

**HENDERSON COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2019**

**PREPARED BY:**  
**HENDERSON COUNTY AUDITOR'S OFFICE**  
**Ann Marie Lee, CPA – County Auditor**

HENDERSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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## **INTRODUCTORY SECTION**

**HENDERSON COUNTY, TEXAS**

**DIRECTORY OF OFFICIALS**

**DECEMBER 31, 2019**

<u>Office</u>	<u>Name</u>
County Judge	Judge Wade McKinney
Commissioner – Precinct 1	Scotty Thomas
Commissioner – Precinct 2	Scott Tuley
Commissioner – Precinct 3	Charles McHam
Commissioner – Precinct 4	Ken Geeslin
County Attorney	Clint Davis
County Auditor	Ann Marie Lee
County Clerk	Mary Margaret Wright
County Tax Assessor/Collector	Peggy Goodall
County Treasurer	Michael Bynum
Sheriff	Botie Hillhouse
District Clerk	Betty Herriage
District Attorney	Mark Hall
Justice of the Peace – Precinct 1	Judge Randy Daniel
Justice of the Peace – Precinct 2	Judge Kevin Pollock
Justice of the Peace – Precinct 3	Judge Tony Duncan
Justice of the Peace – Precinct 4	Judge Milton Adams
Justice of the Peace – Precinct 5	Judge Belinda Brownlow
Constable – Precinct 1	Kay Langford
Constable – Precinct 2	Mitch Baker
Constable – Precinct 3	David Grubbs
Constable – Precinct 4	John Floyd
Constable – Precinct 5	Brad Miers
Chief Juvenile Probation Officer	Blu Nicholson
Chief Community Supervision & Corrections Officer	Steve Jeffus
County Court-at-Law No. 1 Judge	Judge Scott Williams
County Court-at-Law No. 2 Judge	Judge Nancy Perryman
173rd District Court Judge	Judge Dan Moore
392nd District Judge	Judge Scott Mckee
3rd District Court Judge	Judge Mark Calhoon

## **FINANCIAL SECTION**



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## INDEPENDENT AUDITOR'S REPORT

Honorable County Judge  
and Commissioners' Court  
Henderson County, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henderson County, Texas, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

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#### OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque

## **Basis for Qualified Opinions on the Governmental Activities, the Business-type Activities and Each Major Proprietary Fund**

The County has not implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require this standard to be used for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to postemployment benefits other than pensions (OPEB). For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Instead, these financial statements recognize the cost of postemployment benefits, other than retirement benefits, on a pay-as-you-go basis. The amounts by which this departure would affect the liabilities, deferred outflows of resources, deferred inflows of resources, net position and expenses of the governmental activities, the business-type activities, and each major proprietary fund, although not reasonably determinable, are presumed to be material.

### **Qualified Opinions**

In our opinion, except for the effects of the matter described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major proprietary fund of Henderson County, Texas, as of December 31, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of Henderson County, Texas, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 9, budgetary comparisons on pages 35 – 39, and pension information on pages 40 – 43 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.

Management has omitted the Schedule of Changes in Total OPEB Liability and Related Ratios that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.



*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section and combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2020, 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 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.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
October 2, 2020

**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Henderson County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2019. The MD&A should be read in conjunction with the County's basic financial statements.

### FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at the close of fiscal year 2019 by \$42,200,824 (*net position*). Of this amount, \$8,798,302 (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's total net position decreased by \$4,691,705.
- As of December 31, 2019, the County's governmental funds reported combined ending fund balances of \$14,415,953, a decrease of \$2,131,528.
- At the end of fiscal year 2019, unassigned fund balance for the General Fund was \$11,295,143.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Henderson County include general government, legal, health and welfare, judicial, public safety, culture and recreation, roads and bridges and interest on long-term debt. The County's business-type activities consist of a recreational arena and corresponding concessions.

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

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Road and Bridge Fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund and Road and Bridge Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget.

*Proprietary Funds – Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Fair Park operations.

*Fiduciary Funds* are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents combining fund statements that further support the information in the financial statements. The combining fund statements are presented immediately following the notes to the financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, net position was \$42,200,824 at the close of the most recent fiscal year.

Investment in capital assets (e.g., land, buildings, machinery, infrastructure and equipment), less any debt used to acquire those assets that are still outstanding accounted for \$30,460,774 of the County's net position. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## HENDERSON COUNTY'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 36,633,780	\$ 37,938,882	\$ 293,652	\$ 226,437	\$ 36,927,432	\$ 38,165,319
Capital assets	<u>32,465,522</u>	<u>30,288,823</u>	<u>1,198,976</u>	<u>1,241,208</u>	<u>33,664,498</u>	<u>31,530,031</u>
Total assets	<u>69,099,302</u>	<u>68,227,705</u>	<u>1,492,628</u>	<u>1,467,645</u>	<u>70,591,930</u>	<u>69,695,350</u>
Deferred outflows of resources	7,064,280	2,802,619	-	-	7,064,280	2,802,619
Long-term liabilities	15,354,751	7,231,398	-	-	15,354,751	7,231,398
Other liabilities	<u>4,028,698</u>	<u>2,626,239</u>	<u>14,926</u>	<u>23,006</u>	<u>4,043,624</u>	<u>2,649,245</u>
Total liabilities	<u>19,383,449</u>	<u>9,857,637</u>	<u>14,926</u>	<u>23,006</u>	<u>19,398,375</u>	<u>9,880,643</u>
Deferred inflows of resources	16,057,011	15,724,797	-	-	16,057,011	15,724,797
Net position:						
Net investment in capital assets	29,261,798	30,288,823	1,198,976	1,241,208	30,460,774	31,530,031
Restricted	2,941,748	3,318,849	-	-	2,941,748	3,318,849
Unrestricted	<u>8,519,576</u>	<u>11,840,218</u>	<u>278,726</u>	<u>203,431</u>	<u>8,798,302</u>	<u>12,043,649</u>
Total net position	<u>\$ 40,723,122</u>	<u>\$ 45,447,890</u>	<u>\$ 1,477,702</u>	<u>\$ 1,444,639</u>	<u>\$ 42,200,824</u>	<u>\$ 46,892,529</u>

Approximately 7% of the County's net position represent *restricted net position*. These are resources that are subject to external restrictions on how they may be used. Restrictions include statutory requirements and granting conditions. The remaining balance, *unrestricted net position*, may be used to meet the County's ongoing obligations to citizens and creditors.

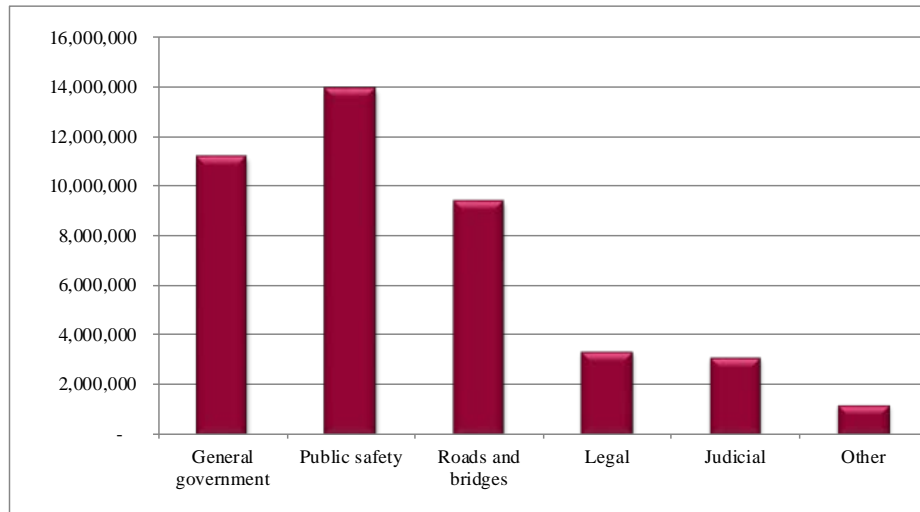
## HENDERSON COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 6,411,187	\$ 6,478,029	\$ 372,554	\$ 348,622	\$ 6,783,741	\$ 6,826,651
Operating grants and contributions	948,544	1,400,282	53,560	75,392	1,002,104	1,475,674
General revenues:						
Property taxes	28,713,032	27,631,001	-	-	28,713,032	27,631,001
Other taxes	125,796	116,035	143,225	120,898	269,021	236,933
Investment earnings	656,935	539,308	-	-	656,935	539,308
Gain on sale of capital assets	10,200	19,343	-	-	10,200	19,343
Miscellaneous	449,874	261,167	-	-	449,874	261,167
Total revenues	<u>37,315,568</u>	<u>36,445,165</u>	<u>569,339</u>	<u>544,912</u>	<u>37,884,907</u>	<u>36,990,077</u>
<b>Expenses:</b>						
Governmental activities:						
General government	11,113,196	10,122,470	-	-	11,113,196	10,122,470
Legal	3,340,481	3,076,522	-	-	3,340,481	3,076,522
Health and welfare	388,977	420,981	-	-	388,977	420,981
Judicial	3,072,095	2,672,164	-	-	3,072,095	2,672,164
Public safety	13,917,682	12,257,832	-	-	13,917,682	12,257,832
Culture and recreation	806,992	749,142	-	-	806,992	749,142
Roads and bridges	9,375,913	6,685,564	-	-	9,375,913	6,685,564
Business-type activities:						
Fair Park	-	-	459,752	394,714	459,752	394,714
Fair Park Concessions	-	-	101,524	106,498	101,524	106,498
Total expenses	<u>42,015,336</u>	<u>35,984,675</u>	<u>561,276</u>	<u>501,212</u>	<u>42,576,612</u>	<u>36,485,887</u>
Change in net position before transfers	( 4,699,768)	460,490	8,063	43,700	( 4,691,705)	504,190
Transfers	( 25,000)	( 25,000)	25,000	25,000	-	-
Change in net position	( 4,724,768)	435,490	33,063	68,700	( 4,691,705)	504,190
Net position, beginning	<u>45,447,890</u>	<u>45,012,400</u>	<u>1,444,639</u>	<u>1,375,939</u>	<u>46,892,529</u>	<u>46,388,339</u>
Net position, ending	<u>\$ 40,723,122</u>	<u>\$ 45,447,890</u>	<u>\$ 1,477,702</u>	<u>\$ 1,444,639</u>	<u>\$ 42,200,824</u>	<u>\$ 46,892,529</u>

**Governmental Activities.** Governmental activities decreased the County's net position by \$4,724,768. Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Program revenues of \$7,359,731 equaled 18% of governmental expenses of \$42,015,336. General revenues of \$29,955,837 provided additional support and coverage for expenses.
- Approximately 33% of governmental expenses were for public safety and 26% were for general government activities.
- Infrastructure (road and bridges) expenses, at \$9,375,913 accounted for 22% of expenses.
- Grant revenues totaling \$948,544 were available to offset only 2% of expenses.

## GOVERNMENTAL ACTIVITIES EXPENSES



### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

*Governmental Funds.* The focus of Henderson County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of fiscal year 2019, Henderson County's *governmental funds* reported combined ending fund balances of \$14,415,953. Overall fund balance decreased by \$2,131,528. The decrease is approximately 13% of the total fund balance.

The General Fund is the chief operating fund of Henderson County. At the end of fiscal year 2019, the General Fund had an ending fund balance of \$11,792,319. 96% of this total amount (\$11,295,143) constitutes unassigned fund balance. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total General Fund expenditures. Unassigned fund balance represents 31% of total General Fund expenditures.

The Road and Bridge Fund had an ending fund balance of \$1,242,750, a net decrease of \$392,468. The decrease was mainly due to an increase in road and bridge expenditures.

*Enterprise Funds.*

The County's enterprise funds are primarily funded by rental and concession revenues, which assist the Fairgrounds in growth and development. Of the \$561,276 of expenses, \$126,480 was due to depreciation.

### Budgetary Highlights

The budget is prepared in accordance to historical practices that conform to State of Texas statutes and approved by the Commissioners' Court following a public hearing. Appropriated budgets are approved and employed as a management control device during the year. The County maintains strict budgetary controls and sets its appropriations as the category level for all operating expenses and at the position/line item level for all salaries and benefits. Budget amendments may be made between operating categories and benefits only with the approval of Commissioners' Court.

The following are significant variations between the final budget and actual amounts in budget for General Fund or Road and Bridge Fund, as noted:

- When reviewing budget variances, the deviations were the result of conservative and realistic budgeting along with expected economic factors holding as anticipated.
- The original General Fund budget included transfers of over a million dollars to cover the cost of the judicial software upgrade and various other projects. This was not needed and all costs for the project were absorbed by current revenues.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** Henderson County's investment in capital assets for its governmental activities as of December 31, 2019, was \$32,465,522 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, furniture and equipment and infrastructure.

**HENDERSON COUNTY'S CAPITAL ASSETS AT YEAR-END**

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,417,960	\$ 3,377,437	\$ 250,504	\$ 250,504	\$ 1,668,464	\$ 3,627,941
Construction in progress	117,568	-	-	-	117,568	-
Buildings and improvements	28,257,603	28,259,268	2,699,991	2,622,488	30,957,594	30,881,756
Furniture and equipment	20,042,207	15,436,344	347,986	290,100	20,390,193	15,726,444
Infrastructure	31,957,295	31,947,495	-	-	31,957,295	31,947,495
Less: accumulated depreciation	( 49,327,111)	( 48,731,721)	( 2,099,505)	( 1,921,884)	( 51,426,616)	( 50,653,605)
Total capital assets	\$ <u>32,465,522</u>	\$ <u>30,288,823</u>	\$ <u>1,198,976</u>	\$ <u>1,241,208</u>	\$ <u>33,664,498</u>	\$ <u>31,530,031</u>

**Significant Capital Asset Events**

The County entered into a capital lease purchase agreement for a new communications system for law enforcement. The initial investment totals \$4,500,000.

In addition, purchases were made for heavy equipment in the use of road and bridge construction.

Building construction began for a new justice of the peace facility.

**Long-term Debt.** At the end of fiscal year 2019, the County had no bonded debt outstanding.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The tax rate remained the same for 2020 at .477984% per \$100 value. Total ad valorem tax revenues are estimated to be \$29,341,037 with \$544,119 of revenue from new property added to the tax rolls.

**REQUESTS FOR INFORMATION**

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

Auditor's Office  
 125 N. Prairieville, St Room 202  
 Athens, TX 75751



**BASIC  
FINANCIAL STATEMENTS**

**HENDERSON COUNTY, TEXAS**

STATEMENT OF NET POSITION

DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 30,769,225	\$ 264,368	\$ 31,033,593
Receivables, net of allowance for uncollectibles:			
Taxes	2,064,152	-	2,064,152
Fines	2,936,003	-	2,936,003
Other	313,066	29,284	342,350
Due from other governments	54,158	-	54,158
Prepaid items	497,176	-	497,176
Total current assets	36,633,780	293,652	36,927,432
Noncurrent assets:			
Capital assets:			
Land	1,417,960	250,504	1,668,464
Construction in Progress	117,568	-	117,568
Buildings and improvements	28,257,603	2,699,991	30,957,594
Furniture and equipment	20,042,207	347,986	20,390,193
Infrastructure	31,957,295	-	31,957,295
Less: accumulated depreciation	( 49,327,111)	( 2,099,505)	( 51,426,616)
Total capital assets	32,465,522	1,198,976	33,664,498
Total noncurrent assets	32,465,522	1,198,976	33,664,498
Total assets	69,099,302	1,492,628	70,591,930
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	7,064,280	-	7,064,280
Total deferred outflows of resources	7,064,280	-	7,064,280
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	877,368	8,999	886,367
Accrued liabilities	500,137	5,927	506,064
Due to other governments	311,134	-	311,134
Cash bond deposits	422,199	-	422,199
Compensated absences	417,860	-	417,860
Capital lease	1,500,000	-	1,500,000
Total current liabilities	4,028,698	14,926	4,043,624
Noncurrent liabilities:			
Net pension liability	12,397,447	-	12,397,447
Compensated absences	1,253,580	-	1,253,580
Capital lease	1,703,724	-	1,703,724
Total noncurrent liabilities	15,354,751	-	15,354,751
Total liabilities	19,383,449	14,926	19,398,375
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Advance property tax collections	15,217,674	-	15,217,674
Deferred inflows of resources related to pensions	839,337	-	839,337
Total deferred inflows of resources	16,057,011	-	16,057,011
<b>NET POSITION</b>			
Net investment in capital assets	29,261,798	1,198,976	30,460,774
Restricted for:			
Roads and bridges	1,560,864	-	1,560,864
Other purposes	1,380,884	-	1,380,884
Unrestricted	8,519,576	278,726	8,798,302
Total net position	\$ 40,723,122	\$ 1,477,702	\$ 42,200,824

The accompanying notes are an integral part of these financial statements.

**HENDERSON COUNTY, TEXAS**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 11,113,196	\$ 2,299,950	\$ 332,567
Legal	3,340,481	33,192	63,902
Health and welfare	388,977	10,794	9,138
Judicial	3,072,095	1,141,939	262,942
Public safety	13,917,682	1,191,919	222,534
Culture and recreation	806,992	-	-
Roads and bridges	<u>9,375,913</u>	<u>1,733,393</u>	<u>57,461</u>
Total governmental activities	<u>42,015,336</u>	<u>6,411,187</u>	<u>948,544</u>
Business-type activities:			
Fair Park	459,752	238,223	53,560
Fair Park concessions	<u>101,524</u>	<u>134,331</u>	<u>-</u>
Total business-type activities	<u>561,276</u>	<u>372,554</u>	<u>53,560</u>
Total	<u>\$ 42,576,612</u>	<u>\$ 6,783,741</u>	<u>\$ 1,002,104</u>
General revenues:			
Taxes:			
Property			
Other			
Investment earnings			
Gain on disposal of capital assets			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position, beginning			
Net position, ending			

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$( 8,480,679) ( 3,243,387) ( 369,045) ( 1,667,214) ( 12,503,229) ( 806,992) ( 7,585,059) <u>( 34,655,605)</u>	\$ - - - - - - <u>-</u>	\$( 8,480,679) ( 3,243,387) ( 369,045) ( 1,667,214) ( 12,503,229) ( 806,992) ( 7,585,059) <u>( 34,655,605)</u>
- <u>-</u> <u>-</u>	( 167,969) <u>32,807</u> <u>( 135,162)</u>	( 167,969) <u>32,807</u> <u>( 135,162)</u>
<u>( 34,655,605)</u>	<u>( 135,162)</u>	<u>( 34,790,767)</u>
28,713,032 125,796 656,935 10,200 449,874 ( 25,000) <u>29,930,837</u>	- 143,225 - - - <u>25,000</u> <u>168,225</u>	28,713,032 269,021 656,935 10,200 449,874 - <u>30,099,062</u>
( 4,724,768) <u>45,447,890</u>	33,063 <u>1,444,639</u>	( 4,691,705) <u>46,892,529</u>
<u>\$ 40,723,122</u>	<u>\$ 1,477,702</u>	<u>\$ 42,200,824</u>

## HENDERSON COUNTY, TEXAS

### BALANCE SHEET

#### GOVERNMENTAL FUNDS

DECEMBER 31, 2019

	General	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 25,056,651	\$ 4,054,945	\$ 1,657,629	\$ 30,769,225
Receivables, net of allowance for uncollectibles:				
Taxes	1,727,749	336,403	-	2,064,152
Fines	2,936,003	-	-	2,936,003
Other	286,326	-	26,740	313,066
Due from other governments	54,158	-	-	54,158
Prepaid items	<u>497,176</u>	<u>-</u>	<u>-</u>	<u>497,176</u>
Total assets	<u>30,558,063</u>	<u>4,391,348</u>	<u>1,684,369</u>	<u>36,633,780</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable	612,320	106,883	158,165	877,368
Accrued liabilities	441,362	58,381	394	500,137
Due to other governments	216,208	-	94,926	311,134
Cash bonds and deposits	<u>372,199</u>	<u>-</u>	<u>50,000</u>	<u>422,199</u>
Total liabilities	<u>1,642,089</u>	<u>165,264</u>	<u>303,485</u>	<u>2,110,838</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Advance property tax collections	12,552,454	2,665,220	-	15,217,674
Unavailable revenue - property taxes	1,639,096	318,114	-	1,957,210
Unavailable revenue - court fines and fees	<u>2,932,105</u>	<u>-</u>	<u>-</u>	<u>2,932,105</u>
Total deferred inflows of resources	<u>17,123,655</u>	<u>2,983,334</u>	<u>-</u>	<u>20,106,989</u>
<b>FUND BALANCES</b>				
Fund balances:				
Nonspendable	497,176	-	-	497,176
Restricted	-	1,242,750	1,380,884	2,623,634
Unassigned	<u>11,295,143</u>	<u>-</u>	<u>-</u>	<u>11,295,143</u>
Total fund balances	<u>11,792,319</u>	<u>1,242,750</u>	<u>1,380,884</u>	<u>14,415,953</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 30,558,063</u>	<u>\$ 4,391,348</u>	<u>\$ 1,684,369</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,465,522
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	4,889,315
Long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported in the funds. Additionally, deferred outflows and inflows of resources related to pensions are not reported in the funds.	( 11,047,668)
Net position of governmental activities	<u>\$ 40,723,122</u>

**HENDERSON COUNTY, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General</u>	<u>Road and Bridge</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 23,899,141	\$ 4,988,038	\$ -	\$ 28,887,179
Fees	2,715,627	1,372,846	274,350	4,362,823
Intergovernmental	1,826,388	57,461	-	1,883,849
Fines and forfeitures	624,003	-	39,602	663,605
Licenses and permits	16,530	360,547	-	377,077
Investment earnings	610,999	45,935	1	656,935
Miscellaneous	<u>337,662</u>	<u>64,903</u>	<u>19,338</u>	<u>421,903</u>
Total revenues	<u>30,030,350</u>	<u>6,889,730</u>	<u>333,291</u>	<u>37,253,371</u>
<b>EXPENDITURES</b>				
Current:				
General government	10,337,003	-	126,924	10,463,927
Public safety	19,165,449	-	91,008	19,256,457
Roads and bridges	-	7,241,400	-	7,241,400
Legal	2,803,623	-	84,144	2,887,767
Judicial	3,195,616	-	-	3,195,616
Culture and recreation	730,550	-	21,613	752,163
Health and welfare	<u>16,505</u>	<u>367,751</u>	<u>-</u>	<u>384,256</u>
Total expenditures	<u>36,248,746</u>	<u>7,609,151</u>	<u>323,689</u>	<u>44,181,586</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	<u>( 6,218,396)</u>	<u>( 719,421)</u>	<u>9,602</u>	<u>( 6,928,215)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	11,334	-	-	11,334
Sale of capital assets	200	10,000	-	10,200
Capital lease	4,500,000	300,153	-	4,800,153
Transfers in	-	16,800	-	16,800
Transfers out	<u>( 41,800)</u>	<u>-</u>	<u>-</u>	<u>( 41,800)</u>
Total other financing sources and uses	<u>4,469,734</u>	<u>326,953</u>	<u>-</u>	<u>4,796,687</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>( 1,748,662)</u>	<u>( 392,468)</u>	<u>9,602</u>	<u>( 2,131,528)</u>
<b>FUND BALANCES, BEGINNING</b>	<u>13,540,981</u>	<u>1,635,218</u>	<u>1,371,282</u>	<u>16,547,481</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 11,792,319</u>	<u>\$ 1,242,750</u>	<u>\$ 1,380,884</u>	<u>\$ 14,415,953</u>

The accompanying notes are an integral part of these financial statements.



**HENDERSON COUNTY, TEXAS**

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2019

	<u>Enterprise Funds</u>		
	<u>Fair Park</u>	<u>Fair Park Concessions</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 259,168	\$ 5,200	\$ 264,368
Accounts receivable, net	22,173	7,111	29,284
Total current assets	<u>281,341</u>	<u>12,311</u>	<u>293,652</u>
Non-current assets:			
Capital assets:			
Land	250,504	-	250,504
Buildings and improvements	2,699,991	-	2,699,991
Furniture and equipment	347,986	-	347,986
Less: accumulated depreciation	<u>( 2,099,505)</u>	<u>-</u>	<u>( 2,099,505)</u>
Total non-current assets	<u>1,198,976</u>	<u>-</u>	<u>1,198,976</u>
Total assets	<u>1,480,317</u>	<u>12,311</u>	<u>1,492,628</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	6,938	2,061	8,999
Accrued liabilities	<u>5,024</u>	<u>903</u>	<u>5,927</u>
Total current liabilities	<u>11,962</u>	<u>2,964</u>	<u>14,926</u>
Total liabilities	<u>11,962</u>	<u>2,964</u>	<u>14,926</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,198,976	-	1,198,976
Unrestricted	<u>269,379</u>	<u>9,347</u>	<u>278,726</u>
Total net position	<u>\$ 1,468,355</u>	<u>\$ 9,347</u>	<u>\$ 1,477,702</u>

The accompanying notes are an integral part of these financial statements.



**HENDERSON COUNTY, TEXAS**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

**PROPRIETARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Enterprise Funds</u>		
	<u>Fair Park</u>	<u>Fair Park Concessions</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Rentals	\$ 180,818	\$ -	\$ 180,818
Concessions	-	134,331	134,331
Contributions	53,560	-	53,560
Other	<u>57,405</u>	<u>-</u>	<u>57,405</u>
Total operating revenues	<u>291,783</u>	<u>134,331</u>	<u>426,114</u>
<b>OPERATING EXPENSES</b>			
Personnel	208,118	27,790	235,908
Supplies and materials	63,410	347	63,757
Repairs and maintenance	11,635	-	11,635
Utilities	49,145	-	49,145
Professional services	500	63,939	64,439
Depreciation	126,480	-	126,480
Other	<u>464</u>	<u>9,448</u>	<u>9,912</u>
Total operating expenses	<u>459,752</u>	<u>101,524</u>	<u>561,276</u>
<b>OPERATING INCOME (LOSS)</b>	<u>( 167,969)</u>	<u>32,807</u>	<u>( 135,162)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Taxes	<u>143,225</u>	<u>-</u>	<u>143,225</u>
Total non-operating revenues (expenses)	<u>143,225</u>	<u>-</u>	<u>143,225</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	( 24,744)	32,807	8,063
Transfers in	47,260	-	47,260
Transfers out	<u>-</u>	<u>( 22,260)</u>	<u>( 22,260)</u>
<b>CHANGE IN NET POSITION</b>	22,516	10,547	33,063
<b>TOTAL NET POSITION, BEGINNING</b>	<u>1,445,839</u>	<u>( 1,200)</u>	<u>1,444,639</u>
<b>TOTAL NET POSITION, ENDING</b>	<u>\$ 1,468,355</u>	<u>\$ 9,347</u>	<u>\$ 1,477,702</u>

The accompanying notes are an integral part of these financial statements.

**HENDERSON COUNTY, TEXAS**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Enterprise Funds		
	Fair Park	Fair Park Concessions	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 279,932	\$ 127,220	\$ 407,152
Cash paid to suppliers for goods and services	( 217,063)	( 28,578)	( 245,641)
Cash paid to employees for services	( 123,853)	( 73,382)	( 197,235)
Net cash provided (used) by operating activities	<u>( 60,984)</u>	<u>25,260</u>	<u>( 35,724)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cash received from taxes	143,225	-	143,225
Transfers from (to) other funds	<u>47,260</u>	<u>( 22,260)</u>	<u>25,000</u>
Net cash provided (used) by noncapital financing activities	<u>190,485</u>	<u>( 22,260)</u>	<u>168,225</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	<u>( 84,248)</u>	<u>-</u>	<u>( 84,248)</u>
Net cash used by capital and related financing activities	<u>( 84,248)</u>	<u>-</u>	<u>( 84,248)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	45,253	3,000	48,253
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>213,915</u>	<u>2,200</u>	<u>216,115</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 259,168</u>	<u>\$ 5,200</u>	<u>\$ 264,368</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$( 167,969)	\$ 32,807	\$( 135,162)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	126,480	-	126,480
(Increase) decrease in assets:			
Accounts receivable	( 11,851)	( 7,111)	( 18,962)
Increase (decrease) in liabilities:			
Accounts payable	( 8,945)	( 788)	( 9,733)
Accrued liabilities	<u>1,301</u>	<u>352</u>	<u>1,653</u>
Net cash provided (used) by operating activities	<u>\$( 60,984)</u>	<u>\$ 25,260</u>	<u>\$( 35,724)</u>

**HENDERSON COUNTY, TEXAS**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

DECEMBER 31, 2019

**ASSETS**

Cash and investments \$ 8,313,846

Total assets \$ 8,313,846

**LIABILITIES**

Due to other agencies and individuals \$ 8,313,846

Total liabilities \$ 8,313,846

## HENDERSON COUNTY, TEXAS

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting Entity

Henderson County, Texas (the County) uses a commission form of government under the laws and statutes of the constitution of the State of Texas. The County provides various services to advance the welfare, health, morals, comfort, safety, and convenience of the County and its inhabitants. A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

##### **Financial Reporting Entity**

The definition of the reporting entity is based primarily on the notion of financial accountability. The elected officials governing Henderson County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity, it is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the County.

Depending upon the significance of the County's financial and operational relationships with various separate entities, the organizations are classified as blended or discrete component units, related organizations, joint ventures, or jointly governed organizations, and the financial disclosure is treated accordingly. As of December 31, 2019, the County does not report any component units.

##### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **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*, as are the proprietary fund and fiduciary fund financial statements. 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as it is both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

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

The **Road and Bridge Fund** is used to account for the operation, repair and maintenance of roads and bridges within the County.

The County reports the following major Enterprise Funds:

The **Fair Park Fund** is used to account for the activities of the Henderson County Fairgrounds.

The **Fair Park Concessions Fund** is used to account for the concession activities of the Henderson County Fairgrounds.

Additionally, the County reports the following fund type:

**Agency Funds** account for assets held by the County in a trustee capacity or as an agent for individuals or other governments. They are custodial in nature and do not include measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

## Deposits and Investments

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

The County invests its resources in bank certificates of deposit. These investments are recorded at cost, which approximates fair value. The County is entitled to invest in obligations of the United States, the State of Texas, and certificates of deposit of state or national banks or savings and loan associations with the State.

## Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

## Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The County defines capital assets as physical assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Property improvements are capitalized if valued over \$10,000 with an estimated useful life in excess of 10 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 40
Furniture and equipment	5 - 10
Infrastructure	50 - 100

## Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has the following items that qualify for reporting in this category:

- *Differences between expected and actual economic experience for the County's pension* – This difference is deferred and recognized over the estimated average remaining lives of all members.
- *Changes of economic and demographic actuarial assumptions or of other inputs included in determining the pension liability* – These effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).
- *Difference in projected and actual earnings on pension assets* – This difference is deferred and amortized over a closed five-year period.

- *Pension contributions after the measurement date* - these contributions are deferred and recognized in the following fiscal year.

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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has the following items that qualify for reporting in this category.

- Under the modified accrual basis of accounting, unavailable revenue is reported in the governmental funds balance sheet as a deferred inflow of resources.
- Property taxes collected before the period for which they were levied.

In addition, the County has deferred inflows of resources which are required to be reported on the Statements of Net Position under the full accrual basis of accounting. Deferred inflows of resources reported in the Statements of Net Position are as follows:

- *Differences between expected and actual economic experience for the County's pension* - This difference is deferred and recognized over the estimated average remaining lives of all members.

### **Compensated Absences**

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Fund Balance Classification**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

### **Fund Equity**

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the Commissioners' Court, the County's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

### **Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### **Estimates**

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

### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “Long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$11,047,668) difference are as follows:

Capital leases	\$( 3,203,724)
Net pension liability	( 12,397,447)
Deferred outflows related to pensions	7,064,280
Deferred inflows related to pensions	( 839,337)
Compensated absences	<u>( 1,671,440)</u>
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$( 11,047,668)</u>

### Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “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.” The details of this \$4,136,176 difference are as follows:

Capital outlay	\$ 6,105,657
Depreciation expense	<u>( 1,969,481)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 4,136,176</u>

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$40,663 difference are as follows:

Property taxes	\$( 48,351)
Court fines	<u>89,014</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 40,663</u>

## 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

The Commissioners’ Court approves a proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them. For each budgeted fund, budgetary control is maintained at the departmental classification level. This is the level at which expenditures may not legally exceed funds. Any expenditures which alter the total budgeted amounts must be approved by the Commissioners’ Court and the budget appropriately amended. Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

#### 4. DETAILED NOTES ON ALL FUNDS

##### Deposits

##### **Custodial Credit Risk**

In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of the State of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of the deposits. As of December 31, 2019, the County's \$40,066,410 deposit balance was entirely collateralized with securities pledged by the pledging financial institution or covered by FDIC insurance.

##### Receivables

Receivables as of year-end for the County's individual major funds and nonmajor funds including the applicable allowances for uncollectible accounts are as follows:

	Governmental Funds			Enterprise Funds		Total
	General	Road and Bridge	Nonmajor	Fair Park	Fair Park Concessions	
Receivables:						
Taxes	\$ 2,032,646	\$ 395,768	\$ -	\$ -	\$ -	\$ 2,428,414
Fines	19,573,353	-	-	-	-	19,573,353
Other	286,326	-	26,740	22,173	7,111	342,350
Gross receivables	<u>21,892,325</u>	<u>395,768</u>	<u>26,740</u>	<u>22,173</u>	<u>7,111</u>	<u>22,344,117</u>
Less: allowance for uncollectibles	( 16,942,247)	( 59,365)	-	-	-	( 17,001,612)
Net total receivables	<u>\$ 4,950,078</u>	<u>\$ 336,403</u>	<u>\$ 26,740</u>	<u>\$ 22,173</u>	<u>\$ 7,111</u>	<u>\$ 5,342,505</u>

##### Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 3,377,437	\$ -	\$ ( 1,959,477)	\$ -	\$ 1,417,960
Construction in Progress	-	117,568	-	-	117,568
Total capital assets not being depreciated	<u>3,377,437</u>	<u>117,568</u>	<u>( 1,959,477)</u>	<u>-</u>	<u>1,535,528</u>
Capital assets, being depreciated:					
Buildings and improvements	28,259,268	-	( 1,665)	-	28,257,603
Furniture and equipment	15,436,344	6,272,323	( 1,615,319)	( 51,141)	20,042,207
Infrastructure	31,947,495	9,800	-	-	31,957,295
Total capital assets being depreciated	<u>75,643,107</u>	<u>6,282,123</u>	<u>( 1,616,984)</u>	<u>( 51,141)</u>	<u>80,257,105</u>
Less accumulated depreciation:					
Buildings and improvements	( 16,028,670)	( 660,837)	-	-	( 16,689,507)
Furniture and equipment	( 11,309,776)	( 943,655)	1,322,950	51,141	( 10,879,340)
Infrastructure	( 21,393,275)	( 364,989)	-	-	( 21,758,264)
Total accumulated depreciation	<u>( 48,731,721)</u>	<u>( 1,969,481)</u>	<u>1,322,950</u>	<u>51,141</u>	<u>( 49,327,111)</u>
Total capital assets, being depreciated, net	<u>26,911,386</u>	<u>4,312,642</u>	<u>( 294,034)</u>	<u>-</u>	<u>30,929,994</u>
Governmental activities capital assets, net	<u>\$ 30,288,823</u>	<u>\$ 4,430,210</u>	<u>\$ ( 2,253,511)</u>	<u>\$ -</u>	<u>\$ 32,465,522</u>

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 250,504	\$ -	\$ -	\$ -	\$ 250,504
Total capital assets not being depreciated	<u>250,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,504</u>
Capital assets, being depreciated:					
Buildings	1,556,281	-	( 5,500)	-	1,550,781
Improvements	1,066,207	83,003	-	-	1,149,210
Furniture and equipment	<u>290,100</u>	<u>6,745</u>	<u>-</u>	<u>51,141</u>	<u>347,986</u>
Total capital assets being depreciated	<u>2,912,588</u>	<u>89,748</u>	<u>( 5,500)</u>	<u>51,141</u>	<u>3,047,977</u>
Less accumulated depreciation:					
Buildings	( 1,363,574)	( 38,770)	-	-	( 1,402,344)
Improvements	( 375,233)	( 76,998)	-	-	( 452,231)
Furniture and equipment	<u>( 183,077)</u>	<u>( 10,712)</u>	<u>-</u>	<u>( 51,141)</u>	<u>( 244,930)</u>
Total accumulated depreciation	<u>( 1,921,884)</u>	<u>( 126,480)</u>	<u>-</u>	<u>( 51,141)</u>	<u>( 2,099,505)</u>
Total capital assets, being depreciated, net	<u>990,704</u>	<u>( 36,732)</u>	<u>( 5,500)</u>	<u>-</u>	<u>948,472</u>
Business-type activities capital assets, net	<u>\$ 1,241,208</u>	<u>\$ ( 36,732)</u>	<u>\$ ( 5,500)</u>	<u>\$ -</u>	<u>\$ 1,198,976</u>

Depreciation expense was charged to functions/programs of the County as follows:

Governmental activities:		
General government		\$ 709,467
Legal		13,537
Judicial		1,362
Public safety		392,116
Road and bridge		<u>852,999</u>
Total depreciation expense - governmental activities		<u>1,969,481</u>
Business-type activities:		
Fair Park		<u>126,480</u>
Total depreciation expense - business-type activities		<u>\$ 126,480</u>

### **Interfund Transfers**

The composition of interfund transfers as of December 31, 2019, is as follows:

#### **Interfund Transfers:**

Transfer In	Transfer Out	Amount
Road and Bridge	General	\$ 16,800
Fair Park	General	25,000
Fair Park	Fair Park Concessions	<u>22,260</u>
		<u>\$ 64,060</u>

Transfers were used to use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## **Long-term Debt**

Long-term liability activity for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Capital leases	-	4,800,153	( 1,596,429)	3,203,724	1,500,000
Compensated absences	<u>1,024,490</u>	<u>1,135,020</u>	<u>( 488,070)</u>	<u>1,671,440</u>	<u>417,860</u>
Governmental activities long-term liabilities	<u>1,024,490</u>	<u>5,935,173</u>	<u>( 2,084,499)</u>	<u>4,875,164</u>	<u>1,917,860</u>

Annual debt service requirements for the capital lease are as follows:

<u>December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,500,000	\$ -
2021	1,600,017	7,515
2022	<u>103,707</u>	<u>3,826</u>
Total	<u>\$ 3,203,724</u>	<u>\$ 11,341</u>

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

## **Risk Management**

Henderson County is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property, damage to County assets, errors and omissions and personnel risks which relate to workers' compensation. The County carries commercial insurance in order to manage the above listed risks. Amounts of coverage for the above types of risk have not been subject to a significant reduction in the past year. The amounts of settlements have not exceeded insurance coverage for the past three fiscal years.

## **Health Care Coverage**

During the year ended December 31, 2019, full-time employees of the County were covered by a health insurance plan (the "Plan") through Blue Cross Blue Shield. The County paid premiums of \$862 per month for each employee to the Health Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All contributions were paid to a Health Maintenance Organization. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the County and the licensed insurer is renewable, and terms of coverage and contribution costs are included in the contractual provisions.

## **Postemployment Benefits Other than Pensions (OPEB)**

Currently, health insurance benefits are provided to eligible retirees of the County in accordance with the policies and procedures approved by Commissioners' Court. Health insurance premiums for eligible retirees are paid for by the County for a maximum of three years.

Eligible retired employees are regular fulltime employees who retire under the employees' established retirement program (Texas County and District Retirement System) on or after January 1, 1991 and hired on or before December 31, 2009. Retired employee's eligibility shall cease upon the occurrence of the following events, whichever occurs first: 1) the last day of the contract month in which a retiree becomes eligible for Medicare by reason of obtaining age 65; 2) the last day of the contract month in which a retiree becomes eligible for disability under the United States Social Security Act; or 3) the last day of the contract month in which the County has contributed premiums for a three-year period.

As of December 31, 2019, the County had 11 retirees that were eligible for the OPEB plan and the cost per retiree to the County was \$862 per month. During the year, premiums paid by the County were \$83,598.

In June 2015, the Government Accounting Standards Board (GASB) issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which was effective for the County for the year ending December 31, 2019. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The County has not obtained the required actuarial evaluation of the benefits it provides to retirees and, therefore, has not implemented this standard. Expenses for post-retirement health care benefits are recognized on a pay-as-you-go basis in these financial statements.

### **Litigation**

The County is periodically involved in legal actions and claims arising in the ordinary course of its operations. The outcome of these lawsuits is not presently determinable, but according to the County's attorneys, a judgment, if any, would have an immaterial impact on the County as a whole.

### **Commitments and Contingencies**

The County participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

### **Defined Benefit Pension Plan**

**Plan Description.** The County participates in 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 nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tcdrs.org](http://www.tcdrs.org).

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

**Benefits Provided.** TCDRS provides retirement, disability and survivor benefits for all eligible employees. Benefit terms are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 20 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 eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

**Employees covered by benefit terms**

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	267
Inactive employees entitled to but not yet receiving benefits	304
Active employees	<u>391</u>
	<u>962</u>

**Contributions.** The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer’s governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer’s plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 14.48% and 14.52% in calendar years 2018 and 2019, respectively. The County’s contributions to TCDRS for the year ended December 31, 2019, were \$2,399,278, and were equal to the required contributions.

**Net Pension Liability.** The County’s Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Overall payroll growth	3.25% per year
Investment rate of return	8.0%, net of pension plan investment expense, including inflation

Mortality rates for active members, retirees, and beneficiaries were based on the following:

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

Updated mortality assumptions were adopted in the actuarial valuation of December 31, 2018. All other actuarial assumptions that determined the total pension liability as of December 31, 2018, were based on the results of an actuarial experience study for the period January 1, 2013, through December 31, 2016.

The long-term expected rate of return on pension plan investments is 8.0%. The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2019 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. The target allocation and best estimates of geometric real rates return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Benchmark</b>	<b>Target Allocation</b> <sup>(1)</sup>	<b>Geometric Real Rate of Return (Expected minus Inflation)</b> <sup>(2)</sup>
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	5.40%
International Equities - Emerging	MSCI Emerging Markets (net)	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped In	12.00%	4.39%
Direct Lending	S&P/LSTA Leverage Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>(4)</sup>	2.00%	7.20%
REIT	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(5)</sup>	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

<sup>(1)</sup> Target asset allocation adopted at the April 2019 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return expected return minus the assumed inflation rate of 1.70%, per Cliffwater's 2019 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

<sup>(5)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

### **Discount Rate**

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2017	\$ 78,732,474	\$ 72,269,443	\$ 6,463,031
Changes for the year:			
Service cost	2,336,040	-	2,336,040
Interest on total pension liability <sup>(1)</sup>	6,388,186	-	6,388,186
Effect of economic/demographic gains or losses	( 761,688)	-	( 761,688)
Refund of contributions	( 375,762)	( 375,762)	-
Benefit payments	( 4,115,750)	( 4,115,750)	-
Administrative expenses	-	( 56,069)	56,069
Member contributions	-	1,129,301	( 1,129,301)
Net investment income	-	( 1,357,827)	1,357,827
Employer contributions	-	2,336,030	( 2,336,030)
Other <sup>(2)</sup>	-	( 23,313)	23,313
Balance at 12/31/2018	<u>\$ 82,203,500</u>	<u>\$ 69,806,053</u>	<u>\$ 12,397,447</u>

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

<sup>(2)</sup> Relates to allocation of system-wide items.

**Sensitivity Analysis**

The following presents the net pension liability of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-higher (9.1%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	7.1%	8.1%	9.1%
Total pension liability	\$ 92,615,939	\$ 82,203,500	\$ 73,472,605
Fiduciary net position	<u>69,806,053</u>	<u>69,806,053</u>	<u>69,806,053</u>
Net pension liability/(asset)	<u>\$ 22,809,886</u>	<u>\$ 12,397,447</u>	<u>\$ 3,666,552</u>

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TCDRS financial report. The report may be obtained on the Internet at [www.tcdrs.org](http://www.tcdrs.org).



**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2019, the County recognized pension expense of \$3,359,207. At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 75,453	\$ 839,337
Changes in actuarial assumptions	134,353	-
Net difference between projected and actual investment earnings	4,455,196	-
Contributions subsequent to the measurement date	<u>2,399,278</u>	<u>-</u>
Total	<u>\$ 7,064,280</u>	<u>\$ 839,337</u>

\$2,399,278 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year Ended December 31,</u>	
2020	\$ 1,350,128
2021	559,704
2022	482,283
2023	1,433,550

## **Tax Abatement**

The County has entered into a tax abatement agreement with CMH Manufacturing, Inc. under the provisions of the Texas Property Redevelopment and Tax Abatement Act (Chapter 312 of the Texas Tax Code). This act provides for the availability of tax abatement for both new facilities and structures and for the expansion or modernization of existing facilities and structures located in a reinvestment zone designated under this act. The purpose of this tax abatement agreement is for the expansion of employment, attraction of future investments, and economic development of the County.

Under the terms of the agreement, CMH Manufacturing, Inc. will make the following improvements:

- Capital investment estimated at \$8,250,000 for both real and personal property.
- Hire a minimum of 250 full-time employees over the next five years. Wages are to be \$14.00-16.00/hour, plus benefits.

Beginning on January 1, 2017, the County property taxes on the certified appraised value of the eligible property in the reinvestment zone will be abated for the following periods and in the following amounts:

Year 1 – 90% 2018

Year 2 – 70% 2019

Year 3 – 45% 2020

Year 4 – 30% 2021

Year 5 – 25% 2022

During 2019, the County had a reduction of property tax revenue of \$27,604.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**HENDERSON COUNTY, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 23,963,320	\$ 23,963,320	\$ 23,773,345	\$( 189,975)
Mixed beverage taxes	100,000	100,000	125,796	25,796
Fees of office:				
Sheriff	140,000	140,000	194,346	54,346
County clerk	803,000	803,000	798,651	( 4,349)
Tax assessor/collector	915,000	915,000	934,583	19,583
District clerk	247,000	247,000	287,125	40,125
Justice of the peace	100,700	100,700	94,329	( 6,371)
County attorney	115,000	115,000	93,164	( 21,836)
Constables	64,000	64,000	59,614	( 4,386)
Court costs	39,000	39,000	43,007	4,007
Other	166,000	166,000	210,808	44,808
Total fees of office	<u>2,589,700</u>	<u>2,589,700</u>	<u>2,715,627</u>	<u>125,927</u>
Intergovernmental	1,882,311	1,886,966	1,826,388	( 60,578)
Licenses and permits	12,000	12,000	16,530	4,530
Fines and forfeitures	680,000	680,000	624,003	( 55,997)
Investment earnings	500,100	500,100	610,999	110,899
Miscellaneous	<u>247,065</u>	<u>247,065</u>	<u>337,662</u>	<u>90,597</u>
Total revenues	<u>29,974,496</u>	<u>29,979,151</u>	<u>30,030,350</u>	<u>51,199</u>
<b>EXPENDITURES</b>				
General government:				
County Judge	289,450	289,450	280,620	8,830
General County operations	6,232,912	4,252,483	4,106,565	145,918
Juvenile	180,000	216,396	216,395	1
General information systems	641,576	641,576	581,880	59,696
County clerk	812,520	812,289	781,098	31,191
County clerk records management	26,531	26,531	5,531	21,000
Elections administration	421,102	502,721	446,430	56,291
Veterans services	-	8,252	8,251	1
County auditor	713,721	713,721	690,123	23,598
Information technology	318,849	318,849	298,128	20,721
County treasurer	227,767	227,767	227,332	435
Tax assessor/collector	894,537	894,537	862,202	32,335
Public facilities	1,447,668	1,832,583	1,777,169	55,414
Human Resources	<u>80,394</u>	<u>80,394</u>	<u>55,279</u>	<u>25,115</u>
Total general government	<u>12,287,027</u>	<u>10,817,549</u>	<u>10,337,003</u>	<u>480,546</u>

The accompanying notes are an integral part of this schedule.

**HENDERSON COUNTY, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND  
(Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public safety:				
Constables general	\$ 12,815	\$ 12,677	\$ 2,300	\$ 10,377
Constable, precinct 1	74,760	74,760	72,097	2,663
Constable, precinct 2	75,513	76,216	74,496	1,720
Constable, precinct 3	73,796	73,796	71,779	2,017
Constable, precinct 4	68,796	68,796	66,550	2,246
Constable, precinct 5	74,036	74,036	72,398	1,638
Sheriff's office field operations	5,400,744	7,012,395	11,435,816	( 4,423,421)
Jail operations	7,250,459	7,143,459	6,792,566	350,893
Emergency management	84,531	84,531	81,196	3,335
Fire marshal/environmental crimes	376,608	411,338	388,870	22,468
Department of public safety	<u>109,385</u>	<u>109,385</u>	<u>107,381</u>	<u>2,004</u>
Total public safety	<u>13,601,443</u>	<u>15,141,389</u>	<u>19,165,449</u>	<u>( 4,024,060)</u>
<b>EXPENDITURES (Continued)</b>				
Legal:				
County attorney prosecution	2,437,530	2,437,530	2,371,405	66,125
County attorney collections	285,735	285,736	257,866	27,870
District attorney capital cases	<u>398,800</u>	<u>327,839</u>	<u>174,352</u>	<u>153,487</u>
Total legal	<u>3,122,065</u>	<u>3,051,105</u>	<u>2,803,623</u>	<u>247,482</u>
Judicial:				
County court-at-law 1	383,999	384,647	378,250	6,397
County court-at-law 2	402,795	403,751	394,564	9,187
District courts general	41,607	76,172	76,172	-
Indigent defense	75,255	75,255	73,365	1,890
3rd district court	158,423	158,423	152,202	6,221
173rd district court	254,960	254,960	243,104	11,856
392nd district court	270,965	270,965	267,908	3,057
District Clerk	715,107	717,421	683,625	33,796
Justice of the peace, precinct 1	189,225	190,885	187,443	3,442
Justice of the peace, precinct 2	197,644	197,844	194,371	3,473
Justice of the peace, precinct 3	142,285	142,901	141,520	1,381
Justice of the peace, precinct 4	143,176	145,984	145,738	246
Justice of the peace, precinct 5	190,985	190,985	177,760	13,225
Arraignments	9,841	9,555	7,717	1,838
Jury	<u>92,500</u>	<u>92,500</u>	<u>71,877</u>	<u>20,623</u>
Total judicial	<u>3,268,767</u>	<u>3,312,248</u>	<u>3,195,616</u>	<u>116,632</u>

The accompanying notes are an integral part of this schedule.

**HENDERSON COUNTY, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND  
(Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b> (Continued)				
Health and welfare:				
Health care coordination	\$ 76,537	\$ 68,289	\$ 16,505	\$ 51,784
Total health and welfare	<u>76,537</u>	<u>68,289</u>	<u>16,505</u>	<u>51,784</u>
Culture and recreation:				
Public library	227,708	227,708	219,809	7,899
County extension office	199,612	199,612	174,738	24,874
Historical Commission	19,015	22,765	21,142	1,623
Healthy County	4,300	4,300	3,524	776
Animal shelter	<u>342,459</u>	<u>342,459</u>	<u>311,337</u>	<u>31,122</u>
Total culture and recreation	<u>793,094</u>	<u>796,844</u>	<u>730,550</u>	<u>66,294</u>
Total expenditures	<u>33,148,933</u>	<u>33,187,424</u>	<u>36,248,746</u>	<u>( 3,061,322)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 3,174,437)</u>	<u>( 3,208,273)</u>	<u>( 6,218,396)</u>	<u>( 3,010,123)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	-	-	11,334	11,334
Sale of capital assets	52,500	52,500	200	( 52,300)
Capital lease	-	-	4,500,000	4,500,000
Transfers out	<u>( 3,106,740)</u>	<u>( 3,106,740)</u>	<u>( 41,800)</u>	<u>3,064,940</u>
Total other financing sources (uses)	<u>( 3,054,240)</u>	<u>( 3,054,240)</u>	<u>4,469,734</u>	<u>7,523,974</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>( 6,228,677)</u>	<u>( 6,262,513)</u>	<u>( 1,748,662)</u>	<u>4,513,851</u>
<b>FUND BALANCES, BEGINNING</b>	<u>13,540,981</u>	<u>13,540,981</u>	<u>13,540,981</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 7,312,304</u>	<u>\$ 7,278,468</u>	<u>\$ 11,792,319</u>	<u>\$ 4,513,851</u>

The accompanying notes are an integral part of this schedule.

**HENDERSON COUNTY, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL

ROAD AND BRIDGE

FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 5,164,520	\$ 5,164,520	\$ 4,988,038	\$ ( 176,482)
Fees	1,310,000	1,310,000	1,372,846	62,846
Intergovernmental	56,583	56,583	57,461	878
Licenses and permits	360,000	360,000	360,547	547
Investment earnings	28,000	28,000	45,935	17,935
Miscellaneous	-	62,514	64,903	2,389
Total revenues	<u>6,919,103</u>	<u>6,981,617</u>	<u>6,889,730</u>	<u>( 91,887)</u>
<b>EXPENDITURES</b>				
Waste management	333,291	367,855	367,751	104
Road and bridge general	44,812	23,210	23,208	2
Road and bridge precinct #1	1,726,450	1,697,576	1,637,096	60,480
Road and bridge precinct #2	1,726,450	1,766,539	1,766,512	27
Road and bridge precinct #3	1,726,450	1,733,969	1,733,954	15
Road and bridge precinct #4	1,726,450	1,757,270	2,054,625	( 297,355)
Precinct #1 lateral road	13,000	13,000	-	13,000
Precinct #2 lateral road	13,000	13,000	5,647	7,353
Precinct #3 lateral road	13,000	20,358	20,358	-
Precinct #4 lateral road	13,000	13,000	-	13,000
Total expenditures	<u>7,335,903</u>	<u>7,405,777</u>	<u>7,609,151</u>	<u>( 203,374)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 416,800)	( 424,160)	( 719,421)	( 295,261)
<b>OTHER FINANCING SOURCES</b>				
Sale of capital assets	-	-	10,000	10,000
Capital lease	-	-	300,153	300,153
Transfers in	<u>416,800</u>	<u>416,800</u>	<u>16,800</u>	<u>( 400,000)</u>
Total other financing sources	<u>416,800</u>	<u>416,800</u>	<u>326,953</u>	<u>( 89,847)</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	( 7,360)	( 392,468)	( 385,108)
<b>FUND BALANCES, BEGINNING</b>	<u>1,635,218</u>	<u>1,635,218</u>	<u>1,635,218</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 1,635,218</u>	<u>\$ 1,627,858</u>	<u>\$ 1,242,750</u>	<u>\$ ( 385,108)</u>

The accompanying notes are an integral part of this schedule.

HENDERSON COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY SCHEDULES

DECEMBER 31, 2019

**Budgetary Information**

The County follows these procedures in establishing the budgetary data reflected in the financial report:

1. The County Judge has departmental meetings with management to determine the departmental budget requests.
2. The County Judge submits to the County Commissioners a proposed operating budget for the fiscal year commencing the following January. The operational budget includes proposed expenditures and the means of financing them.
3. Public hearings are conducted to obtain taxpayer comments.
4. After the public hearings, the Commissioners' Court reviews the budget and makes any adjustments they feel necessary.
5. The budget is then legally enacted by the Commissioners' Court on or before January 1.

Only the governing body, composed of the Commissioners' Court, may amend the budget after its adoption so long as the amendment continues to meet the requirements of Section 111 of the *Local Government Code*. During the year, several supplementary amendments to the original budget were required. Individual amendments were all legally made.

The County's budget authorizes expenditures for all governmental fund types. The County's legally adopted budget is at the department level in those funds with multiple departments and at the fund level in single department funds. For internal management purposes, the budgets are detailed by line item and entered into the accounting records. Comparisons of actual expenditures to budget are made on an ongoing basis.

Budgets are adopted on a basis consistent with generally accepted accounting principles. Budget appropriations lapse at year-end.



**HENDERSON COUNTY, TEXAS**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS

FOR THE YEAR ENDED DECEMBER 31, 2019

<b>Plan Year Ended December 31</b>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>
<b>Total Pension Liability</b>			
Service Cost	\$ 2,336,040	\$ 2,342,034	\$ 2,452,420
Interest total pension liability	6,388,186	6,023,203	5,665,098
Effect of plan changes	-	-	2,604
Effect of assumption changes or inputs	-	223,921	-
Effect of economic/demographic (gains) or losses	( 761,688)	125,755	( 1,072,284)
Benefit payments/refunds of contributions	( 4,491,512)	<u>( 3,925,439)</u>	<u>( 3,611,101)</u>
Net change in total pension liability	3,471,026	4,789,474	3,436,737
Total pension liability - beginning	<u>78,732,474</u>	<u>73,943,000</u>	<u>70,506,263</u>
Total pension liability - ending (a)	\$ <u>82,203,500</u>	\$ <u>78,732,474</u>	\$ <u>73,943,000</u>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	\$ 2,336,030	\$ 2,190,674	\$ 2,090,145
Member contributions	1,129,301	1,101,640	1,064,854
Investment income net of investment expenses	( 1,357,827)	9,284,198	4,455,388
Benefit payments refunds of contributions	( 4,491,512)	( 3,925,439)	( 3,611,101)
Administrative expenses	( 56,069)	( 48,061)	( 48,499)
Other	<u>( 23,313)</u>	<u>( 8,938)</u>	<u>( 601,609)</u>
Net change in plan fiduciary net position	( 2,463,390)	8,594,074	3,349,178
Plan fiduciary net position - beginning	<u>72,269,443</u>	<u>63,675,369</u>	<u>60,326,191</u>
Plan fiduciary net position - ending (b)	\$ <u>69,806,053</u>	\$ <u>72,269,443</u>	\$ <u>63,675,369</u>
Net pension liability - ending (a) - (b)	\$ <u>12,397,447</u>	\$ <u>6,463,031</u>	\$ <u>10,267,631</u>
Fiduciary net position as a percentage of total pension liability	85%	92%	86%
Pensionable covered payroll	\$ 16,132,871	\$ 15,737,716	\$ 15,212,201
Net pension liability as a percentage of covered payroll	77%	41%	67%

<u>2015</u>	<u>2014</u>
\$ 2,174,127	\$ 2,118,519
5,385,909	5,047,123
( 401,168)	-
747,396	-
( 775,010)	206,048
<u>( 3,692,208)</u>	<u>( 3,091,788)</u>
3,439,046	4,279,902
<u>67,067,217</u>	<u>62,787,315</u>
\$ <u>70,506,263</u>	\$ <u>67,067,217</u>
\$ 2,055,741	\$ 1,946,319
1,051,920	1,003,997
( 307,377)	3,946,810
( 3,692,208)	( 3,091,788)
( 43,772)	( 45,832)
<u>( 98,523)</u>	<u>( 17,488)</u>
( 1,034,219)	3,742,018
<u>61,360,410</u>	<u>57,618,392</u>
\$ <u>60,326,191</u>	\$ <u>61,360,410</u>
\$ <u>10,180,072</u>	\$ <u>5,706,807</u>
86%	91%
\$ 15,027,431	\$ 14,342,815
68%	40%

**HENDERSON COUNTY, TEXAS**

SCHEDULE OF EMPLOYER CONTRIBUTIONS - TCDRS

LAST TEN FISCAL YEARS

<u>Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contributor as a % of Covered Payroll</u>
2010	\$ 1,663,706	\$ 1,663,706	-	\$ 14,517,507	11.5%
2011	1,618,971	1,618,971	-	14,127,207	11.5%
2012	1,686,878	1,686,878	-	13,987,401	12.1%
2013	1,763,575	1,763,575	-	13,831,885	12.8%
2014	1,946,319	1,946,319	-	14,342,815	13.6%
2015	2,055,743	2,055,743	-	15,027,363	12.4%
2016	2,090,156	2,090,156	-	15,212,201	12.4%
2017	2,190,690	2,190,690	-	15,737,716	13.9%
2018	2,336,030	2,336,030	-	16,132,871	14.5%
2019	2,399,278	2,399,278	-	16,523,952	14.5%

**HENDERSON COUNTY, TEXAS**

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

**Valuation Timing** Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

**Methods and assumptions used to determine contributions rates:**

<b>Actuarial Cost Method</b>	Entry age
<b>Amortization Method</b>	Level percentage of payroll, closed
<b>Remaining Amortization Period</b>	12.3 years (based on contribution rate calculated in 12/31/2017 valuation)
<b>Asset Valuation Method</b>	5-year smoothed market
<b>Inflation</b>	2.75%
<b>Salary Increases</b>	Varies by age and service. 4.9% average over career including inflation.
<b>Investment Rate of Return</b>	8.0%, net of administrative and investment expenses, including inflation.
<b>Retirement Age</b>	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
<b>Mortality</b>	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
<b>Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions</b>	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
<b>Changes in Plan Provisions Reflected in the Schedule</b>	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule.

## **COMBINING STATEMENTS**

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

**Special Revenue Funds** are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Records Management** – This fund is used to account for fees collected by both the District and County Clerks. The use of these fees is statute driven to provide these offices with funds for records management and preservation services. Expenditures must be approved by Commissioners' Court.

**CWM Library** – This fund is used to account for the operation of the Clint W. Murchison Memorial Library.

**Hot Check** – This fund is funded by fees from hot check collections. The Hot Check Department is a division of the County Attorney's office and is a computerized operation for the prosecution and collection of hot checks. This department assists merchants by preparing witness statements, collection and return of restitution to merchants, and filing criminal cases against check writers. Revenue derived from these collections is utilized for the benefit of the County Attorney's office.

**Law Enforcement – District Attorney** – This fund is used to account for the seizure of property and money, which may be used by the District Attorney for law enforcement purposes. The fund is also a clearing account for seizures held pending disposition. The District Attorney may dispense funds according to court orders and pro rata shares determined by interlocal agreements with other law enforcement agencies.

**Law Enforcement – Sheriff** – This fund is used to account for seizures awarded to the Sheriff's Department through an interlocal agreement with the District Attorney. The fund may be used by the Sheriff for law enforcement purposes.

**Law Library** – This fund is used to account for the fees collected at the District Clerk and County Clerk for the Law Library.

**Federal Seizures Sheriff** – This fund is used to account for funds from the forfeiture of property and money, which may be used at the Sheriff's Department.

**Bail Bond Board** – This fund is used to account for the fees collected from bail bondsmen in order to operate in Henderson County. These fees are required to be used to fund expenditures related to running the Bail Bond Board.

**HENDERSON COUNTY, TEXAS**

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2019

	<u>Special Revenue</u>			
	<u>Records Management</u>	<u>CWM Library</u>	<u>Hot Check</u>	<u>Law Enforcement District Attorney</u>
<b>ASSETS</b>				
Cash and investments	\$ 745,239	\$ 8,316	\$ 39,405	\$ 324,415
Receivables, net of allowance for uncollectibles:				
Other	-	-	26,740	-
Total assets	<u>\$ 745,239</u>	<u>\$ 8,316</u>	<u>\$ 66,145</u>	<u>\$ 324,415</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable	23,501	718	286	124,663
Accrued liabilities	-	-	148	246
Due to other governments	-	-	-	94,926
Cash bonds and deposits	-	-	-	-
Total liabilities	<u>23,501</u>	<u>718</u>	<u>434</u>	<u>219,835</u>
<b>FUND BALANCES</b>				
Restricted	<u>721,738</u>	<u>7,598</u>	<u>65,711</u>	<u>104,580</u>
Total fund balances	<u>721,738</u>	<u>7,598</u>	<u>65,711</u>	<u>104,580</u>
Total liabilities and fund balances	<u>\$ 745,239</u>	<u>\$ 8,316</u>	<u>\$ 66,145</u>	<u>\$ 324,415</u>

Special Revenue

Law Enforcement Sheriff	Law Library	Federal Seizures Sheriff	Bail Bond Board	Total Governmental Funds
\$ 149,896	\$ 35,897	\$ 281,105	\$ 73,356	\$ 1,657,629
-	-	-	-	26,740
<u>\$ 149,896</u>	<u>\$ 35,897</u>	<u>\$ 281,105</u>	<u>\$ 73,356</u>	<u>\$ 1,684,369</u>
5,997	2,610	390	-	158,165
-	-	-	-	394
-	-	-	-	94,926
-	-	-	50,000	50,000
<u>5,997</u>	<u>2,610</u>	<u>390</u>	<u>50,000</u>	<u>303,485</u>
<u>143,899</u>	<u>33,287</u>	<u>280,715</u>	<u>23,356</u>	<u>1,380,884</u>
<u>143,899</u>	<u>33,287</u>	<u>280,715</u>	<u>23,356</u>	<u>1,380,884</u>
<u>\$ 149,896</u>	<u>\$ 35,897</u>	<u>\$ 281,105</u>	<u>\$ 73,356</u>	<u>\$ 1,684,369</u>



**HENDERSON COUNTY, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Special Revenue			
	Records Management	CWM Library	Hot Check	Law Enforcement District Attorney
<b>REVENUES</b>				
Fees	\$ 236,027	\$ -	\$ 4,721	\$ -
Fines and forfeitures	-	-	-	14,808
Investment earnings	-	-	-	1
Miscellaneous	-	17,458	1,880	-
Total revenues	236,027	17,458	6,601	14,809
<b>EXPENDITURES</b>				
Current:				
General government	126,924	-	-	-
Legal	-	-	8,156	41,255
Public safety	-	-	-	-
Culture and recreation	-	21,613	-	-
Total expenditures	126,924	21,613	8,156	41,255
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	109,103	( 4,155)	( 1,555)	( 26,446)
<b>FUND BALANCES, BEGINNING</b>	612,635	11,753	67,266	131,026
<b>FUND BALANCES, ENDING</b>	\$ 721,738	\$ 7,598	\$ 65,711	\$ 104,580

Special Revenue

<u>Law Enforcement Sheriff</u>	<u>Law Library</u>	<u>Federal Seizures Sheriff</u>	<u>Bail Bond Board</u>	<u>Total Governmental Funds</u>
\$ -	\$ 27,027	\$ -	\$ 6,575	\$ 274,350
24,794	-	-	-	39,602
-	-	-	-	1
-	-	-	-	19,338
<u>24,794</u>	<u>27,027</u>	<u>-</u>	<u>6,575</u>	<u>333,291</u>
-	-	-	-	126,924
-	34,733	-	-	84,144
55,002	-	35,527	479	91,008
-	-	-	-	21,613
<u>55,002</u>	<u>34,733</u>	<u>35,527</u>	<u>479</u>	<u>323,689</u>
( 30,208)	( 7,706)	( 35,527)	6,096	9,602
<u>174,107</u>	<u>40,993</u>	<u>316,242</u>	<u>17,260</u>	<u>1,371,282</u>
<u>\$ 143,899</u>	<u>\$ 33,287</u>	<u>\$ 280,715</u>	<u>\$ 23,356</u>	<u>\$ 1,380,884</u>

## **AGENCY FUNDS**

***Property Tax Fund*** – This fund is maintained by the Tax Collector for property taxes collected for other governments.

***Auto 6.25% Fund*** – This fund is maintained by the Tax Collector to account for sales tax on new vehicles due to the State.

***Auto Fund*** – This fund is maintained by the Tax Collector to account for collections from auto registrations due to the State.

***Auto Vehicle Inventory Tax Fund*** – This fund holds estimated payments by auto dealers for taxes on inventory. Taxes are based on sales and are applied against the balance owed according to the assessment later in the year.

***Chandler Substation Fund*** – A tax account for automobile registrations maintained by the Tax Collector at a substation location.

***Sheriff Commissary Fund*** – This fund is used for commissary purchases. Purchases of supplies by inmates provide funding for the commissary.

***Juvenile Probation Fund*** – This fund accounts for cash held in agency capacity for the Henderson County Juvenile Probation Department.

***County Clerk Trust Fund*** – This fund accounts for trust money held in non-interest bearing accounts, for civil cases before the County Court or County Court-at-Law. Disbursements are made upon disposition of the cases by court order.

***County Clerk Interest Bearing Trust Fund*** – This fund accounts for money held in interest-bearing accounts for civil cases before the County Court and County Court-at-Law. Disbursements are made upon disposition of the cases by court order.

***District Clerk Registry Fund*** – Funds are deposited in the registry of the court upon order of a district court. This fund is a non-interest-bearing account. Court order states when and if funds should be placed in an interest-bearing account or disbursed.

***District Clerk Trust Investment Fund*** – This fund maintained by the District Clerk accounts for certificates of deposit held pending disposition of civil cases before the District Courts.

***County Attorney Hot Check Fund*** – This fund accounts for fees for bad check collections. The funds may be used for purposes benefiting the County Attorney's office.

***Inmate Trust Fund*** – Maintained by the Sheriff, the fund holds inmate funds during incarceration.

***District Attorney State Fee Fund*** – This fund accounts for fees charged by the office held for other entities.

***District Attorney Escrow Fund*** – The District Attorney accounts for restitution payable to victims and temporarily holds fees collected on felony hot checks.

***District Clerk Fee Fund*** – This fund accounts for fines and fees charged by the office held for other entities. The account may hold a small amount of funds for restitution or bond payments.

**HENDERSON COUNTY, TEXAS**

COMBINING STATEMENT OF CHANGES IN ASSETS AND  
LIABILITIES - AGENCY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b><u>PROPERTY TAX FUND</u></b>				
Assets				
Cash and investments	\$ <u>1,319,986</u>	\$ <u>116,353,839</u>	\$ <u>115,040,894</u>	\$ <u>2,632,931</u>
Total assets	\$ <u>1,319,986</u>	\$ <u>116,353,839</u>	\$ <u>115,040,894</u>	\$ <u>2,632,931</u>
Liabilities				
Due to other agencies and individuals	\$ <u>1,319,986</u>	\$ <u>116,353,839</u>	\$ <u>115,040,894</u>	\$ <u>2,632,931</u>
Total liabilities	\$ <u>1,319,986</u>	\$ <u>116,353,839</u>	\$ <u>115,040,894</u>	\$ <u>2,632,931</u>
<b><u>AUTO 6.25% FUND</u></b>				
Assets				
Cash and investments	\$ <u>286,994</u>	\$ <u>7,415,713</u>	\$ <u>7,338,248</u>	\$ <u>364,459</u>
Total assets	\$ <u>286,994</u>	\$ <u>7,415,713</u>	\$ <u>7,338,248</u>	\$ <u>364,459</u>
Liabilities				
Due to other agencies and individuals	\$ <u>286,994</u>	\$ <u>7,415,713</u>	\$ <u>7,338,248</u>	\$ <u>364,459</u>
Total liabilities	\$ <u>286,994</u>	\$ <u>7,415,713</u>	\$ <u>7,338,248</u>	\$ <u>364,459</u>
<b><u>AUTO FUND</u></b>				
Assets				
Cash and investments	\$ <u>446,549</u>	\$ <u>13,935,616</u>	\$ <u>13,895,235</u>	\$ <u>486,930</u>
Total assets	\$ <u>446,549</u>	\$ <u>13,935,616</u>	\$ <u>13,895,235</u>	\$ <u>486,930</u>
Liabilities				
Due to other agencies and individuals	\$ <u>446,549</u>	\$ <u>13,935,616</u>	\$ <u>13,895,235</u>	\$ <u>486,930</u>
Total liabilities	\$ <u>446,549</u>	\$ <u>13,935,616</u>	\$ <u>13,895,235</u>	\$ <u>486,930</u>
<b><u>AUTO VEHICLE INVENTORY TAX FUND</u></b>				
Assets				
Cash and investments	\$ <u>341,770</u>	\$ <u>365,120</u>	\$ <u>322,359</u>	\$ <u>384,531</u>
Total assets	\$ <u>341,770</u>	\$ <u>365,120</u>	\$ <u>322,359</u>	\$ <u>384,531</u>
Liabilities				
Due to other agencies and individuals	\$ <u>341,770</u>	\$ <u>365,120</u>	\$ <u>322,359</u>	\$ <u>384,531</u>
Total liabilities	\$ <u>341,770</u>	\$ <u>365,120</u>	\$ <u>322,359</u>	\$ <u>384,531</u>

**HENDERSON COUNTY, TEXAS**

COMBINING STATEMENT OF CHANGES IN ASSETS AND  
LIABILITIES - AGENCY FUNDS  
(Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b><u>CHANDLER SUBSTATION FUND</u></b>				
Assets				
Cash and investments	\$ <u>177,317</u>	\$ <u>2,977,935</u>	\$ <u>2,991,019</u>	\$ <u>164,233</u>
Total assets	\$ <u>177,317</u>	\$ <u>2,977,935</u>	\$ <u>2,991,019</u>	\$ <u>164,233</u>
Liabilities				
Due to other agencies and individuals	\$ <u>177,317</u>	\$ <u>2,977,935</u>	\$ <u>2,991,019</u>	\$ <u>164,233</u>
Total liabilities	\$ <u>177,317</u>	\$ <u>2,977,935</u>	\$ <u>2,991,019</u>	\$ <u>164,233</u>
<b><u>SHERIFF COMMISSARY FUND</u></b>				
Assets				
Cash and investments	\$ <u>94,730</u>	\$ <u>195,135</u>	\$ <u>185,771</u>	\$ <u>104,094</u>
Total assets	\$ <u>94,730</u>	\$ <u>195,135</u>	\$ <u>185,771</u>	\$ <u>104,094</u>
Liabilities				
Due to other agencies and individuals	\$ <u>94,730</u>	\$ <u>195,135</u>	\$ <u>185,771</u>	\$ <u>104,094</u>
Total liabilities	\$ <u>94,730</u>	\$ <u>195,135</u>	\$ <u>185,771</u>	\$ <u>104,094</u>
<b><u>JUVENILE PROBATION FUND</u></b>				
Assets				
Cash and investments	\$ <u>152,278</u>	\$ <u>490,451</u>	\$ <u>466,984</u>	\$ <u>175,745</u>
Total assets	\$ <u>152,278</u>	\$ <u>490,451</u>	\$ <u>466,984</u>	\$ <u>175,745</u>
Liabilities				
Due to other agencies and individuals	\$ <u>152,278</u>	\$ <u>490,451</u>	\$ <u>466,984</u>	\$ <u>175,745</u>
Total liabilities	\$ <u>152,278</u>	\$ <u>490,451</u>	\$ <u>466,984</u>	\$ <u>175,745</u>
<b><u>COUNTY CLERK TRUST FUND</u></b>				
Assets				
Cash and investments	\$ <u>206,003</u>	\$ <u>712,131</u>	\$ <u>566,227</u>	\$ <u>351,907</u>
Total assets	\$ <u>206,003</u>	\$ <u>712,131</u>	\$ <u>566,227</u>	\$ <u>351,907</u>
Liabilities				
Due to other agencies and individuals	\$ <u>206,003</u>	\$ <u>712,131</u>	\$ <u>566,227</u>	\$ <u>351,907</u>
Total liabilities	\$ <u>206,003</u>	\$ <u>712,131</u>	\$ <u>566,227</u>	\$ <u>351,907</u>

**HENDERSON COUNTY, TEXAS**

COMBINING STATEMENT OF CHANGES IN ASSETS AND  
LIABILITIES - AGENCY FUNDS  
(Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b><u>COUNTY CLERK INTEREST BEARING</u></b>				
<b><u>TRUST FUND</u></b>				
Assets				
Cash and investments	\$ <u>556,015</u>	\$ <u>18,833</u>	\$ <u>237,399</u>	\$ <u>337,449</u>
Total assets	\$ <u>556,015</u>	\$ <u>18,833</u>	\$ <u>237,399</u>	\$ <u>337,449</u>
Liabilities				
Due to other agencies and individuals	\$ <u>556,015</u>	\$ <u>18,833</u>	\$ <u>237,399</u>	\$ <u>337,449</u>
Total liabilities	\$ <u>556,015</u>	\$ <u>18,833</u>	\$ <u>237,399</u>	\$ <u>337,449</u>
<b><u>DISTRICT CLERK REGISTRY FUND</u></b>				
Assets				
Cash and investments	\$ <u>1,750,085</u>	\$ <u>1,816,919</u>	\$ <u>809,783</u>	\$ <u>2,757,221</u>
Total assets	\$ <u>1,750,085</u>	\$ <u>1,816,919</u>	\$ <u>809,783</u>	\$ <u>2,757,221</u>
Liabilities				
Due to other agencies and individuals	\$ <u>1,750,085</u>	\$ <u>1,816,919</u>	\$ <u>809,783</u>	\$ <u>2,757,221</u>
Total liabilities	\$ <u>1,750,085</u>	\$ <u>1,816,919</u>	\$ <u>809,783</u>	\$ <u>2,757,221</u>
<b><u>DISTRICT CLERK TRUST</u></b>				
<b><u>INVESTMENT FUND</u></b>				
Assets				
Cash and investments	\$ <u>366,663</u>	\$ <u>30,442</u>	\$ <u>63,470</u>	\$ <u>333,635</u>
Total assets	\$ <u>366,663</u>	\$ <u>30,442</u>	\$ <u>63,470</u>	\$ <u>333,635</u>
Liabilities				
Due to other agencies and individuals	\$ <u>366,663</u>	\$ <u>30,442</u>	\$ <u>63,470</u>	\$ <u>333,635</u>
Total liabilities	\$ <u>366,663</u>	\$ <u>30,442</u>	\$ <u>63,470</u>	\$ <u>333,635</u>
<b><u>COUNTY ATTORNEY HOT CHECK FUND</u></b>				
Assets				
Cash and investments	\$ <u>1,618</u>	\$ <u>41,797</u>	\$ <u>40,819</u>	\$ <u>2,596</u>
Total assets	\$ <u>1,618</u>	\$ <u>41,797</u>	\$ <u>40,819</u>	\$ <u>2,596</u>
Liabilities				
Due to other agencies and individuals	\$ <u>1,618</u>	\$ <u>41,797</u>	\$ <u>40,819</u>	\$ <u>2,596</u>
Total liabilities	\$ <u>1,618</u>	\$ <u>41,797</u>	\$ <u>40,819</u>	\$ <u>2,596</u>

**HENDERSON COUNTY, TEXAS**

COMBINING STATEMENT OF CHANGES IN ASSETS AND  
LIABILITIES - AGENCY FUNDS  
(Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b><u>INMATE TRUST FUND</u></b>				
Assets				
Cash and investments	\$ 108,971	\$ 880,899	\$ 902,159	\$ 87,711
Total assets	\$ 108,971	\$ 880,899	\$ 902,159	\$ 87,711
Liabilities				
Due to other agencies and individuals	\$ 108,971	\$ 880,899	\$ 902,159	\$ 87,711
Total liabilities	\$ 108,971	\$ 880,899	\$ 902,159	\$ 87,711
<b><u>DISTRICT ATTORNEY STATE FEE FUND</u></b>				
Assets				
Cash and investments	\$ 7,061	\$ 22,521	\$ 22,600	\$ 6,982
Total assets	\$ 7,061	\$ 22,521	\$ 22,600	\$ 6,982
Liabilities				
Due to other agencies and individuals	\$ 7,061	\$ 22,521	\$ 22,600	\$ 6,982
Total liabilities	\$ 7,061	\$ 22,521	\$ 22,600	\$ 6,982
<b><u>DISTRICT ATTORNEY ESCROW FUND</u></b>				
Assets				
Cash and investments	\$ -	\$ 83,881	\$ 83,881	\$ -
Total assets	\$ -	\$ 83,881	\$ 83,881	\$ -
Liabilities				
Due to other agencies and individuals	\$ -	\$ 83,881	\$ 83,881	\$ -
Total liabilities	\$ -	\$ 83,881	\$ 83,881	\$ -
<b><u>DISTRICT CLERK FEE FUND</u></b>				
Assets				
Cash and investments	\$ 121,427	\$ 711,834	\$ 709,839	\$ 123,422
Total assets	\$ 121,427	\$ 711,834	\$ 709,839	\$ 123,422
Liabilities				
Due to other agencies and individuals	\$ 121,427	\$ 711,834	\$ 709,839	\$ 123,422
Total liabilities	\$ 121,427	\$ 711,834	\$ 709,839	\$ 123,422
<b><u>ALL AGENCY FUNDS</u></b>				
Assets				
Cash and investments	\$ 5,937,467	\$ 146,053,066	\$ 143,676,687	\$ 8,313,846
Total assets	\$ 5,937,467	\$ 146,053,066	\$ 143,676,687	\$ 8,313,846
Liabilities				
Due to other agencies and individuals	\$ 5,937,467	\$ 146,053,066	\$ 143,676,687	\$ 8,313,846
Total liabilities	\$ 5,937,467	\$ 146,053,066	\$ 143,676,687	\$ 8,313,846