | 305 599   |
| Fund balances, beginning    | <u>103 412</u>     | <u>103 412</u>    | <u>103 412</u>    | -   |
| FUND BALANCES, ENDING       | <u>\$ 103 412</u>  | <u>\$ (7 363)</u> | <u>\$ 298 236</u> | <u>\$ 305 599</u>   |

See independent auditor's 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, 2023

|                             | ORIGINAL<br>BUDGET | FINAL<br>BUDGET   | ACTUAL<br>AMOUNTS | VARIANCE WITH<br>FINAL BUDGET -<br>POSITIVE<br>(NEGATIVE) |
|-----------------------------|--------------------|-------------------|-------------------|---|
| Revenues:                   |                    |                   |                   |   |
| Property taxes              | \$ 668 788         | \$ 668 788        | \$ 709 590        | \$ 40 802   |
| Other taxes                 | 295 981            | 295 981           | 315 689           | 19 708  |
| Fines and fees              | 188 500            | 188 500           | 175 492           | (13 008)  |
| Miscellaneous               | 40 000             | 177 632           | 215 406           | 37 774  |
| TOTAL REVENUES              | <u>1 193 269</u>   | <u>1 330 901</u>  | <u>1 416 177</u>  | <u>85 276</u>   |
| Expenditures:               |                    |                   |                   |   |
| Payroll expense             | 461 545            | 480 711           | 474 411           | 6 300   |
| Operating expense           | 676 424            | 866 623           | 754 216           | 112 407   |
| Debt service                | 55 300             | 55 300            | 54 753            | 547   |
| TOTAL EXPENDITURES          | <u>1 193 269</u>   | <u>1 402 634</u>  | <u>1 283 380</u>  | <u>119 254</u>  |
| NET CHANGE IN FUND BALANCES | -                  | (71 733)          | 132 797           | 204 530   |
| Fund balances, beginning    | <u>63 451</u>      | <u>63 451</u>     | <u>63 451</u>     | -   |
| FUND BALANCES, ENDING       | <u>\$ 63 451</u>   | <u>\$ (8 282)</u> | <u>\$ 196 248</u> | <u>\$ 204 530</u>   |

See independent auditor's 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, 2023

|                             | ORIGINAL<br>BUDGET | FINAL<br>BUDGET   | ACTUAL<br>AMOUNTS | VARIANCE WITH<br>FINAL BUDGET -<br>POSITIVE<br>(NEGATIVE) |
|-----------------------------|--------------------|-------------------|-------------------|---|
| Revenues:                   |                    |                   |                   |   |
| Property taxes              | \$ 668 788         | \$ 668 788        | \$ 709 590        | \$ 40 802   |
| Other taxes                 | 295 981            | 295 981           | 315 689           | 19 708  |
| Fines and fees              | 188 500            | 188 500           | 175 492           | (13 008)  |
| Miscellaneous               | 40 000             | 402 129           | 460 839           | 58 710  |
| TOTAL REVENUES              | <u>1 193 269</u>   | <u>1 555 398</u>  | <u>1 661 610</u>  | <u>106 212</u>  |
| Expenditures:               |                    |                   |                   |   |
| Payroll expense             | 501 473            | 501 473           | 446 405           | 55 068  |
| Operating expense           | 630 136            | 1 077 670         | 1 052 442         | 25 228  |
| Debt service                | 61 660             | 61 660            | 61 658            | 2   |
| TOTAL EXPENDITURES          | <u>1 193 269</u>   | <u>1 640 803</u>  | <u>1 560 505</u>  | <u>80 298</u>   |
| NET CHANGE IN FUND BALANCES | -                  | (85 405)          | 101 105           | 186 510   |
| Fund balances, beginning    | <u>709 590</u>     | <u>79 106</u>     | <u>79 106</u>     | -   |
| FUND BALANCES, ENDING       | <u>\$ 709 590</u>  | <u>\$ (6 299)</u> | <u>\$ 180 211</u> | <u>\$ 186 510</u>   |

See independent auditor's 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, 2023

|                             | ORIGINAL<br>BUDGET | FINAL<br>BUDGET  | ACTUAL<br>AMOUNTS | VARIANCE WITH<br>FINAL BUDGET -<br>POSITIVE<br>(NEGATIVE) |
|-----------------------------|--------------------|------------------|-------------------|---|
| Revenues:                   |                    |                  |                   |   |
| Property taxes              | \$ 668 788         | \$ 668 788       | \$ 709 590        | \$ 40 802   |
| Other taxes                 | 295 981            | 295 981          | 315 689           | 19 708  |
| Fines and fees              | 188 500            | 188 500          | 175 492           | (13 008)  |
| Miscellaneous               | 40 000             | 149 500          | 262 001           | 112 501   |
| TOTAL REVENUES              | <u>1 193 269</u>   | <u>1 302 769</u> | <u>1 462 772</u>  | <u>160 003</u>  |
| Expenditures:               |                    |                  |                   |   |
| Payroll expense             | 465 735            | 475 153          | 474 364           | 789   |
| Operating expense           | 714 907            | 814 989          | 814 389           | 600   |
| Debt service                | 12 627             | 12 627           | 12 626            | 1   |
| TOTAL EXPENDITURES          | <u>1 193 269</u>   | <u>1 302 769</u> | <u>1 301 379</u>  | <u>1 390</u>  |
| NET CHANGE IN FUND BALANCES | -                  | -                | 161 393           | 161 393   |
| Fund balances, beginning    | <u>38 832</u>      | <u>38 832</u>    | <u>38 832</u>     | -   |
| FUND BALANCES, ENDING       | <u>\$ 38 832</u>   | <u>\$ 38 832</u> | <u>\$ 200 225</u> | <u>\$ 161 393</u>   |

See independent auditor's report.

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

|  | 2022         | 2021           | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         |
|--|--------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Pension Liability:   |              |                |              |              |              |              |              |              |              |
| Service cost   | \$ 607 503   | \$ 545 247     | \$ 567 011   | \$ 530 224   | \$ 582 300   | \$ 560 000   | \$ 576 630   | \$ 487 702   | \$ 463 927   |
| Interest (on the total pension liability)                              | 1 443 228    | 1 379 238      | 1 327 818    | 1 261 272    | 1 198 990    | 1 127 656    | 1 058 536    | 1 020 941    | 960 407      |
| Changes of benefit terms   | -            | -              | -            | -            | -            | -            | -            | (88 405)     | -            |
| Change of assumptions  | -            | (80 172)       | 977 553      | -            | -            | 65 151       | -            | 138 045      | -            |
| Demographic/economic (gains)/losses                                    | (186 354)    | (116 846)      | (145 146)    | (62 925)     | (58 148)     | (28 935)     | (197 579)    | (321 991)    | 19 055       |
| Benefit payments, including refunds of employee contributions          | (953 922)    | (941 787)      | (957 662)    | (930 472)    | (874 895)    | (856 476)    | (866 430)    | (719 291)    | (744 305)    |
| NET CHANGE IN TOTAL PENSION LIABILITY                                  | 910 455      | 785 680        | 1 769 574    | 798 099      | 848 247      | 867 396      | 571 157      | 517 001      | 699 084      |
| Total pension liability - Beginning                                    | 18 850 571   | 18 064 891     | 16 295 317   | 15 497 218   | 14 648 971   | 13 781 575   | 13 210 418   | 12 693 417   | 11 994 333   |
| TOTAL PENSION LIABILITY - ENDING                                       | 19 761 026   | 18 850 571     | 18 064 891   | 16 295 317   | 15 497 218   | 14 648 971   | 13 781 575   | 13 210 418   | 12 693 417   |
| Plan Fiduciary Net Position:   |              |                |              |              |              |              |              |              |              |
| Contributions - Employer   | 457 713      | 380 796        | 374 850      | 355 417      | 368 461      | 354 054      | 365 822      | 367 665      | 338 996      |
| Contributions - Employee   | 361 217      | 345 281        | 329 642      | 332 610      | 331 521      | 324 821      | 304 489      | 308 006      | 266 626      |
| Net investment income  | (1 237 680)  | 3 858 501      | 1 680 386    | 2 332 127    | (275 150)    | 1 889 569    | 904 301      | 9 855        | 802 479      |
| Benefit payments, including refunds of employee contributions          | (953 922)    | (941 787)      | (957 662)    | (930 472)    | (874 895)    | (856 476)    | (866 430)    | (719 291)    | (744 305)    |
| Administrative   | (11 676)     | (11 529)       | (12 936)     | (12 399)     | (11 405)     | (9 752)      | (9 883)      | (8 908)      | (9 351)      |
| Other  | (1 196)      | (1 241)        | (5 879)      | (6 034)      | (3 443)      | (2 472)      | (32 134)     | (135 211)    | 20 185       |
| NET CHANGE IN PLAN FIDUCIARY NET POSITION                              | (1 385 546)  | 3 630 021      | 1 408 401    | 2 071 249    | (464 911)    | 1 699 744    | 666 165      | (177 884)    | 674 630      |
| Plan fiduciary net position - Beginning                                | 21 309 419   | 17 679 398     | 16 270 997   | 14 199 748   | 14 664 659   | 12 964 915   | 12 298 750   | 12 476 634   | 11 802 004   |
| PLAN FIDUCIARY NET POSITION - ENDING                                   | 19 923 875   | 21 309 419     | 17 679 398   | 16 270 997   | 14 199 748   | 14 664 659   | 12 964 915   | 12 298 750   | 12 476 634   |
| NET PENSION LIABILITY (ASSET) - ENDING                                 | \$ (162 849) | \$ (2 458 848) | \$ 385 493   | \$ 24 320    | \$ 1 297 470 | \$ (15 688)  | \$ 816 660   | \$ 911 668   | \$ 216 783   |
| Plan fiduciary net position as a percentage of total pension liability | 100.82%      | 113.04%        | 97.87%       | 99.85%       | 91.63%       | 100.11%      | 94.07%       | 93.10%       | 98.29%       |
| Covered employee payroll   | \$ 5 160 241 | \$ 4 932 588   | \$ 4 709 172 | \$ 4 751 567 | \$ 4 763 009 | \$ 4 640 294 | \$ 4 349 850 | \$ 4 285 142 | \$ 3 808 942 |
| Net pension liability as a percentage of covered employee payroll      | (3.16)%      | (49.85)%       | 8.19%        | 0.51%        | 27.40%       | (0.34)%      | 18.77%       | 21.28%       | 5.69%        |

Additional years will be provided as they become available.

SHELBY COUNTY, TEXAS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS

| <u>YEAR<br/>ENDING<br/>DECEMBER 31,</u> | <u>ACTUARIALLY<br/>DETERMINED<br/>CONTRIBUTION</u> | <u>ACTUAL<br/>EMPLOYER<br/>CONTRIBUTION</u> | <u>CONTRIBUTION<br/>DEFICIENCY<br/>(EXCESS)</u> | <u>PENSIONABLE<br/>COVERED<br/>PAYROLL</u> | <u>ACTUAL<br/>CONTRIBUTION<br/>AS A % OF<br/>COVERED<br/>PAYROLL</u> |
|---|--|---|---|--|--|
| 2015                                    | \$ 350 419   | \$ 350 419                                  | \$ -  | \$ 4 285 142                               | 8.7%   |
| 2016                                    | \$ 367 451   | \$ 367 451                                  | \$ -  | \$ 4 349 850                               | 8.5%   |
| 2017                                    | \$ 353 237   | \$ 353 237                                  | \$ -  | \$ 4 640 294                               | 7.8%   |
| 2018                                    | \$ 370 407   | \$ 370 407                                  | \$ -  | \$ 4 763 009                               | 7.7%   |
| 2019                                    | \$ 375 062   | \$ 375 062                                  | \$ -  | \$ 4 751 567                               | 7.8%   |
| 2020                                    | \$ 374 850   | \$ 374 850                                  | \$ -  | \$ 4 709 172                               | 8.0%   |
| 2021                                    | \$ 380 796   | \$ 380 796                                  | \$ -  | \$ 4 932 588                               | 7.7%   |
| 2022                                    | \$ 457 713   | \$ 457 713                                  | \$ -  | \$ 5 160 241                               | 8.9%   |

Additional years will be provided as they become available.

SHELBY COUNTY, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended September 30, 2023

**Budgetary Procedures**

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

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

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

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are canceled, consequently there are none as of September 30, 2023.

**Pension Plan**

See Note VII for details on retirement plan provisions and changes to the plan during the year ended September 30, 2023.



## COMBINING SCHEDULES

SHELBY COUNTY, TEXAS  
 COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS  
 September 30, 2023

|  |           | COUNTY<br>CLERK<br>VITAL<br>ARCHIVES<br>FEE FUND | GENERAL<br>RECORDS<br>MANAGEMENT          | SHERIFF<br>OFFICE<br>EDUCATION<br>FUND           | VEHICLE<br>INVENTORY<br>TAX FUND          |                         |
|--|-----------|--|---|--|---|-------------------------|
|  |           | <u>DONATIONS<br/>FUND</u>                        | <u>GENERAL<br/>RECORDS<br/>MANAGEMENT</u> | <u>SHERIFF<br/>OFFICE<br/>EDUCATION<br/>FUND</u> | <u>VEHICLE<br/>INVENTORY<br/>TAX FUND</u> |                         |
| <b>ASSETS</b>  |           |  |   |  |   |                         |
| Cash and investments   | \$        | -  | \$ 43 370                                 | \$ 20 068  | \$ 1 844                                  | \$ 87 005               |
| Property tax receivable (net)  |           | -  | -   | -  | -   | -                       |
| Other receivables  |           | -  | -   | -  | -   | -                       |
| <b>TOTAL ASSETS</b>  | <b>\$</b> | <b><u>-</u></b>                                  | <b><u>\$ 43 370</u></b>                   | <b><u>\$ 20 068</u></b>                          | <b><u>\$ 1 844</u></b>                    | <b><u>\$ 87 005</u></b> |
| <br><b>LIABILITIES AND FUND BALANCES</b>                             |           |  |   |  |   |                         |
| <b>Liabilities:</b>  |           |  |   |  |   |                         |
| Accounts payable   | \$        | -  | -   | \$ 32  | \$ -                                      |                         |
| Accrued expense  |           | -  | -   | -  | -   |                         |
| <b>TOTAL LIABILITIES</b>   |           | <b><u>-</u></b>                                  | <b><u>-</u></b>                           | <b><u>32</u></b>                                 | <b><u>-</u></b>                           |                         |
| <br><b>Deferred Inflows:</b>   |           |  |   |  |   |                         |
| Unavailable revenue  |           | -  | -   | -  | -   | -                       |
| <b>TOTAL LIABILITIES AND<br/>DEFERRED INFLOWS</b>                    |           | <b><u>-</u></b>                                  | <b><u>-</u></b>                           | <b><u>-</u></b>                                  | <b><u>-</u></b>                           | <b><u>-</u></b>         |
| <br><b>Fund Balances:</b>  |           |  |   |  |   |                         |
| Restricted fund balance  |           | -  | 43 370                                    | 20 068   | 1 812                                     | 87 005                  |
| <b>TOTAL FUND BALANCES</b>   |           | <b><u>-</u></b>                                  | <b><u>43 370</u></b>                      | <b><u>20 068</u></b>                             | <b><u>1 812</u></b>                       | <b><u>87 005</u></b>    |
| <br><b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS AND FUND BALANCES</b> | <b>\$</b> | <b><u>-</u></b>                                  | <b><u>\$ 43 370</u></b>                   | <b><u>\$ 20 068</u></b>                          | <b><u>\$ 1 844</u></b>                    | <b><u>\$ 87 005</u></b> |

See independent auditor's report.

| HISTORIC<br>COURT-<br>HOUSE<br>FUND | GARZA<br>COUNTY<br>FUND | SHERIFF<br>COMMISSARY<br>FUND | DISTRICT<br>ATTORNEY<br>TRUSTEE | LOCAL<br>ASSISTANCE<br>AND TRIBAL<br>FUND | COUNTY<br>ATTORNEY<br>FUND | OPIOD<br>ABATE-<br>MENT<br>FUND | COVID<br>RELIEF<br>FUND |
|-------------------------------------|-------------------------|-------------------------------|---------------------------------|---|----------------------------|---------------------------------|-------------------------|
| \$ -                                | \$ 13 200               | \$ 92 116                     | \$ 38 893                       | \$ 383 020                                | \$ 5 011                   | \$ 34 508                       | \$ -                    |
| -                                   | -                       | -                             | -                               | -   | -                          | -                               | -                       |
| -                                   | -                       | -                             | -                               | -   | -                          | -                               | -                       |
| <u>\$ -</u>                         | <u>\$ 13 200</u>        | <u>\$ 92 116</u>              | <u>\$ 38 893</u>                | <u>\$ 383 020</u>                         | <u>\$ 5 011</u>            | <u>\$ 34 508</u>                | <u>\$ -</u>             |
| \$ -                                | \$ -                    | \$ -                          | \$ -                            | \$ -                                      | \$ -                       | \$ -                            | \$ -                    |
| -                                   | -                       | -                             | -                               | -   | -                          | -                               | -                       |
| -                                   | -                       | -                             | -                               | -   | -                          | -                               | -                       |
| -                                   | -                       | -                             | -                               | -   | -                          | -                               | -                       |
| -                                   | -                       | -                             | -                               | -   | -                          | -                               | -                       |
| -                                   | 13 200                  | 92 116                        | 38 893                          | 383 020                                   | 5 011                      | 34 508                          | -                       |
| -                                   | 13 200                  | 92 116                        | 38 893                          | 383 020                                   | 5 011                      | 34 508                          | -                       |
| <u>\$ -</u>                         | <u>\$ 13 200</u>        | <u>\$ 92 116</u>              | <u>\$ 38 893</u>                | <u>\$ 383 020</u>                         | <u>\$ 5 011</u>            | <u>\$ 34 508</u>                | <u>\$ -</u>             |

SHELBY COUNTY, TEXAS  
 COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS - CONTINUED  
 September 30, 2023

|  |               | ROAD<br>GRANT<br>FUND | JUSTICE<br>OF PEACE<br>COURT<br>TECH<br>FUND | LEOSE<br>CONSTABLES<br>FUND | CHAPTER 19<br>VOTER<br>REGISTRATION | LAW<br>LIBRARY<br>FUND |
|--|---------------|-----------------------|--|-----------------------------|-------------------------------------|------------------------|
| <b>ASSETS</b>  |               |                       |  |                             |                                     |                        |
| Cash and investments   | \$            | -                     | \$ 4 473                                     | \$ 12 546                   | \$ -                                | \$ 115 852             |
| Property tax receivable (net)  |               | -                     | 1 102  | -                           | -                                   | -                      |
| Other receivables  |               | -                     | -  | -                           | -                                   | -                      |
| <b>TOTAL ASSETS</b>  | <b>\$</b>     | <b>-</b>              | <b>\$ 5 575</b>                              | <b>\$ 12 546</b>            | <b>\$ -</b>                         | <b>\$ 115 852</b>      |
| <br><b>LIABILITIES AND FUND BALANCES</b>                             |               |                       |  |                             |                                     |                        |
| <b>Liabilities:</b>  |               |                       |  |                             |                                     |                        |
| Accounts payable   | \$            | -                     | -  | -                           | -                                   | \$ 321                 |
| Accrued expense  |               | -                     | -  | -                           | -                                   | -                      |
| <b>TOTAL LIABILITIES</b>   |               | <b>-</b>              | <b>-</b>                                     | <b>-</b>                    | <b>-</b>                            | <b>321</b>             |
| <br><b>Deferred Inflows:</b>   |               |                       |  |                             |                                     |                        |
| Unavailable revenue  |               | -                     | 1 102  | -                           | -                                   | -                      |
| <b>TOTAL LIABILITIES AND<br/>DEFERRED INFLOWS</b>                    |               | <b>-</b>              | <b>1 102</b>                                 | <b>-</b>                    | <b>-</b>                            | <b>-</b>               |
| <br><b>Fund Balances:</b>  |               |                       |  |                             |                                     |                        |
| Restricted fund balance  |               | -                     | 4 473  | 12 546                      | -                                   | 115 531                |
| <b>TOTAL FUND BALANCES</b>   |               | <b>-</b>              | <b>4 473</b>                                 | <b>12 546</b>               | <b>-</b>                            | <b>115 531</b>         |
| <br><b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS AND FUND BALANCES</b> | <br><b>\$</b> | <br><b>-</b>          | <br><b>\$ 5 575</b>                          | <br><b>\$ 12 546</b>        | <br><b>\$ -</b>                     | <br><b>\$ 115 852</b>  |

See independent auditor's report.

| DISTRICT<br>CLERK<br>RECORD<br>MGMT<br>FUND | COUNTY<br>CLERK<br>RECORD<br>MGMT<br>FUND | COURT-<br>HOUSE<br>SECURITY<br>FUND | JURY<br>FUND     | RIGHT<br>OF WAY<br>FUND | INDIGENT<br>HEALTH<br>CARE<br>FUND | COURT<br>REPORTER<br>SERVICE<br>FUND | JUVENILE<br>PROBATION<br>FUND |
|---|---|-------------------------------------|------------------|-------------------------|------------------------------------|--------------------------------------|-------------------------------|
| \$ 14 023                                   | \$ 173 303                                | \$ 49 799                           | \$ 45 883        | \$ 54 072               | \$ 1 227 558                       | \$ 6 214                             | \$ 403                        |
| -   | -   | 13 790                              | 16 820           | -                       | 65 626                             | -                                    | -                             |
| -   | -   | -                                   | -                | -                       | -                                  | -                                    | 17 460                        |
| <u>\$ 14 023</u>                            | <u>\$ 173 303</u>                         | <u>\$ 63 589</u>                    | <u>\$ 62 703</u> | <u>\$ 54 072</u>        | <u>\$ 1 293 184</u>                | <u>\$ 6 214</u>                      | <u>\$ 17 863</u>              |
| \$ -  | \$ 7 827                                  | \$ -                                | \$ -             | \$ -                    | \$ -                               | \$ -                                 | \$ -                          |
| -   | 88  | 99                                  | 6                | -                       | 1 865                              | -                                    | 212                           |
| -   | 7 915                                     | 99                                  | 6                | -                       | 1 865                              | -                                    | 212                           |
| -   | -   | 13 790                              | 16 820           | -                       | 65 626                             | -                                    | -                             |
| -   | -   | 13 790                              | 16 820           | -                       | 65 626                             | -                                    | -                             |
| 14 023                                      | 165 388                                   | 49 700                              | 45 877           | 54 072                  | 1 225 693                          | 6 214                                | 17 651                        |
| <u>14 023</u>                               | <u>165 388</u>                            | <u>49 700</u>                       | <u>45 877</u>    | <u>54 072</u>           | <u>1 225 693</u>                   | <u>6 214</u>                         | <u>17 651</u>                 |
| <u>\$ 14 023</u>                            | <u>\$ 173 303</u>                         | <u>\$ 63 589</u>                    | <u>\$ 62 703</u> | <u>\$ 54 072</u>        | <u>\$ 1 293 184</u>                | <u>\$ 6 214</u>                      | <u>\$ 17 863</u>              |

SHELBY COUNTY, TEXAS  
 COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS - CONTINUED  
 September 30, 2023

|  | GRANT<br>FUND | PERMANENT<br>ACCOUNT<br>GARZA CO<br>FUND | SHERIFF<br>LOCAL<br>FORFEITURE | JUSTICE<br>COURT<br>SUPPORT<br>FUND | LANGUAGE<br>ACCESS<br>FUND |
|--|---------------|--|--------------------------------|-------------------------------------|----------------------------|
| <b>ASSETS</b>  |               |  |                                |                                     |                            |
| Cash and investments                                     | \$ -          | \$ 8 094                                 | \$ 5 707                       | \$ 14 875                           | \$ 3 593                   |
| Property tax receivable (net)                            | -             | -  | -                              | -                                   | -                          |
| Other receivables  | -             | -  | -                              | -                                   | -                          |
| TOTAL ASSETS   | \$ -          | \$ 8 094                                 | \$ 5 707                       | \$ 14 875                           | \$ 3 593                   |
| <br><b>LIABILITIES AND FUND BALANCES</b>                 |               |  |                                |                                     |                            |
| Liabilities:   |               |  |                                |                                     |                            |
| Accounts payable   | \$ -          | \$ -                                     | \$ -                           | \$ -                                | \$ -                       |
| Accrued expense  | -             | -  | -                              | -                                   | -                          |
| TOTAL LIABILITIES  | -             | -  | -                              | -                                   | -                          |
| Deferred Inflows:  |               |  |                                |                                     |                            |
| Unavailable revenue                                      | -             | -  | -                              | -                                   | -                          |
| TOTAL LIABILITIES AND<br>DEFERRED INFLOWS                | -             | -  | -                              | -                                   | -                          |
| Fund Balances:   |               |  |                                |                                     |                            |
| Restricted fund balance                                  | -             | 8 094                                    | 5 707                          | 14 875                              | 3 593                      |
| TOTAL FUND BALANCES                                      | -             | 8 094                                    | 5 707                          | 14 875                              | 3 593                      |
| TOTAL LIABILITIES, DEFERRED<br>INFLOWS AND FUND BALANCES | \$ -          | \$ 8 094                                 | \$ 5 707                       | \$ 14 875                           | \$ 3 593                   |

See independent auditor's report.

| COUNTY COURT RECORDS TECH FUND | DISTRICT COURT RECORDS TECH FUND | APPELLATE JUDICIAL FEE COUNTY CLERK | APPELLATE JUDICIAL FEE DISTRICT CLERK | RECORDS ARCHIVE FEE COUNTY CLERK | RECORDS ARCHIVE FEE DISTRICT CLERK | JP COURT SECURITY FUND | CHILD ABUSE PREVENTION FEE FUND |
|--------------------------------|----------------------------------|-------------------------------------|---------------------------------------|----------------------------------|------------------------------------|------------------------|---------------------------------|
| \$ 50 741                      | \$ 2 024                         | \$ 55                               | \$ -                                  | \$ 474 400                       | \$ 40 354                          | \$ 20 973              | \$ 3 085                        |
| -                              | -                                | -                                   | -                                     | -                                | -                                  | -                      | -                               |
| -                              | -                                | -                                   | -                                     | -                                | -                                  | -                      | -                               |
| <u>\$ 50 741</u>               | <u>\$ 2 024</u>                  | <u>\$ 55</u>                        | <u>\$ -</u>                           | <u>\$ 474 400</u>                | <u>\$ 40 354</u>                   | <u>\$ 20 973</u>       | <u>\$ 3 085</u>                 |
| \$ -                           | \$ -                             | \$ -                                | \$ -                                  | \$ -                             | \$ -                               | \$ -                   | \$ -                            |
| -                              | -                                | -                                   | -                                     | -                                | -                                  | -                      | -                               |
| -                              | -                                | -                                   | -                                     | -                                | -                                  | -                      | -                               |
| -                              | -                                | -                                   | -                                     | -                                | -                                  | -                      | -                               |
| -                              | -                                | -                                   | -                                     | -                                | -                                  | -                      | -                               |
| 50 741                         | 2 024                            | 55                                  | -                                     | 474 400                          | 40 354                             | 20 973                 | 3 085                           |
| 50 741                         | 2 024                            | 55                                  | -                                     | 474 400                          | 40 354                             | 20 973                 | 3 085                           |
| <u>\$ 50 741</u>               | <u>\$ 2 024</u>                  | <u>\$ 55</u>                        | <u>\$ -</u>                           | <u>\$ 474 400</u>                | <u>\$ 40 354</u>                   | <u>\$ 20 973</u>       | <u>\$ 3 085</u>                 |

SHELBY COUNTY, TEXAS  
 COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS - CONTINUED  
 September 30, 2023

|  | <u>FAMILY<br/>PROTECTION<br/>FEE<br/>FUND</u> | <u>GUARDIAN-<br/>SHIP<br/>FUND</u> | <u>CHILD<br/>SAFETY<br/>FEE<br/>FUND</u> | <u>DISTRICT<br/>ATTORNEY<br/>SEIZURE<br/>FUND<br/>NON-TRAFFIC</u> |
|--|---|------------------------------------|--|---|
| <b>ASSETS</b>  |   |                                    |  |   |
| Cash and investments   | \$ -  | \$ 7 497                           | \$ -                                     | \$ 139 078  |
| Property tax receivable (net)  | -   | -                                  | -  | -   |
| Other receivables  | -   | -                                  | -  | -   |
| <b>TOTAL ASSETS</b>  | <u>\$ -</u>                                   | <u>\$ 7 497</u>                    | <u>\$ -</u>                              | <u>\$ 139 078</u>   |
| <br><b>LIABILITIES AND FUND BALANCES</b>                             |   |                                    |  |   |
| <b>Liabilities:</b>  |   |                                    |  |   |
| Accounts payable   | \$ -  | \$ -                               | \$ -                                     | \$ -  |
| Accrued expense  | -   | -                                  | -  | -   |
| <b>TOTAL LIABILITIES</b>   | <u>-</u>                                      | <u>-</u>                           | <u>-</u>                                 | <u>-</u>  |
| <br><b>Deferred Inflows:</b>   |   |                                    |  |   |
| Unavailable revenue  | -   | -                                  | -  | -   |
| <b>TOTAL LIABILITIES AND<br/>DEFERRED INFLOWS</b>                    | <u>-</u>                                      | <u>-</u>                           | <u>-</u>                                 | <u>-</u>  |
| <br><b>Fund Balances:</b>  |   |                                    |  |   |
| Restricted fund balance  | -   | 7 497                              | -  | 139 078   |
| <b>TOTAL FUND BALANCES</b>   | <u>-</u>                                      | <u>7 497</u>                       | <u>-</u>                                 | <u>139 078</u>  |
| <br><b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS AND FUND BALANCES</b> | <br><u>\$ -</u>                               | <br><u>\$ 7 497</u>                | <br><u>\$ -</u>                          | <br><u>\$ 139 078</u>   |

See independent auditor's report.



| DISTRICT<br>ATTORNEY<br>FORFEITURE<br>FUNDS | PRETRIAL<br>INTER-<br>VENTION<br>PROGRAM<br>FUND | DRUG<br>COURT<br>FUND | TOTAL<br>SPECIAL<br>REVENUE<br>FUNDS |
|---|--|-----------------------|--------------------------------------|
| \$ 11 429                                   | \$ 16 300  | \$ 48 359             | \$ 3 269 725                         |
| -   | -  | -                     | 97 338                               |
| -   | -  | -                     | 17 460                               |
| <u>\$ 11 429</u>                            | <u>\$ 16 300</u>                                 | <u>\$ 48 359</u>      | <u>\$ 3 384 523</u>                  |
|   |  |                       |                                      |
| \$ -  | \$ -   | \$ -                  | \$ 8 180                             |
| -   | -  | -                     | 2 270                                |
| -   | -  | -                     | 10 450                               |
| -   | -  | -                     | 97 338                               |
| -   | -  | -                     | 97 338                               |
| <u>11 429</u>                               | <u>16 300</u>                                    | <u>48 359</u>         | <u>3 276 735</u>                     |
| <u>11 429</u>                               | <u>16 300</u>                                    | <u>48 359</u>         | <u>3 276 735</u>                     |
| <u>\$ 11 429</u>                            | <u>\$ 16 300</u>                                 | <u>\$ 48 359</u>      | <u>\$ 3 384 523</u>                  |

SHELBY COUNTY, TEXAS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS  
 For the Year Ended September 30, 2023

|   | DONATIONS<br>FUND  | COUNTY<br>CLERK<br>VITAL<br>ARCHIVES<br>FEE FUND | GENERAL<br>RECORDS<br>MANAGEMENT | SHERIFF<br>OFFICE<br>EDUCATION<br>FUND | VEHICLE<br>INVENTORY<br>TAX FUND |
|---|--------------------|--|----------------------------------|--|----------------------------------|
| Revenues:   |                    |  |                                  |  |                                  |
| Property taxes  | \$ -               | \$ -   | \$ -                             | \$ -                                   | \$ -                             |
| Fines and fees  | -                  | 2 285  | 4 979                            | -                                      | -                                |
| Charges for services  | -                  | -  | -                                | -                                      | -                                |
| Grants and contributions                                    | 17 000             | -  | -                                | 2 125                                  | -                                |
| Interest  | -                  | -  | -                                | -                                      | 22                               |
| Miscellaneous income  | -                  | -  | -                                | -                                      | 137 391                          |
| <b>TOTAL REVENUES</b>                                       | <u>17 000</u>      | <u>2 285</u>                                     | <u>4 979</u>                     | <u>2 125</u>                           | <u>137 413</u>                   |
| Expenditures:   |                    |  |                                  |  |                                  |
| Payroll expense   | -                  | -  | -                                | -                                      | -                                |
| Operating expense   | 21 187             | -  | 5 386                            | 1 026                                  | 144 121                          |
| <b>TOTAL EXPENDITURES</b>                                   | <u>21 187</u>      | <u>-</u>   | <u>5 386</u>                     | <u>1 026</u>                           | <u>144 121</u>                   |
| <br>EXCESS (DEFICIENCY) OF<br>REVENUES OVER<br>EXPENDITURES | <br><u>(4 187)</u> | <br><u>2 285</u>                                 | <br><u>(407)</u>                 | <br><u>1 099</u>                       | <br><u>(6 708)</u>               |
| Other Financing Sources (Uses):                             |                    |  |                                  |  |                                  |
| Transfer out  | -                  | -  | -                                | -                                      | -                                |
| Transfer in   | -                  | -  | -                                | -                                      | -                                |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>             | <u>-</u>           | <u>-</u>   | <u>-</u>                         | <u>-</u>                               | <u>-</u>                         |
| <br>NET CHANGE IN FUND BALANCES                             | <br>(4 187)        | <br>2 285  | <br>(407)                        | <br>1 099                              | <br>(6 708)                      |
| Fund balances, beginning                                    | 4 187              | 41 085   | 20 475                           | 713                                    | 93 713                           |
| <br>FUND BALANCES ENDING                                    | <br><u>\$ -</u>    | <br><u>\$ 43 370</u>                             | <br><u>\$ 20 068</u>             | <br><u>\$ 1 812</u>                    | <br><u>\$ 87 005</u>             |

See independent auditor's report.

| HISTORIC<br>COURT-<br>HOUSE<br>FUND | GARZA<br>COUNTY<br>FUND | SHERIFF<br>COMMISSARY<br>FUND | DISTRICT<br>ATTORNEY<br>TRUSTEE | LOCAL<br>ASSISTANCE<br>AND TRIBAL<br>FUND | COUNTY<br>ATTORNEY<br>FUND | OPIOD<br>ABATE-<br>MENT<br>FUND | COVID<br>RELIEF<br>FUND |
|-------------------------------------|-------------------------|-------------------------------|---------------------------------|---|----------------------------|---------------------------------|-------------------------|
| \$ -                                | \$ -                    | \$ -                          | \$ -                            | \$ -                                      | \$ -                       | \$ -                            | \$ -                    |
| -                                   | -                       | -                             | -                               | -   | -                          | -                               | -                       |
| -                                   | -                       | 133 738                       | -                               | -   | -                          | -                               | -                       |
| -                                   | -                       | -                             | 28 065                          | 383 020                                   | -                          | 34 508                          | -                       |
| -                                   | -                       | -                             | -                               | -   | -                          | -                               | -                       |
| -                                   | 13 200                  | -                             | -                               | -   | 4 445                      | -                               | -                       |
| -                                   | 13 200                  | 133 738                       | 28 065                          | 383 020                                   | 4 445                      | 34 508                          | -                       |
| -                                   | -                       | 2 095                         | 16 234                          | -   | -                          | -                               | -                       |
| 615                                 | 13 200                  | 117 798                       | -                               | -   | -                          | -                               | 116 299                 |
| 615                                 | 13 200                  | 119 893                       | 16 234                          | -   | -                          | -                               | 116 299                 |
| (615)                               | -                       | 13 845                        | 11 831                          | 383 020                                   | 4 445                      | 34 508                          | (116 299)               |
| -                                   | -                       | -                             | -                               | -   | -                          | -                               | -                       |
| -                                   | -                       | -                             | -                               | -   | -                          | -                               | -                       |
| -                                   | -                       | -                             | -                               | -   | -                          | -                               | -                       |
| (615)                               | -                       | 13 845                        | 11 831                          | 383 020                                   | 4 445                      | 34 508                          | (116 299)               |
| 615                                 | 13 200                  | 78 271                        | 27 062                          | -   | 566                        | -                               | 116 299                 |
| \$ -                                | \$ 13 200               | \$ 92 116                     | \$ 38 893                       | \$ 383 020                                | \$ 5 011                   | \$ 34 508                       | \$ -                    |

SHELBY COUNTY, TEXAS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED  
 For the Year Ended September 30, 2023

|   | ROAD<br>GRANT<br>FUND | JUSTICE<br>OF PEACE<br>COURT<br>TECH<br>FUND | LEOSE<br>CONSTABLES<br>FUND | CHAPTER 19<br>VOTER<br>REGISTRATION | LAW<br>LIBRARY<br>FUND |
|---|-----------------------|--|-----------------------------|-------------------------------------|------------------------|
| Revenues:   |                       |  |                             |                                     |                        |
| Property taxes  | \$ -                  | \$ 7 092                                     | \$ -                        | \$ -                                | \$ -                   |
| Fines and fees  | -                     | 4 275  | -                           | -                                   | 12 785                 |
| Charges for services                                    | -                     | -  | -                           | -                                   | -                      |
| Grants and contributions                                | 191 510               | -  | 2 824                       | 2 901                               | -                      |
| Interest  | -                     | -  | -                           | -                                   | -                      |
| Miscellaneous income                                    | -                     | -  | -                           | -                                   | -                      |
| <b>TOTAL REVENUES</b>                                   | <u>191 510</u>        | <u>11 367</u>                                | <u>2 824</u>                | <u>2 901</u>                        | <u>12 785</u>          |
| Expenditures:   |                       |  |                             |                                     |                        |
| Payroll expense   | -                     | -  | -                           | -                                   | -                      |
| Operating expense                                       | 191 510               | 16 410                                       | 3 840                       | 2 901                               | 6 878                  |
| <b>TOTAL EXPENDITURES</b>                               | <u>191 510</u>        | <u>16 410</u>                                | <u>3 840</u>                | <u>2 901</u>                        | <u>6 878</u>           |
| <br>  |                       |  |                             |                                     |                        |
| EXCESS (DEFICIENCY) OF<br>REVENUES OVER<br>EXPENDITURES | <u>-</u>              | <u>(5 043)</u>                               | <u>(1 016)</u>              | <u>-</u>                            | <u>5 907</u>           |
| Other Financing Sources (Uses):                         |                       |  |                             |                                     |                        |
| Transfer out  | -                     | -  | -                           | -                                   | -                      |
| Transfer in   | -                     | -  | -                           | -                                   | -                      |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>         | <u>-</u>              | <u>-</u>                                     | <u>-</u>                    | <u>-</u>                            | <u>-</u>               |
| <br>  |                       |  |                             |                                     |                        |
| NET CHANGE IN FUND BALANCES                             | -                     | (5 043)                                      | (1 016)                     | -                                   | 5 907                  |
| <br>  |                       |  |                             |                                     |                        |
| Fund balances, beginning                                | <u>-</u>              | <u>9 516</u>                                 | <u>13 562</u>               | <u>-</u>                            | <u>109 624</u>         |
| <br>  |                       |  |                             |                                     |                        |
| FUND BALANCES ENDING                                    | <u>\$ -</u>           | <u>\$ 4 473</u>                              | <u>\$ 12 546</u>            | <u>\$ -</u>                         | <u>\$ 115 531</u>      |

See independent auditor's report.

| DISTRICT<br>CLERK<br>RECORD<br>MGMT<br>FUND | COUNTY<br>CLERK<br>RECORD<br>MGMT<br>FUND | COURT-<br>HOUSE<br>SECURITY<br>FUND | JURY<br>FUND     | RIGHT<br>OF WAY<br>FUND | INDIGENT<br>HEALTH<br>CARE<br>FUND | COURT<br>REPORTER<br>SERVICE<br>FUND | JUVENILE<br>PROBATION<br>FUND |
|---|---|-------------------------------------|------------------|-------------------------|------------------------------------|--------------------------------------|-------------------------------|
| \$ -  | \$ -                                      | \$ 88 711                           | \$ 108 209       | \$ -                    | \$ 422 006                         | \$ -                                 | \$ -                          |
| 9 317                                       | 57 900                                    | 18 349                              | 4 045            | -                       | -                                  | 9 398                                | -                             |
| -   | -   | -                                   | -                | -                       | -                                  | -                                    | -                             |
| -   | -   | -                                   | -                | -                       | -                                  | -                                    | 193 816                       |
| -   | -   | -                                   | -                | -                       | -                                  | -                                    | -                             |
| -   | -   | -                                   | -                | -                       | -                                  | -                                    | -                             |
| <u>9 317</u>                                | <u>57 900</u>                             | <u>107 060</u>                      | <u>112 254</u>   | <u>-</u>                | <u>422 006</u>                     | <u>9 398</u>                         | <u>193 816</u>                |
| -   | 42 418                                    | 64 443                              | 102 872          | -                       | 51 054                             | -                                    | 125 656                       |
| <u>683</u>                                  | <u>9 416</u>                              | <u>1 661</u>                        | <u>2 380</u>     | <u>-</u>                | <u>275 292</u>                     | <u>5 962</u>                         | <u>59 186</u>                 |
| <u>683</u>                                  | <u>51 834</u>                             | <u>66 104</u>                       | <u>105 252</u>   | <u>-</u>                | <u>326 346</u>                     | <u>5 962</u>                         | <u>184 842</u>                |
| <u>8 634</u>                                | <u>6 066</u>                              | <u>40 956</u>                       | <u>7 002</u>     | <u>-</u>                | <u>95 660</u>                      | <u>3 436</u>                         | <u>8 974</u>                  |
| -   | -   | -                                   | -                | -                       | -                                  | -                                    | -                             |
| <u>-</u>                                    | <u>-</u>                                  | <u>-</u>                            | <u>-</u>         | <u>-</u>                | <u>-</u>                           | <u>-</u>                             | <u>-</u>                      |
| -   | -   | -                                   | -                | -                       | -                                  | -                                    | -                             |
| <u>8 634</u>                                | <u>6 066</u>                              | <u>40 956</u>                       | <u>7 002</u>     | <u>-</u>                | <u>95 660</u>                      | <u>3 436</u>                         | <u>8 974</u>                  |
| <u>5 389</u>                                | <u>159 322</u>                            | <u>8 744</u>                        | <u>38 875</u>    | <u>54 072</u>           | <u>1 130 033</u>                   | <u>2 778</u>                         | <u>8 677</u>                  |
| <u>\$ 14 023</u>                            | <u>\$ 165 388</u>                         | <u>\$ 49 700</u>                    | <u>\$ 45 877</u> | <u>\$ 54 072</u>        | <u>\$ 1 225 693</u>                | <u>\$ 6 214</u>                      | <u>\$ 17 651</u>              |

SHELBY COUNTY, TEXAS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED  
 For the Year Ended September 30, 2023

|   | GRANT<br>FUND  | PERMANENT<br>ACCOUNT<br>GARZA CO<br>FUND | SHERIFF<br>LOCAL<br>FORFEITURE | JUSTICE<br>COURT<br>SUPPORT<br>FUND | LANGUAGE<br>ACCESS<br>FUND |
|---|----------------|--|--------------------------------|-------------------------------------|----------------------------|
| Revenues:   |                |  |                                |                                     |                            |
| Property taxes  | \$ -           | \$ -                                     | \$ -                           | \$ -                                | \$ -                       |
| Fines and fees  | -              | -  | -                              | 9 550                               | 2 213                      |
| Charges for services                                    | -              | -  | -                              | -                                   | -                          |
| Grants and contributions                                | 186 105        | -  | -                              | -                                   | -                          |
| Interest  | -              | -  | -                              | -                                   | -                          |
| Miscellaneous income                                    | -              | 4 856                                    | 5 525                          | -                                   | -                          |
| <b>TOTAL REVENUES</b>                                   | <u>186 105</u> | <u>4 856</u>                             | <u>5 525</u>                   | <u>9 550</u>                        | <u>2 213</u>               |
| Expenditures:   |                |  |                                |                                     |                            |
| Payroll expense   | -              | -  | -                              | -                                   | -                          |
| Operating expense                                       | 186 105        | -  | -                              | 200                                 | -                          |
| <b>TOTAL EXPENDITURES</b>                               | <u>186 105</u> | <u>-</u>                                 | <u>-</u>                       | <u>200</u>                          | <u>-</u>                   |
| <br>  |                |  |                                |                                     |                            |
| EXCESS (DEFICIENCY) OF<br>REVENUES OVER<br>EXPENDITURES | <u>-</u>       | <u>4 856</u>                             | <u>5 525</u>                   | <u>9 350</u>                        | <u>2 213</u>               |
| Other Financing Sources (Uses):                         |                |  |                                |                                     |                            |
| Transfer out  | -              | -  | -                              | -                                   | -                          |
| Transfer in   | -              | -  | -                              | -                                   | -                          |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>         | <u>-</u>       | <u>-</u>                                 | <u>-</u>                       | <u>-</u>                            | <u>-</u>                   |
| <br>  |                |  |                                |                                     |                            |
| <b>NET CHANGE IN FUND BALANCES</b>                      | <u>-</u>       | <u>4 856</u>                             | <u>5 525</u>                   | <u>9 350</u>                        | <u>2 213</u>               |
| <br>  |                |  |                                |                                     |                            |
| Fund balances, beginning                                | <u>-</u>       | <u>3 238</u>                             | <u>182</u>                     | <u>5 525</u>                        | <u>1 380</u>               |
| <br>  |                |  |                                |                                     |                            |
| <b>FUND BALANCES ENDING</b>                             | <u>\$ -</u>    | <u>\$ 8 094</u>                          | <u>\$ 5 707</u>                | <u>\$ 14 875</u>                    | <u>\$ 3 593</u>            |

See independent auditor's report.

| COUNTY<br>COURT<br>RECORDS<br>TECH<br>FUND | DISTRICT<br>COURT<br>RECORDS<br>TECH<br>FUND | APPELLATE<br>JUDICIAL<br>FEE<br>COUNTY<br>CLERK | APPELLATE<br>JUDICIAL<br>FEE<br>DISTRICT<br>CLERK | RECORDS<br>ARCHIVE<br>FEE<br>COUNTY<br>CLERK | RECORDS<br>ARCHIVE<br>FEE<br>DISTRICT<br>CLERK | JP COURT<br>SECURITY<br>FUND | CHILD<br>ABUSE<br>PREVENTION<br>FEE<br>FUND |
|--|--|---|---|--|--|------------------------------|---|
| \$ -                                       | \$ -   | \$ -  | \$ -  | \$ -   | \$ -   | \$ -                         | \$ -  |
| 196  | 498  | 600   | 1 214   | 57 375                                       | 191  | 68                           | 97  |
| -  | -  | -   | -   | -  | -  | -                            | -   |
| -  | -  | -   | -   | -  | -  | -                            | -   |
| -  | -  | -   | -   | -  | -  | -                            | -   |
| <u>196</u>                                 | <u>498</u>                                   | <u>600</u>                                      | <u>1 214</u>                                      | <u>57 375</u>                                | <u>191</u>                                     | <u>68</u>                    | <u>97</u>                                   |
| -  | -  | -   | -   | -  | -  | -                            | -   |
| -  | -  | 695   | 1 511   | 24 593                                       | -  | 515                          | -   |
| -  | -  | <u>695</u>                                      | <u>1 511</u>                                      | <u>24 593</u>                                | -  | <u>515</u>                   | -   |
| 196  | 498  | (95)  | (297)   | 32 782                                       | 191  | (447)                        | 97  |
| -  | -  | -   | -   | -  | -  | -                            | -   |
| -  | -  | -   | -   | -  | -  | -                            | -   |
| -  | -  | -   | -   | -  | -  | -                            | -   |
| 196  | 498  | (95)  | (297)   | 32 782                                       | 191  | (447)                        | 97  |
| <u>50 545</u>                              | <u>1 526</u>                                 | <u>150</u>                                      | <u>297</u>  | <u>441 618</u>                               | <u>40 163</u>                                  | <u>21 420</u>                | <u>2 988</u>                                |
| \$ <u>50 741</u>                           | \$ <u>2 024</u>                              | \$ <u>55</u>                                    | \$ <u>-</u>                                       | \$ <u>474 400</u>                            | \$ <u>40 354</u>                               | \$ <u>20 973</u>             | \$ <u>3 085</u>                             |

SHELBY COUNTY, TEXAS  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS - CONTINUED  
 For the Year Ended September 30, 2023

|   | <u>FAMILY<br/>PROTECTION<br/>FEE<br/>FUND</u> | <u>GUARDIAN-<br/>SHIP<br/>FUND</u> | <u>CHILD<br/>SAFETY<br/>FEE<br/>FUND</u> | <u>DISTRICT<br/>ATTORNEY<br/>SEIZURE<br/>FUND<br/>NON-TRAFFIC</u> |
|---|---|------------------------------------|--|---|
| Revenues:   |   |                                    |  |   |
| Property taxes  | \$ -  | \$ -                               | \$ -                                     | \$ -  |
| Fines and fees  | -   | 2 640                              | 35 796                                   | -   |
| Charges for services                                    | -   | -                                  | -  | -   |
| Grants and contributions                                | -   | -                                  | -  | -   |
| Interest  | -   | -                                  | -  | -   |
| Miscellaneous income                                    | -   | -                                  | -  | 10 741  |
| TOTAL REVENUES  | -   | 2 640                              | 35 796                                   | 10 741  |
| Expenditures:   |   |                                    |  |   |
| Payroll expense   | -   | -                                  | -  | -   |
| Operating expense                                       | 5 628   | -                                  | 36 344                                   | 8 821   |
| TOTAL EXPENDITURES                                      | 5 628   | -                                  | 36 344                                   | 8 821   |
| EXCESS (DEFICIENCY) OF<br>REVENUES OVER<br>EXPENDITURES | (5 628)                                       | 2 640                              | (548)                                    | 1 920   |
| Other Financing Sources (Uses):                         |   |                                    |  |   |
| Transfer out  | -   | -                                  | -  | (10 836)  |
| Transfer in   | -   | -                                  | -  | -   |
| TOTAL OTHER FINANCING<br>SOURCES (USES)                 | -   | -                                  | -  | (10 836)  |
| NET CHANGE IN FUND BALANCES                             | (5 628)                                       | 2 640                              | (548)                                    | (8 916)   |
| Fund balances, beginning                                | 5 628   | 4 857                              | 548                                      | 147 994   |
| FUND BALANCES ENDING                                    | \$ -  | \$ 7 497                           | \$ -                                     | \$ 139 078  |

See independent auditor's report.



| DISTRICT<br>ATTORNEY<br>FORFEITURE<br>FUNDS | PRETRIAL<br>INTER-<br>VENTION<br>PROGRAM<br>FUND | DRUG<br>COURT<br>FUND | TOTAL<br>SPECIAL<br>REVENUE<br>FUNDS |
|---|--|-----------------------|--------------------------------------|
| \$ -  | \$ -   | \$ -                  | \$ 626 018                           |
| -   | 7 729  | 1 105                 | 242 605                              |
| -   | -  | -                     | 133 738                              |
| -   | -  | -                     | 1 041 874                            |
| 116   | -  | -                     | 138                                  |
| -   | -  | -                     | 176 158                              |
| <u>116</u>                                  | <u>7 729</u>                                     | <u>1 105</u>          | <u>2 220 531</u>                     |
| -   | 17 027   | -                     | 421 799                              |
| <u>6 895</u>                                | <u>2 148</u>                                     | <u>-</u>              | <u>1 269 206</u>                     |
| <u>6 895</u>                                | <u>19 175</u>                                    | <u>-</u>              | <u>1 691 005</u>                     |
| <u>(6 779)</u>                              | <u>(11 446)</u>                                  | <u>1 105</u>          | <u>529 526</u>                       |
| -   | -  | -                     | (10 836)                             |
| <u>10 836</u>                               | <u>-</u>   | <u>-</u>              | <u>10 836</u>                        |
| <u>10 836</u>                               | <u>-</u>   | <u>-</u>              | <u>-</u>                             |
| 4 057                                       | (11 446)   | 1 105                 | 529 526                              |
| <u>7 372</u>                                | <u>27 746</u>                                    | <u>47 254</u>         | <u>2 747 209</u>                     |
| \$ <u>11 429</u>                            | \$ <u>16 300</u>                                 | \$ <u>48 359</u>      | \$ <u>3 276 735</u>                  |

SHELBY COUNTY, TEXAS  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION  
 September 30, 2023

|   | ARENA<br>BLEACHER<br>FUND | COUNTY<br>CLERK   | DISTRICT<br>CLERK<br>TRUST | DISTRICT<br>CLERK | MOTOR<br>VEHICLE<br>TAX | PROPERTY<br>TAXES |
|---|---------------------------|-------------------|----------------------------|-------------------|-------------------------|-------------------|
| <b>ASSETS</b>                                 |                           |                   |                            |                   |                         |                   |
| Cash and cash equivalents                     | \$ 1 109                  | \$ 103 086        | \$ 1 905 625               | \$ 660 360        | \$ 410 795              | \$ 441 639        |
| <b>TOTAL ASSETS</b>                           | <b>\$ 1 109</b>           | <b>\$ 103 086</b> | <b>\$ 1 905 625</b>        | <b>\$ 660 360</b> | <b>\$ 410 795</b>       | <b>\$ 441 639</b> |
| <b>LIABILITIES</b>                            |                           |                   |                            |                   |                         |                   |
| Accounts payable                              | \$ -                      | \$ -              | \$ -                       | \$ -              | \$ -                    | \$ -              |
| Unearned revenues                             | -                         | -                 | -                          | -                 | 512 718                 | -                 |
| <b>TOTAL LIABILITIES</b>                      | <b>-</b>                  | <b>-</b>          | <b>-</b>                   | <b>-</b>          | <b>512 718</b>          | <b>-</b>          |
| Net position                                  | 1 109                     | 103 086           | 1 905 625                  | 660 360           | (101 923)               | 441 639           |
| <b>TOTAL LIABILITIES<br/>AND NET POSITION</b> | <b>\$ 1 109</b>           | <b>\$ 103 086</b> | <b>\$ 1 905 625</b>        | <b>\$ 660 360</b> | <b>\$ 410 795</b>       | <b>\$ 441 639</b> |

See independent auditor's report.

| COUNTY<br>ATTORNEY<br>RESTITUTION | INMATE<br>ACCOUNT | DISTRICT<br>ATTORNEY<br>FORFEITURE | AGENCY<br>FUND   | COMBINED<br>FIDUCIARY<br>FUNDS |
|-----------------------------------|-------------------|------------------------------------|------------------|--------------------------------|
| \$ 5 029                          | \$ 41 525         | \$ 10 504                          | \$ 44 435        | \$ 3 624 107                   |
| <u>\$ 5 029</u>                   | <u>\$ 41 525</u>  | <u>\$ 10 504</u>                   | <u>\$ 44 435</u> | <u>\$ 3 624 107</u>            |
| <br>                              |                   |                                    |                  |                                |
| \$ 889                            | \$ -              | \$ -                               | \$ -             | \$ 889                         |
| <u>-</u>                          | <u>-</u>          | <u>-</u>                           | <u>-</u>         | <u>512 718</u>                 |
| <u>889</u>                        | <u>-</u>          | <u>-</u>                           | <u>-</u>         | <u>513 607</u>                 |
| <br>                              |                   |                                    |                  |                                |
| <u>4 140</u>                      | <u>41 525</u>     | <u>10 504</u>                      | <u>44 435</u>    | <u>3 110 500</u>               |
| <br>                              |                   |                                    |                  |                                |
| <u>\$ 5 029</u>                   | <u>\$ 41 525</u>  | <u>\$ 10 504</u>                   | <u>\$ 44 435</u> | <u>\$ 3 624 107</u>            |

SHELBY COUNTY, TEXAS  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
 September 30, 2023

|                          | ARENA<br>BLEACHER<br>FUND | COUNTY<br>CLERK   | DISTRICT<br>CLERK<br>TRUST | DISTRICT<br>CLERK | MOTOR<br>VEHICLE<br>TAX | PROPERTY<br>TAXES |
|--------------------------|---------------------------|-------------------|----------------------------|-------------------|-------------------------|-------------------|
| Additions:               |                           |                   |                            |                   |                         |                   |
| Interest income          | \$ -                      | \$ 11             | \$ -                       | \$ -              | \$ -                    | \$ 268            |
| Fees and fines           | -                         | 546 141           | -                          | 169 550           | 6 658 679               | -                 |
| Taxes                    | -                         | -                 | -                          | -                 | -                       | 32 434 993        |
| Other income             | -                         | -                 | 377 621                    | -                 | -                       | -                 |
| TOTAL ADDITIONS          | <u>-</u>                  | <u>546 152</u>    | <u>377 621</u>             | <u>169 550</u>    | <u>6 658 679</u>        | <u>32 435 261</u> |
| Deductions:              |                           |                   |                            |                   |                         |                   |
| Disbursements            | <u>-</u>                  | <u>550 122</u>    | <u>358 177</u>             | <u>219 380</u>    | <u>7 229 725</u>        | <u>32 367 069</u> |
| TOTAL DEDUCTIONS         | <u>-</u>                  | <u>550 122</u>    | <u>358 177</u>             | <u>219 380</u>    | <u>7 229 725</u>        | <u>32 367 069</u> |
| CHANGE IN NET POSITION   | -                         | (3 970)           | 19 444                     | (49 830)          | (571 046)               | 68 192            |
| Net position - Beginning | <u>1 109</u>              | <u>107 056</u>    | <u>1 886 181</u>           | <u>710 190</u>    | <u>469 123</u>          | <u>373 447</u>    |
| NET POSITION - ENDING    | <u>\$ 1 109</u>           | <u>\$ 103 086</u> | <u>\$ 1 905 625</u>        | <u>\$ 660 360</u> | <u>\$ (101 923)</u>     | <u>\$ 441 639</u> |

See independent auditor's report.

| <u>COUNTY<br/>ATTORNEY<br/>RESTITUTION</u> | <u>INMATE<br/>ACCOUNT</u> | <u>DISTRICT<br/>ATTORNEY<br/>FORFEITURE</u> | <u>AGENCY<br/>FUND</u> | <u>COMBINED<br/>FIDUCIARY<br/>FUNDS</u> |
|--|---------------------------|---|------------------------|---|
| \$ -                                       | \$ -                      | \$ 15                                       | \$ -                   | \$ 294                                  |
| -  | -                         | -   | 182 213                | 7 556 583                               |
| -  | -                         | -   | -                      | 32 434 993                              |
| <u>29 829</u>                              | <u>122 822</u>            | <u>-</u>                                    | <u>-</u>               | <u>530 272</u>                          |
| <u>29 829</u>                              | <u>122 822</u>            | <u>15</u>                                   | <u>182 213</u>         | <u>40 522 142</u>                       |
| <br>                                       |                           |   |                        |   |
| <u>51 035</u>                              | <u>159 851</u>            | <u>-</u>                                    | <u>197 930</u>         | <u>41 133 289</u>                       |
| <u>51 035</u>                              | <u>159 851</u>            | <u>-</u>                                    | <u>197 930</u>         | <u>41 133 289</u>                       |
| <br>                                       |                           |   |                        |   |
| (21 206)                                   | (37 029)                  | 15  | (15 717)               | (611 147)                               |
| <br>                                       |                           |   |                        |   |
| <u>25 346</u>                              | <u>78 554</u>             | <u>10 489</u>                               | <u>60 152</u>          | <u>3 721 647</u>                        |
| <br>                                       |                           |   |                        |   |
| \$ <u>4 140</u>                            | \$ <u>41 525</u>          | \$ <u>10 504</u>                            | \$ <u>44 435</u>       | \$ <u>3 110 500</u>                     |

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S 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, 2023, and the related notes to the financial statements, which collectively comprise Shelby County, Texas' basic financial statements, and have issued our report thereon dated June 12, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the Schedule of Findings and Questioned Costs that we consider to be significant deficiencies. See Finding 2023-01.

**Report on Compliance and Other Matters**

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

**Shelby County's Response to Findings**

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

**Purpose of this Report**

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

*Axley & Rode LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
June 12, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Honorable Commissioners'  
Court of Shelby County  
Center, Texas

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Shelby County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Shelby County's major federal programs for the year ended September 30, 2023. Shelby County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Shelby County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Shelby County and to meet our other ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Shelby County's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Shelby County's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Shelby County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Shelby County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Shelby County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.



- Obtain an understanding of Shelby County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Shelby County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Lufkin, Texas  
June 12, 2024

  
CERTIFIED PUBLIC ACCOUNTANTS



SHELBY COUNTY, TEXAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended September 30, 2023

A. Summary of the Auditor's Results:

1. Financial Statements

Type of report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

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

Noncompliance material to financial statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

Material control over major programs:

Material weakness(es) identified?  Yes  No

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

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

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

Identification of major programs:

| ALN Number(s) | Name of Federal Program or Cluster         |
|---------------|--|
| 21 027        | Coronavirus State and Local Recovery Funds |

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

Auditee qualified as low-risk auditee?  Yes  No

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

*Finding 2023-01:*

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

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

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

Questioned Cost - None

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

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

C. Federal Award Findings and Questioned Costs

None

SHELBY COUNTY, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2023

| (1)<br>FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR/<br>PROGRAM TITLE            | (2)<br>FEDERAL<br>ALN<br>NUMBER | (4)<br>FEDERAL<br>EXPENDITURES |
|--|---------------------------------|--------------------------------|
| U.S. Department of Agriculture:  |                                 |                                |
| Schools and Roads - Grants to Counties                                       | 10.666                          | \$ 71 096                      |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE   |                                 | <u>71 096</u>                  |
| Department of the Interior:  |                                 |                                |
| Payments in Lieu of Taxes  | 15.226                          | 26 929                         |
| National Forest Acquired Lands   | 15.438                          | 630 527                        |
| TOTAL DEPARTMENT OF THE INTERIOR   |                                 | <u>657 456</u>                 |
| U.S. Department of Justice:  |                                 |                                |
| Law Enforcement Assistance Narcotics and Dangerous Drugs Laboratory Analysis | 16.001                          | 47 062                         |
| TOTAL U.S. DEPARTMENT OF JUSTICE   |                                 | <u>47 062</u>                  |
| Department of the Treasury:  |                                 |                                |
| Coronavirus State and Local Fiscal Recovery Funds                            | 21.027                          | 2 225 604                      |
| TOTAL DEPARTMENT OF THE TREASURY   |                                 | <u>2 225 604</u>               |
| TOTAL EXPENDITURES OF FEDERAL AWARDS   |                                 | <u>\$ 3 001 218</u>            |

The accompanying notes are an integral part of this schedule.

SHELBY COUNTY, TEXAS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2023

1. General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Shelby County and is presented on the modified accrual basis of accounting. The information in this schedule is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in the preparation of the general purpose financial statements. Special revenue funds are used to account for resources restricted to, or designed for, specific purposes by a grantor. Generally, unused balances are returned to the grantor at the close of the specific project period.

2. Basis of Accounting

The accounting and financial reporting treatment applied to Special Revenue funds is the current financial resource measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in fund balance. The modified accrual basis of accounting recognizes revenues in the accounting period in which they become measurable and available, and expenditures in the accounting period in which the liability is incurred, except for unmatured interest on long-term debt, which is recognized when matured, and certain compensated absences, pension liability, other post-employment benefits, and claims, which are recognized when the obligations are expected to be liquidated with expendable available resources. Grant funds are considered to be earned as soon as all eligibility requirements imposed by the provider are met and expenditures have been incurred, and, accordingly, when such funds are received in advance, they are recorded as deferred revenue until earned.

3. Availability of Funds

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the project period extended 30 days beyond the project period ending date.

4. Indirect Cost

The County did not use an indirect cost.

SHELBY COUNTY, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended September 30, 2023

Prior Audit Finding / Recommendation / Current Status

Finding 2022-01:

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

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