

HENDERSON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2020

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, 2020

<u>Office</u>	<u>Name</u>
County Judge	Judge Wade McKinney
Commissioner – Precinct 1	Wendy Spivey
Commissioner – Precinct 2	Scott Tuley
Commissioner – Precinct 3	Charles McHam
Commissioner – Precinct 4	Mark Richardson
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



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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2020, 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, 2020, 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.

Change in Accounting Principle

As discussed in the notes to the financial statements, in fiscal year 2020 the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

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 36 – 40, and pension information on pages 41 – 44 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, combining fund financial statements and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CRF) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements and the Schedule of Expenditures of Federal Awards 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 and the Schedule of Expenditures of Federal Awards 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 September 30, 2021, 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
September 30, 2021

**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, 2020. 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 2020 by \$45,873,067 (*net position*). Of this amount, \$10,648,400 (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's total net position increased by \$3,672,243.
- As of December 31, 2020, the County's governmental funds reported combined ending fund balances of \$14,122,071, a decrease of \$293,882.
- At the end of fiscal year 2020, unassigned fund balance for the General Fund was \$10,485,213.

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 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 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 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 \$45,873,067 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 \$32,199,107 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 39,910,873	\$ 36,633,780	\$ 369,395	\$ 293,652	\$ 40,280,268	\$ 36,927,432
Capital assets	<u>32,636,432</u>	<u>32,465,522</u>	<u>1,266,399</u>	<u>1,198,976</u>	<u>33,902,831</u>	<u>33,664,498</u>
Total assets	<u>72,547,305</u>	<u>69,099,302</u>	<u>1,635,794</u>	<u>1,492,628</u>	<u>74,183,099</u>	<u>70,591,930</u>
Deferred outflows of resources	2,835,340	7,064,280	-	-	2,835,340	7,064,280
Long-term liabilities	6,996,505	15,354,751	-	-	6,996,505	15,354,751
Other liabilities	<u>4,642,766</u>	<u>4,028,698</u>	<u>15,980</u>	<u>14,926</u>	<u>4,658,746</u>	<u>4,043,624</u>
Total liabilities	<u>11,639,271</u>	<u>19,383,449</u>	<u>15,980</u>	<u>14,926</u>	<u>11,655,251</u>	<u>19,398,375</u>
Deferred inflows of resources	19,490,121	16,057,011	-	-	19,490,121	16,057,011
Net position:						
Net investment in capital assets	30,932,708	29,261,798	1,266,399	1,198,976	32,199,107	30,460,774
Restricted	3,025,560	2,941,748	-	-	3,025,560	2,941,748
Unrestricted	<u>10,294,985</u>	<u>8,519,576</u>	<u>353,415</u>	<u>278,726</u>	<u>10,648,400</u>	<u>8,798,302</u>
Total net position	<u>\$ 44,253,253</u>	<u>\$ 40,723,122</u>	<u>\$ 1,619,814</u>	<u>\$ 1,477,702</u>	<u>\$ 45,873,067</u>	<u>\$ 42,200,824</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.

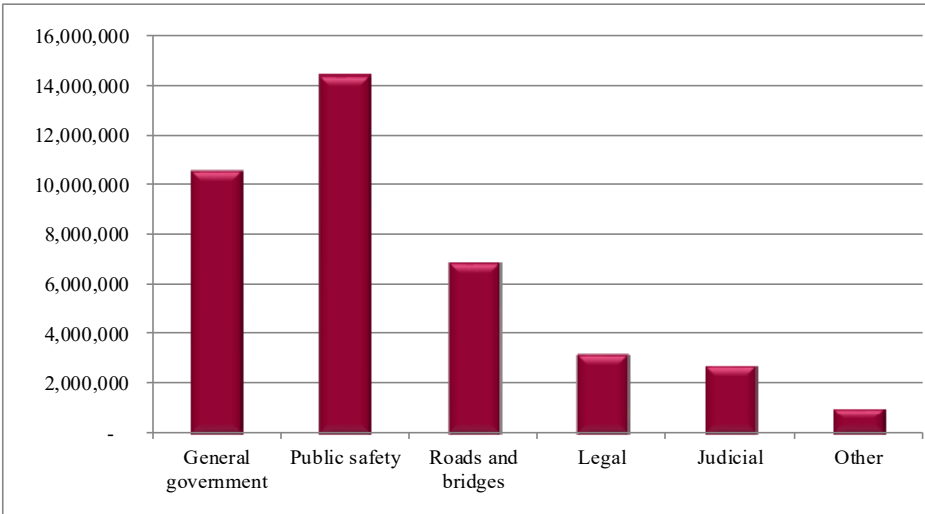
HENDERSON COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 6,705,939	\$ 6,411,187	\$ 313,940	\$ 372,554	\$ 7,019,879	\$ 6,783,741
Operating grants and contributions	3,680,163	948,544	30,813	53,560	3,710,976	1,002,104
General revenues:						
Property taxes	30,448,356	28,713,032	-	-	30,448,356	28,713,032
Other taxes	103,842	125,796	119,638	143,225	223,480	269,021
Investment earnings	298,616	656,935	-	-	298,616	656,935
Gain on sale of capital assets	79,616	10,200	-	-	79,616	10,200
Miscellaneous	<u>528,251</u>	<u>449,874</u>	<u>-</u>	<u>-</u>	<u>528,251</u>	<u>449,874</u>
Total revenues	<u>41,844,783</u>	<u>37,315,568</u>	<u>464,391</u>	<u>569,339</u>	<u>42,309,174</u>	<u>37,884,907</u>
Expenses:						
Governmental activities:						
General government	10,562,178	11,113,196	-	-	10,562,178	11,113,196
Legal	3,192,153	3,340,481	-	-	3,192,153	3,340,481
Health and welfare	444,300	388,977	-	-	444,300	388,977
Judicial	2,700,250	3,072,095	-	-	2,700,250	3,072,095
Public safety	14,403,242	13,917,682	-	-	14,403,242	13,917,682
Culture and recreation	605,975	806,992	-	-	605,975	806,992
Roads and bridges	6,898,542	9,375,913	-	-	6,898,542	9,375,913
Interest and fiscal charges on long-te	3,747	-	-	-	3,747	-
Business-type activities:						
Fair Park	-	-	527,075	459,752	527,075	459,752
Fair Park Concessions	<u>-</u>	<u>-</u>	<u>84,799</u>	<u>101,524</u>	<u>84,799</u>	<u>101,524</u>
Total expenses	<u>38,810,387</u>	<u>42,015,336</u>	<u>611,874</u>	<u>561,276</u>	<u>39,422,261</u>	<u>42,576,612</u>
Change in net position before transfers	3,034,396	(4,699,768)	(147,483)	8,063	2,886,913	(4,691,705)
Transfers	(75,000)	(25,000)	75,000	25,000	-	-
Change in net position	2,959,396	(4,724,768)	(72,483)	33,063	2,886,913	(4,691,705)
Net position, beginning	<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>
Prior period adjustment	<u>570,735</u>	<u>-</u>	<u>214,595</u>	<u>-</u>	<u>785,330</u>	<u>-</u>
Net position, beginning as restated	<u>41,293,857</u>	<u>-</u>	<u>1,692,297</u>	<u>-</u>	<u>42,986,154</u>	<u>-</u>
Net position, ending	<u>\$ 44,253,253</u>	<u>\$ 40,723,122</u>	<u>\$ 1,619,814</u>	<u>\$ 1,477,702</u>	<u>\$ 45,873,067</u>	<u>\$ 42,200,824</u>

Governmental Activities. Governmental activities increased the County's net position by \$3,530,131. Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Program revenues of \$10,386,102 equaled 27% of governmental expenses of \$38,810,387. General revenues of \$31,458,681 provided additional support and coverage for expenses.
- Approximately 37% of governmental expenses were for public safety and 27% were for general government activities.
- Infrastructure (road and bridges) expenses, at \$6,898,542 accounted for 18% of expenses.
- Grant revenues totaling \$3,680,163 were available to offset only 9% 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 2020, Henderson County’s *governmental funds* reported combined ending fund balances of \$14,122,071. Overall fund balance decreased by \$293,882. The decrease is approximately 2% of the total fund balance.

The General Fund is the chief operating fund of Henderson County. At the end of fiscal year 2020, the General Fund had an ending fund balance of \$11,417,653. 92% of this total amount (\$10,485,213) 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 33% of total General Fund expenditures.

The Road and Bridge Fund had an ending fund balance of \$1,152,501, a net decrease of \$90,249. 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 \$611,874 of expenses, \$147,172 was due to depreciation.

Budgetary Highlights

The budget is prepared in accordance with 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 a new radio tower system and various other projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Henderson County’s investment in capital assets for its governmental activities as of December 31, 2020, was \$32,636,432 (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	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,436,040	\$ 1,417,960	\$ 250,504	\$ 250,504	\$ 1,686,544	\$ 1,668,464
Construction in progress	-	117,568	-	-	-	117,568
Buildings and improvements	28,632,938	28,257,603	2,709,759	2,699,991	31,342,697	30,957,594
Furniture and equipment	21,245,130	20,042,207	368,572	347,986	21,613,702	20,390,193
Infrastructure	37,639,312	31,957,295	-	-	37,639,312	31,957,295
Less: accumulated depreciation	(56,316,988)	(49,327,111)	(2,062,436)	(2,099,505)	(58,379,424)	(51,426,616)
Total capital assets	\$ <u>32,636,432</u>	\$ <u>32,465,522</u>	\$ <u>1,266,399</u>	\$ <u>1,198,976</u>	\$ <u>33,902,831</u>	\$ <u>33,664,498</u>

Significant Capital Asset Events

The County continues to develop and enhance the new law enforcement radio tower project and plans to add one more tower.

The construction for the new justice of the peace facility was completed.

Long-term Debt. At the end of fiscal year 2020, the County had no bonded debt outstanding.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The tax rate was lowered for 2021 to .462153% per \$100 value. Total ad valorem tax revenues are estimated to be \$31,271,024 with \$711,757 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, 2020

	Governmental Activities	Business-type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current assets:			
Cash and investments	\$ 31,983,988	\$ 357,584	\$ 32,341,572
Receivables, net of allowance for uncollectibles:			
Taxes	2,163,854	-	2,163,854
Fines	3,023,565	-	3,023,565
Other	148,872	11,415	160,287
Due from other governments	1,995,670	-	1,995,670
Prepaid items	594,924	396	595,320
Total current assets	<u>39,910,873</u>	<u>369,395</u>	<u>40,280,268</u>
Noncurrent assets:			
Capital assets:			
Land	1,436,040	250,504	1,686,544
Buildings and improvements	28,632,938	2,709,759	31,342,697
Furniture and equipment	21,245,130	368,572	21,613,702
Infrastructure	37,639,312	-	37,639,312
Less: accumulated depreciation	<u>(56,316,988)</u>	<u>(2,062,436)</u>	<u>(58,379,424)</u>
Total capital assets	<u>32,636,432</u>	<u>1,266,399</u>	<u>33,902,831</u>
Total noncurrent assets	<u>32,636,432</u>	<u>1,266,399</u>	<u>33,902,831</u>
Total assets	<u>72,547,305</u>	<u>1,635,794</u>	<u>74,183,099</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	<u>2,835,340</u>	<u>-</u>	<u>2,835,340</u>
Total deferred outflows of resources	<u>2,835,340</u>	<u>-</u>	<u>2,835,340</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,213,934	8,637	1,222,571
Accrued liabilities	758,481	7,343	765,824
Due to other governments	199,064	-	199,064
Cash bond deposits	50,000	-	50,000
Interest payable	3,747	-	3,747
Unearned revenue	293,574	-	293,574
Compensated absences	523,949	-	523,949
Capital lease	1,600,017	-	1,600,017
Total current liabilities	<u>4,642,766</u>	<u>15,980</u>	<u>4,658,746</u>
Noncurrent liabilities:			
Net pension liability	5,320,952	-	5,320,952
Compensated absences	1,571,846	-	1,571,846
Capital lease	103,707	-	103,707
Total noncurrent liabilities	<u>6,996,505</u>	<u>-</u>	<u>6,996,505</u>
Total liabilities	<u>11,639,271</u>	<u>15,980</u>	<u>11,655,251</u>
DEFERRED INFLOWS OF RESOURCES			
Advance property tax collections	16,386,376	-	16,386,376
Deferred inflows of resources related to pensions	<u>3,103,745</u>	<u>-</u>	<u>3,103,745</u>
Total deferred inflows of resources	<u>19,490,121</u>	<u>-</u>	<u>19,490,121</u>
NET POSITION			
Net investment in capital assets	30,932,708	1,266,399	32,199,107
Restricted for:			
Roads and bridges	1,475,910	-	1,475,910
Other purposes	1,549,650	-	1,549,650
Unrestricted	<u>10,294,985</u>	<u>353,415</u>	<u>10,648,400</u>
Total net position	<u>\$ 44,253,253</u>	<u>\$ 1,619,814</u>	<u>\$ 45,873,067</u>

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

HENDERSON COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 10,562,178	\$ 2,305,368	\$ 475,883
Legal	3,192,153	57,718	128,914
Health and welfare	444,300	30,028	85,981
Judicial	2,700,250	875,629	262,013
Public safety	14,403,242	1,669,307	2,669,683
Culture and recreation	605,975	6,339	297
Roads and bridges	6,898,542	1,761,550	57,392
Interest and fiscal charges on long-term debt	3,747	-	-
Total governmental activities	38,810,387	6,705,939	3,680,163
Business-type activities:			
Fair Park	527,075	208,064	30,813
Fair Park concessions	84,799	105,876	-
Total business-type activities	611,874	313,940	30,813
Total	\$ 39,422,261	\$ 7,019,879	\$ 3,710,976
General revenues:			
Taxes:			
Property			
Other			
Unrestricted investment earnings			
Gain on disposal of capital assets			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position, beginning			
Prior period adjustment			
Net position, beginning as restated			
Net position, ending			

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

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$(7,780,927)	\$ -	\$(7,780,927)
(3,005,521)	-	(3,005,521)
(328,291)	-	(328,291)
(1,562,608)	-	(1,562,608)
(10,064,252)	-	(10,064,252)
(599,339)	-	(599,339)
(5,079,600)	-	(5,079,600)
<u>(3,747)</u>	<u>-</u>	<u>(3,747)</u>
<u>(28,424,285)</u>	<u>-</u>	<u>(28,424,285)</u>
-	(288,198)	(288,198)
<u>-</u>	<u>21,077</u>	<u>21,077</u>
<u>-</u>	<u>(267,121)</u>	<u>(267,121)</u>
<u>(28,424,285)</u>	<u>(267,121)</u>	<u>(28,691,406)</u>
30,448,356	-	30,448,356
103,842	119,638	223,480
298,616	-	298,616
79,616	-	79,616
528,251	-	528,251
<u>(75,000)</u>	<u>75,000</u>	<u>-</u>
<u>31,383,681</u>	<u>194,638</u>	<u>31,578,319</u>
2,959,396	(72,483)	2,886,913
40,723,122	1,477,702	42,200,824
<u>570,735</u>	<u>214,595</u>	<u>785,330</u>
<u>41,293,857</u>	<u>1,692,297</u>	<u>42,986,154</u>
<u>\$ 44,253,253</u>	<u>\$ 1,619,814</u>	<u>\$ 45,873,067</u>

HENDERSON COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2020

	General	Road and Bridge	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 26,196,529	\$ 4,174,194	\$ 1,613,265	\$ 31,983,988
Receivables, net of allowance for uncollectibles:				
Taxes	1,805,921	357,933	-	2,163,854
Fines	3,023,565	-	-	3,023,565
Other	148,872	-	-	148,872
Due from other governments	1,995,670	-	-	1,995,670
Due from other funds	879	-	-	879
Prepaid items	<u>585,074</u>	<u>8,759</u>	<u>1,091</u>	<u>594,924</u>
Total assets	<u>33,756,510</u>	<u>4,540,886</u>	<u>1,614,356</u>	<u>39,911,752</u>
LIABILITIES				
Liabilities:				
Accounts payable	983,699	219,754	10,481	1,213,934
Accrued liabilities	673,924	83,478	1,079	758,481
Due to other governments	199,064	-	-	199,064
Due to other funds	-	-	879	879
Cash bonds and deposits	-	-	50,000	50,000
Unearned revenue	<u>293,574</u>	<u>-</u>	<u>-</u>	<u>293,574</u>
Total liabilities	<u>2,150,261</u>	<u>303,232</u>	<u>62,439</u>	<u>2,515,932</u>
DEFERRED INFLOWS OF RESOURCES				
Advance property tax collections	13,624,632	2,761,744	-	16,386,376
Unavailable revenue - property taxes	1,642,445	323,409	-	1,965,854
Unavailable revenue - grants	1,903,352	-	-	1,903,352
Unavailable revenue - court fines and fees	<u>3,018,167</u>	<u>-</u>	<u>-</u>	<u>3,018,167</u>
Total deferred inflows of resources	<u>20,188,596</u>	<u>3,085,153</u>	<u>-</u>	<u>23,273,749</u>
FUND BALANCES				
Fund balances:				
Nonspendable	585,074	-	-	585,074
Restricted	-	1,152,501	1,553,397	2,705,898
Assigned	347,366	-	-	347,366
Unassigned	<u>10,485,213</u>	<u>-</u>	<u>(1,480)</u>	<u>10,483,733</u>
Total fund balances	<u>11,417,653</u>	<u>1,152,501</u>	<u>1,551,917</u>	<u>14,122,071</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 33,756,510</u>	<u>\$ 4,540,886</u>	<u>\$ 1,614,356</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.				32,636,432
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				6,887,373
Long-term liabilities, including bonds and interest 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.				<u>(9,392,623)</u>
Net position of governmental activities				<u>\$ 44,253,253</u>

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

HENDERSON COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General</u>	<u>Road and Bridge</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 25,156,284	\$ 5,387,270	\$ -	\$ 30,543,554
Fees	2,429,787	1,401,250	304,807	4,135,844
Intergovernmental	3,230,244	57,392	297	3,287,933
Fines and forfeitures	486,459	-	112,862	599,321
Licenses and permits	18,241	360,300	-	378,541
Investment earnings	270,803	27,773	40	298,616
Miscellaneous	<u>279,732</u>	<u>180,172</u>	<u>62,612</u>	<u>522,516</u>
Total revenues	<u>31,871,550</u>	<u>7,414,157</u>	<u>480,618</u>	<u>39,766,325</u>
EXPENDITURES				
Current:				
General government	10,239,316	-	130,633	10,369,949
Public safety	13,959,810	-	94,434	14,054,244
Roads and bridges	-	7,185,530	-	7,185,530
Legal	2,701,057	-	22,109	2,723,166
Judicial	3,248,435	-	-	3,248,435
Culture and recreation	560,443	-	62,409	622,852
Health and welfare	13,611	432,663	-	446,274
Debt service:				
Principal	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>
Total expenditures	<u>32,222,672</u>	<u>7,618,193</u>	<u>309,585</u>	<u>40,150,450</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	<u>(351,122)</u>	<u>(204,036)</u>	<u>171,033</u>	<u>(384,125)</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	784	-	-	784
Sale of capital assets	67,472	96,987	-	164,459
Transfers in	-	16,800	-	16,800
Transfers out	<u>(91,800)</u>	<u>-</u>	<u>-</u>	<u>(91,800)</u>
Total other financing sources and uses	<u>(23,544)</u>	<u>113,787</u>	<u>-</u>	<u>90,243</u>
NET CHANGE IN FUND BALANCES	<u>(374,666)</u>	<u>(90,249)</u>	<u>171,033</u>	<u>(293,882)</u>
FUND BALANCES, BEGINNING	<u>11,792,319</u>	<u>1,242,750</u>	<u>1,380,884</u>	<u>14,415,953</u>
FUND BALANCES, ENDING	<u>\$ 11,417,653</u>	<u>\$ 1,152,501</u>	<u>\$ 1,551,917</u>	<u>\$ 14,122,071</u>

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

HENDERSON COUNTY, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2020

Net change in fund balances - total governmental funds: \$(293,882)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (314,982)

Governmental funds report the entire net sales price (proceeds) from the sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold. (84,843)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,998,058

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt uses the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal retirement	1,500,000	
Interest payable	(3,747)	1,496,253

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.

Compensated absences	(424,355)	
Net pension liability	583,147	<u>158,792</u>

Change in net position of governmental activities \$ 2,959,396

HENDERSON COUNTY, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2020

	<u>Enterprise Funds</u>		
	<u>Fair Park</u>	<u>Fair Park Concessions</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 353,628	\$ 3,956	\$ 357,584
Accounts receivable, net	11,415	-	11,415
Prepays	396	-	396
Total current assets	<u>365,439</u>	<u>3,956</u>	<u>369,395</u>
Non-current assets:			
Capital assets:			
Land	250,504	-	250,504
Buildings and improvements	2,709,759	-	2,709,759
Furniture and equipment	368,572	-	368,572
Less: accumulated depreciation	<u>(2,062,436)</u>	<u>-</u>	<u>(2,062,436)</u>
Total non-current assets	<u>1,266,399</u>	<u>-</u>	<u>1,266,399</u>
Total assets	<u>1,631,838</u>	<u>3,956</u>	<u>1,635,794</u>
LIABILITIES			
Current liabilities:			
Accounts payable	4,712	3,925	8,637
Accrued liabilities	<u>6,680</u>	<u>663</u>	<u>7,343</u>
Total current liabilities	<u>11,392</u>	<u>4,588</u>	<u>15,980</u>
Total liabilities	<u>11,392</u>	<u>4,588</u>	<u>15,980</u>
NET POSITION			
Net investment in capital assets	1,266,399	-	1,266,399
Unrestricted	<u>354,047</u>	<u>(632)</u>	<u>353,415</u>
Total net position	<u>\$ 1,620,446</u>	<u>\$ (632)</u>	<u>\$ 1,619,814</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, 2020

	Enterprise Funds		
	Fair Park	Fair Park Concessions	Total
OPERATING REVENUES			
Rentals	\$ 161,853	\$ -	\$ 161,853
Concessions	-	105,876	105,876
Contributions	30,813	-	30,813
Other	46,211	-	46,211
Total operating revenues	<u>238,877</u>	<u>105,876</u>	<u>344,753</u>
OPERATING EXPENSES			
Personnel	243,144	32,583	275,727
Supplies and materials	85,677	633	86,310
Repairs and maintenance	8,348	-	8,348
Utilities	41,831	-	41,831
Professional services	500	43,575	44,075
Depreciation	147,172	-	147,172
Other	403	8,008	8,411
Total operating expenses	<u>527,075</u>	<u>84,799</u>	<u>611,874</u>
OPERATING INCOME (LOSS)	<u>(288,198)</u>	<u>21,077</u>	<u>(267,121)</u>
NON-OPERATING REVENUES (EXPENSES)			
Taxes	119,638	-	119,638
Total non-operating revenues (expenses)	<u>119,638</u>	<u>-</u>	<u>119,638</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(168,560)</u>	<u>21,077</u>	<u>(147,483)</u>
Transfers in	106,056	-	106,056
Transfers out	<u>-</u>	<u>(31,056)</u>	<u>(31,056)</u>
CHANGE IN NET POSITION	<u>(62,504)</u>	<u>(9,979)</u>	<u>(72,483)</u>
NET POSITION, BEGINNING	1,468,355	9,347	1,477,702
PRIOR PERIOD ADJUSTMENT	<u>214,595</u>	<u>-</u>	<u>214,595</u>
NET POSITION, BEGINNING AS RESTATED	<u>1,682,950</u>	<u>-</u>	<u>1,682,950</u>
TOTAL NET POSITION, ENDING	<u>\$ 1,620,446</u>	<u>\$ (632)</u>	<u>\$ 1,619,814</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, 2020

	Enterprise Funds		
	Fair Park	Fair Park Concessions	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 249,635	\$ 112,987	\$ 362,622
Cash paid to suppliers for goods and services	(245,370)	(30,719)	(276,089)
Cash paid to employees for services	(135,499)	(52,456)	(187,955)
Net cash provided (used) by operating activities	<u>(131,234)</u>	<u>29,812</u>	<u>(101,422)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from taxes	119,638	-	119,638
Transfers from (to) other funds	<u>106,056</u>	<u>(31,056)</u>	<u>75,000</u>
Net cash provided (used) by noncapital financing activities	<u>225,694</u>	<u>(31,056)</u>	<u>194,638</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	94,460	(1,244)	93,216
CASH AND CASH EQUIVALENTS, BEGINNING	<u>259,168</u>	<u>5,200</u>	<u>264,368</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 353,628</u>	<u>\$ 3,956</u>	<u>\$ 357,584</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$(288,198)	\$ 21,077	\$(267,121)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	147,172	-	147,172
(Increase) decrease in assets:			
Accounts receivable	10,758	7,111	17,869
Prepays	(396)	-	(396)
Increase (decrease) in liabilities:			
Accounts payable	(2,226)	1,864	(362)
Accrued liabilities	<u>1,656</u>	<u>(240)</u>	<u>1,416</u>
Net cash provided (used) by operating activities	<u>\$(131,234)</u>	<u>\$ 29,812</u>	<u>\$(101,422)</u>

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

HENDERSON COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Investment Trust Funds</u>	<u>Custodial Funds</u>
ASSETS		
Cash and investments	\$ <u>3,896,705</u>	\$ <u>4,005,726</u>
Total assets	\$ <u>3,896,705</u>	\$ <u>4,005,726</u>
LIABILITIES		
Due to beneficiaries	-	2,734
Due to other governments	<u>-</u>	<u>2,088,230</u>
Total liabilities	\$ <u>-</u>	\$ <u>2,090,964</u>
NET POSITION		
Restricted for individuals, organizations and other governments	<u>3,896,705</u>	<u>1,914,762</u>
Total net position	\$ <u>3,896,705</u>	\$ <u>1,914,762</u>

HENDERSON COUNTY, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2020

	Investment Trust Funds	Custodial Funds
	<u> </u>	<u> </u>
INCREASES		
Contributions from judgements - uninvested	\$ 949,619	\$ 122,952
Contributions from judgements - invested	118,377	-
Taxes collected on behalf of taxing entities	-	106,893,801
Contributions from inmates	-	1,106,637
Bonds	-	81,312
Miscellaneous	-	44,607
Donations	-	1,965
	<u> </u>	<u> </u>
Total increases	\$ <u>1,067,996</u>	\$ <u>108,251,274</u>
DECREASES		
Cash bonds released by judgements	\$ -	\$ 58,285
Cash bond forfeitures	-	3,536
Invested disbursements	20,123	-
Uninvested disbursements	<u>288,650</u>	<u>108,030,823</u>
	<u> </u>	<u> </u>
Total decreases	\$ <u>308,773</u>	\$ <u>108,092,644</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	<u>759,223</u>	<u>158,630</u>
NET POSITION, BEGINNING	<u>-</u>	<u>-</u>
PRIOR PERIOD ADJUSTMENT - CHANGE IN ACCOUNTING PRINCIPLE	<u>3,137,482</u>	<u>1,756,132</u>
NET POSITION, BEGINNING AS RESTATED	<u>3,137,482</u>	<u>1,756,132</u>
NET POSITION, ENDINGS	\$ <u>3,896,705</u>	\$ <u>1,914,762</u>

HENDERSON COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

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, but 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, 2020, 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 types:

Investment Trust Funds are used to report fiduciary activities from individual investment accounts that are held in a trust that meets certain criteria.

Custodial Funds generally report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

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).
- *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.
- *Difference in projected and actual earnings on pension assets* – This difference is deferred and amortized over a closed five-year period.

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 (\$9,392,623) difference are as follows:

Capital leases	\$(1,703,724)
Net pension liability	(5,320,952)
Deferred outflows related to pensions	2,835,340
Deferred inflows related to pensions	(3,103,745)
Accrued interest payable	(3,747)
Compensated absences	<u>(2,095,795)</u>
 Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 \$(<u>9,392,623</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 (\$314,982) difference are as follows:

Capital outlay	\$ 2,474,760
Depreciation expense	<u>(2,789,742)</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>314,982</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 \$1,998,058 difference are as follows:

Property taxes	\$ 8,644
Grants	1,903,352
Court fines	<u>86,062</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>1,998,058</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, 2020, the County's \$42,544,478 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:

	<u>Governmental Funds</u>		<u>Enterprise Funds</u>	
	<u>General</u>	<u>Road and Bridge</u>	<u>Fair Park</u>	<u>Total</u>
Receivables:				
Taxes	\$ 2,124,613	\$ 421,097	\$ -	\$ 2,545,710
Fines	20,157,099	-	-	20,157,099
Other	148,872	-	11,415	160,287
Gross receivables	<u>22,430,584</u>	<u>421,097</u>	<u>11,415</u>	<u>22,863,096</u>
Less: allowance for uncollectibles	(17,452,226)	(63,164)	-	(17,515,390)
Net total receivables	<u>\$ 4,978,358</u>	<u>\$ 357,933</u>	<u>\$ 11,415</u>	<u>\$ 5,347,706</u>

Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Prior Period Adjustment</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,417,960	\$ 6,500	\$ -	\$ 11,580	\$ 1,436,040
Construction in Progress	117,568	289,110	(406,678)	-	-
Total capital assets not being depreciated	<u>1,535,528</u>	<u>295,610</u>	<u>(406,678)</u>	<u>11,580</u>	<u>1,436,040</u>
Capital assets, being depreciated:					
Buildings and improvements	28,257,603	406,678	-	(31,343)	28,632,938
Furniture and equipment	20,042,207	2,179,150	(1,030,531)	54,304	21,245,130
Infrastructure	31,957,295	-	-	5,682,017	37,639,312
Total capital assets being depreciated	<u>80,257,105</u>	<u>2,585,828</u>	<u>(1,030,531)</u>	<u>5,704,978</u>	<u>87,517,380</u>
Less accumulated depreciation:					
Buildings and improvements	(16,689,507)	(867,809)	-	3,018,971	(14,538,345)
Furniture and equipment	(10,879,340)	(1,559,149)	945,688	(270,600)	(11,763,401)
Infrastructure	(21,758,264)	(362,784)	-	(7,894,194)	(30,015,242)
Total accumulated depreciation	<u>(49,327,111)</u>	<u>(2,789,742)</u>	<u>945,688</u>	<u>(5,145,823)</u>	<u>(56,316,988)</u>
Total capital assets, being depreciated, net	<u>30,929,994</u>	<u>(203,914)</u>	<u>(84,843)</u>	<u>559,155</u>	<u>31,200,392</u>
Governmental activities capital assets, net	<u>\$ 32,465,522</u>	<u>\$ 91,696</u>	<u>\$ (491,521)</u>	<u>\$ 570,735</u>	<u>\$ 32,636,432</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Prior Period Adjustment</u>	<u>Ending Balance</u>
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	1,550,781	-	-	-	1,550,781
Improvements	1,149,210	-	-	9,768	1,158,978
Furniture and equipment	<u>347,986</u>	<u>-</u>	<u>-</u>	<u>20,586</u>	<u>368,572</u>
Total capital assets being depreciated	<u>3,047,977</u>	<u>-</u>	<u>-</u>	<u>30,354</u>	<u>3,078,331</u>
Less accumulated depreciation:					
Buildings	(1,402,344)	(37,652)	-	333,315	(1,106,681)
Improvements	(452,231)	(89,948)	-	(132,772)	(674,951)
Furniture and equipment	<u>(244,930)</u>	<u>(19,572)</u>	<u>-</u>	<u>(16,302)</u>	<u>(280,804)</u>
Total accumulated depreciation	<u>(2,099,505)</u>	<u>(147,172)</u>	<u>-</u>	<u>184,241</u>	<u>(2,062,436)</u>
Total capital assets, being depreciated, net	<u>948,472</u>	<u>(147,172)</u>	<u>-</u>	<u>214,595</u>	<u>1,015,895</u>
Business-type activities capital assets, net	\$ <u>1,198,976</u>	\$ <u>(147,172)</u>	\$ <u>-</u>	\$ <u>214,595</u>	\$ <u>1,266,399</u>

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

Governmental activities:		
General government		\$ 747,402
Culture and recreation		718
Legal		13,575
Judicial		1,366
Public safety		847,067
Road and bridge		<u>1,179,614</u>
Total depreciation expense - governmental activities		<u>2,789,742</u>
Business-type activities:		
Fair Park		<u>147,172</u>
Total depreciation expense - business-type activities		\$ <u>147,172</u>

Interfund Balance and Transfers

Interfund balances as of December 31, 2020, were as follows:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General	Nonmajor Governmental	\$ <u>879</u>
		\$ <u>879</u>

These interfund balances were the result of a timing difference between the dates that payments between funds were made.

The composition of interfund transfers as of December 31, 2020, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Road and Bridge	General	\$ 16,800
Fair Park	General	31,056
Fair Park	General	43,944
Fair Park	Fair Park Concessions	<u>31,056</u>
		<u>\$ 122,856</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, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Capital leases	3,203,724	-	(1,500,000)	1,703,724	1,600,017
Compensated absences	<u>1,671,440</u>	<u>1,321,125</u>	<u>(896,770)</u>	<u>2,095,795</u>	<u>523,949</u>
Governmental activities long-term liabilities	<u>4,875,164</u>	<u>1,321,125</u>	<u>(2,396,770)</u>	<u>3,799,519</u>	<u>2,123,966</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>
2021	\$ 1,600,017	\$ 7,515
2022	<u>103,707</u>	<u>3,826</u>
Total	<u>\$ 1,703,724</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, 2020, 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, 2020, 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 \$132,723.

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.

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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	268
Inactive employees entitled to but not yet receiving benefits	320
Active employees	<u>406</u>
	<u><u>994</u></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 14.52% and 15.02% in calendar years 2019 and 2020, respectively. The County’s contributions to TCDRS for the year ended December 31, 2020, were \$2,495,723, and were equal to the required contributions.

Net Pension Liability. The County’s Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019, 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, 2017. All other actuarial assumptions that determined the total pension liability as of December 31, 2019, 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 8.1%. 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 April 2020 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:

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities - Developed	MSCI World Ex USA (net)	7.00%	5.20%
International Equities - Emerging	MSCI Emerging Markets (net)	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped In	12.00%	3.14%
Direct Lending	S&P/LSTA Leverage Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	4.00%	6.90%
REIT	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

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

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

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

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

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

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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2018	\$ 82,203,500	\$ 69,806,053	\$ 12,397,447
Changes for the year:			
Service cost	2,350,904	-	2,350,904
Interest on total pension liability ⁽¹⁾	6,663,717	-	6,663,717
Effect of economic/demographic gains or losses	(1,010,598)	-	(1,010,598)
Refund of contributions	(400,975)	(400,975)	-
Benefit payments	(4,262,402)	(4,262,402)	-
Administrative expenses	-	(61,133)	61,133
Member contributions	-	1,203,196	(1,203,196)
Net investment income	-	11,464,525	(11,464,525)
Employer contributions	-	2,495,773	(2,495,773)
Other ⁽²⁾	-	(21,843)	21,843
Balance at 12/31/2019	<u>\$ 85,544,146</u>	<u>\$ 80,223,194</u>	<u>\$ 5,320,952</u>

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

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

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 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	\$ 96,357,337	\$ 85,544,145	\$ 76,474,331
Fiduciary net position	<u>80,223,193</u>	<u>80,223,193</u>	<u>80,223,193</u>
Net pension liability/(asset)	<u>\$ 16,134,144</u>	<u>\$ 5,320,952</u>	<u>\$ (3,748,862)</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.

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

For the year ended December 31, 2020, the County recognized pension expense of \$2,208,816. At December 31, 2020, 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	\$ 50,302	\$ 1,138,793
Changes in actuarial assumptions	89,568	-
Net difference between projected and actual investment earnings	-	1,964,952
Contributions subsequent to the measurement date	<u>2,695,470</u>	<u>-</u>
Total	<u>\$ 2,835,340</u>	<u>\$ 3,103,745</u>

\$2,695,470 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, 2021. 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>	
2021	\$(863,311)
2022	(940,732)
2023	10,535
2024	(1,170,367)

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 2020, the County had a reduction of property tax revenue of \$6,653.

Prior Period Adjustment

During the 2020 fiscal year, an adjustment was made to increase the beginning net position and capital assets in the Governmental and Business-type Activities by \$570,735 and \$214,595 to correct an error made in previous years.

Prior Period Adjustment – Change in Accounting Principles

During the fiscal year, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The implementation required a restatement of the beginning net position of fiduciary funds in the amount of \$4,893,614 on the Statement of Changes in Fiduciary Net Position.

**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, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 25,263,563	\$ 25,263,563	\$ 25,052,442	\$(211,121)
Mixed beverage taxes	100,000	100,000	103,842	3,842
Fees of office:				
Sheriff	220,000	220,000	147,184	(72,816)
County clerk	778,000	778,000	787,992	9,992
Tax assessor/collector	937,000	937,000	945,011	8,011
District clerk	247,000	247,000	159,425	(87,575)
Justice of the peace	93,700	93,700	69,691	(24,009)
County attorney	115,000	115,000	111,702	(3,298)
Constables	62,000	62,000	53,320	(8,680)
Court costs	39,000	39,000	24,773	(14,227)
Other	176,000	176,000	130,689	(45,311)
Total fees of office	<u>2,667,700</u>	<u>2,667,700</u>	<u>2,429,787</u>	<u>(237,913)</u>
Intergovernmental	1,858,370	1,901,134	3,230,244	1,329,110
Licenses and permits	12,000	12,000	18,241	6,241
Fines and forfeitures	693,000	693,000	486,459	(206,541)
Investment earnings	800,100	800,100	270,803	(529,297)
Miscellaneous	<u>266,265</u>	<u>266,265</u>	<u>279,732</u>	<u>13,467</u>
Total revenues	<u>31,660,998</u>	<u>31,703,762</u>	<u>31,871,550</u>	<u>167,788</u>
EXPENDITURES				
General government:				
County Judge	299,200	300,033	286,457	13,576
General County operations	5,681,662	3,865,945	3,607,488	258,457
Juvenile	210,000	239,066	239,065	1
General information systems	641,576	641,576	498,796	142,780
County clerk	832,329	832,329	766,438	65,891
County clerk records management	26,531	26,531	5,531	21,000
Elections administration	557,102	818,305	806,044	12,261
Veterans services	22,981	22,981	19,068	3,913
County auditor	719,176	719,162	710,720	8,442
Information technology	311,966	313,995	313,932	63
County treasurer	232,598	232,598	230,975	1,623
Tax assessor/collector	915,676	915,676	869,919	45,757
Public facilities	1,739,767	2,061,474	1,801,384	260,090
Human Resources	87,348	87,348	83,499	3,849
Total general government	<u>12,277,912</u>	<u>11,077,019</u>	<u>10,239,316</u>	<u>837,703</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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public safety:				
Constables general	\$ 12,415	\$ 13,484	\$ 4,023	\$ 9,461
Constable, precinct 1	77,752	77,752	73,954	3,798
Constable, precinct 2	77,552	108,764	105,954	2,810
Constable, precinct 3	75,817	75,817	72,914	2,903
Constable, precinct 4	69,925	101,137	98,735	2,402
Constable, precinct 5	75,557	75,557	72,808	2,749
Sheriff's office field operations	5,694,635	6,063,364	5,901,801	161,563
Jail operations	7,487,309	7,377,309	7,081,445	295,864
Emergency management	114,253	114,253	92,409	21,844
Fire marshal/environmental crimes	394,684	394,684	373,929	20,755
Department of public safety	<u>112,786</u>	<u>112,786</u>	<u>81,838</u>	<u>30,948</u>
Total public safety	<u>14,192,685</u>	<u>14,514,907</u>	<u>13,959,810</u>	<u>555,097</u>
EXPENDITURES (Continued)				
Legal:				
County attorney prosecution	2,496,108	2,516,908	2,425,388	91,520
County attorney collections	256,702	256,702	231,525	25,177
District attorney capital cases	<u>398,800</u>	<u>83,602</u>	<u>44,144</u>	<u>39,458</u>
Total legal	<u>3,151,610</u>	<u>2,857,212</u>	<u>2,701,057</u>	<u>156,155</u>
Judicial:				
County court-at-law 1	429,139	429,139	397,803	31,336
County court-at-law 2	454,018	454,018	451,224	2,794
District courts general	85,607	85,607	29,087	56,520
Indigent defense	135,293	103,010	70,022	32,988
3rd district court	164,227	164,227	160,501	3,726
173rd district court	263,554	263,554	249,107	14,447
392nd district court	277,751	280,187	278,174	2,013
District Clerk	735,491	735,491	711,455	24,036
Justice of the peace, precinct 1	196,073	196,073	191,883	4,190
Justice of the peace, precinct 2	204,940	204,940	200,144	4,796
Justice of the peace, precinct 3	147,514	147,514	142,940	4,574
Justice of the peace, precinct 4	153,062	154,190	152,629	1,561
Justice of the peace, precinct 5	192,198	192,198	177,904	14,294
Arraignments	9,870	9,870	7,666	2,204
Jury	<u>92,500</u>	<u>92,500</u>	<u>27,896</u>	<u>64,604</u>
Total judicial	<u>3,541,237</u>	<u>3,512,518</u>	<u>3,248,435</u>	<u>264,083</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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Health and welfare:				
Health care coordination	\$ 15,440	\$ 15,440	\$ 13,611	\$ 1,829
Total health and welfare	<u>15,440</u>	<u>15,440</u>	<u>13,611</u>	<u>1,829</u>
Culture and recreation:				
Public library	237,337	248,737	240,872	7,865
County extension office	205,729	205,729	188,555	17,174
Historical Commission	19,075	21,050	18,875	2,175
Healthy County	4,300	4,300	3,592	708
Animal shelter	<u>372,112</u>	<u>125,944</u>	<u>108,549</u>	<u>17,395</u>
Total culture and recreation	<u>838,553</u>	<u>605,760</u>	<u>560,443</u>	<u>45,317</u>
Debt service:				
Principal	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>
Total expenditures	<u>34,017,437</u>	<u>34,082,856</u>	<u>32,222,672</u>	<u>1,860,184</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,356,439)</u>	<u>(2,379,094)</u>	<u>(351,122)</u>	<u>2,027,972</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	784	784
Sale of capital assets	-	-	67,472	67,472
Transfers out	<u>(2,332,954)</u>	<u>(2,332,954)</u>	<u>(91,800)</u>	<u>2,241,154</u>
Total other financing sources (uses)	<u>(2,332,954)</u>	<u>(2,332,954)</u>	<u>(23,544)</u>	<u>2,309,410</u>
NET CHANGE IN FUND BALANCES	<u>(4,689,393)</u>	<u>(4,712,048)</u>	<u>(374,666)</u>	<u>4,337,382</u>
FUND BALANCES, BEGINNING	<u>11,792,319</u>	<u>11,792,319</u>	<u>11,792,319</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 7,102,926</u>	<u>\$ 7,080,271</u>	<u>\$ 11,417,653</u>	<u>\$ 4,337,382</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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 5,407,475	\$ 5,407,475	\$ 5,387,270	\$(20,205)
Fees	1,315,000	1,315,000	1,401,250	86,250
Intergovernmental	56,583	56,583	57,392	809
Licenses and permits	360,000	360,000	360,300	300
Investment earnings	50,000	50,000	27,773	(22,227)
Miscellaneous	-	166,678	180,172	13,494
Total revenues	7,189,058	7,355,736	7,414,157	58,421
EXPENDITURES				
Waste management	333,533	432,671	432,663	8
Road and bridge general	45,725	29,151	28,566	585
Road and bridge precinct #1	1,793,651	1,783,662	1,742,456	41,206
Road and bridge precinct #2	1,793,650	1,923,084	1,890,999	32,085
Road and bridge precinct #3	1,793,651	1,884,252	1,787,173	97,079
Road and bridge precinct #4	1,793,650	1,764,705	1,736,336	28,369
Precinct #1 lateral road	13,000	13,000	-	13,000
Precinct #2 lateral road	13,000	13,000	-	13,000
Precinct #3 lateral road	13,000	13,000	-	13,000
Precinct #4 lateral road	13,000	13,000	-	13,000
Total expenditures	7,605,860	7,869,525	7,618,193	251,332
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(416,802)	(513,789)	(204,036)	309,753
OTHER FINANCING SOURCES				
Sale of capital assets	-	96,987	96,987	-
Transfers in	416,800	416,800	16,800	(400,000)
Total other financing sources	416,800	513,787	113,787	(400,000)
NET CHANGE IN FUND BALANCES	(2)	(2)	(90,249)	(90,247)
FUND BALANCES, BEGINNING	1,242,750	1,242,750	1,242,750	-
FUND BALANCES, ENDING	\$ 1,242,748	\$ 1,242,748	\$ 1,152,501	\$(90,247)

The accompanying notes are an integral part of this schedule.

HENDERSON COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY SCHEDULES

DECEMBER 31, 2020

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, 2020

Plan Year Ended December 31	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability			
Service Cost	\$ 2,350,904	\$ 2,336,040	\$ 2,342,034
Interest total pension liability	6,663,717	6,388,186	6,023,203
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	-	-	223,921
Effect of economic/demographic (gains) or losses	(1,010,598)	(761,688)	125,755
Benefit payments/refunds of contributions	<u>(4,663,377)</u>	<u>(4,491,512)</u>	<u>(3,925,439)</u>
Net change in total pension liability	3,340,646	3,471,026	4,789,474
Total pension liability - beginning	<u>82,203,500</u>	<u>78,732,474</u>	<u>73,943,000</u>
Total pension liability - ending (a)	\$ <u>85,544,146</u>	\$ <u>82,203,500</u>	\$ <u>78,732,474</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 2,495,773	\$ 2,336,030	\$ 2,190,674
Member contributions	1,203,196	1,129,301	1,101,640
Investment income net of investment expenses	11,464,525	(1,357,827)	9,284,198
Benefit payments refunds of contributions	(4,663,377)	(4,491,512)	(3,925,439)
Administrative expenses	(61,133)	(56,069)	(48,061)
Other	<u>(21,843)</u>	<u>(23,313)</u>	<u>(8,938)</u>
Net change in plan fiduciary net position	10,417,141	(2,463,390)	8,594,074
Plan fiduciary net position - beginning	<u>69,806,053</u>	<u>72,269,443</u>	<u>63,675,369</u>
Plan fiduciary net position - ending (b)	\$ <u>80,223,194</u>	\$ <u>69,806,053</u>	\$ <u>72,269,443</u>
Net pension liability - ending (a) - (b)	\$ <u>5,320,952</u>	\$ <u>12,397,447</u>	\$ <u>6,463,031</u>
Fiduciary net position as a percentage of total pension liability	94%	85%	92%
Pensionable covered payroll	\$ 17,188,516	\$ 16,132,871	\$ 15,737,716
Net pension liability as a percentage of covered payroll	31%	77%	41%

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 2,452,420	\$ 2,174,127	\$ 2,118,519
5,665,098	5,385,909	5,047,123
2,604	(401,168)	-
-	747,396	-
(1,072,284)	(775,010)	206,048
<u>(3,611,101)</u>	<u>(3,692,208)</u>	<u>(3,091,788)</u>
3,436,737	3,439,046	4,279,902
<u>70,506,263</u>	<u>67,067,217</u>	<u>62,787,315</u>
\$ <u>73,943,000</u>	\$ <u>70,506,263</u>	\$ <u>67,067,217</u>
\$ 2,090,145	\$ 2,055,741	\$ 1,946,319
1,064,854	1,051,920	1,003,997
4,455,388	(307,377)	3,946,810
(3,611,101)	(3,692,208)	(3,091,788)
(48,499)	(43,772)	(45,832)
<u>(601,609)</u>	<u>(98,523)</u>	<u>(17,488)</u>
3,349,178	(1,034,219)	3,742,018
<u>60,326,191</u>	<u>61,360,410</u>	<u>57,618,392</u>
\$ <u>63,675,369</u>	\$ <u>60,326,191</u>	\$ <u>61,360,410</u>
\$ <u>10,267,631</u>	\$ <u>10,180,072</u>	\$ <u>5,706,807</u>
86%	86%	91%
\$ 15,212,201	\$ 15,027,431	\$ 14,342,815
67%	68%	40%

HENDERSON COUNTY, TEXAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS - TCDRS

LAST TEN FISCAL YEARS

Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
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	2,055,741	2,055,741	-	15,027,431	13.7%
2016	2,090,145	2,090,145	-	15,212,201	13.7%
2017	2,190,674	2,190,674	-	15,737,716	13.9%
2018	2,336,030	2,336,030	-	16,132,871	14.5%
2019	2,495,773	2,495,773	-	17,188,516	14.5%

The accompanying notes are an integral part of this schedule.

HENDERSON COUNTY, TEXAS

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED DECEMBER 31, 2020

Valuation Timing Actuarially determined contribution rates are calculated each 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:

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	10.7 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation.
Retirement Age	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.
Mortality	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.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule	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. 2019: 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, 2020

	Special Revenue			
	Records Management	CWM Library	Hot Check	Law Enforcement District Attorney
ASSETS				
Cash and investments	\$ 859,582	\$ -	\$ 65,530	\$ 132,435
Prepaid items	-	1,091	-	-
Total assets	\$ 859,582	\$ 1,091	\$ 65,530	\$ 132,435
LIABILITIES				
Liabilities:				
Accounts payable	1,250	1,692	289	-
Accrued liabilities	-	-	190	889
Due to other funds	-	879	-	-
Cash bonds and deposits	-	-	-	-
Total liabilities	1,250	2,571	479	889
FUND BALANCES				
Restricted	858,332	-	65,051	131,546
Unassigned	-	(1,480)	-	-
Total fund balances	858,332	(1,480)	65,051	131,546
Total liabilities and fund balances	\$ 859,582	\$ 1,091	\$ 65,530	\$ 132,435

Special Revenue

Law Enforcement Sheriff	Law Library	Federal Seizures Sheriff	Bail Bond Board	Total Governmental Funds
\$ 111,772	\$ 35,155	\$ 334,785	\$ 74,006	\$ 1,613,265
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,091</u>
<u>\$ 111,772</u>	<u>\$ 35,155</u>	<u>\$ 334,785</u>	<u>\$ 74,006</u>	<u>\$ 1,614,356</u>
3,691	3,228	331	-	10,481
-	-	-	-	1,079
-	-	-	-	879
<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
<u>3,691</u>	<u>3,228</u>	<u>331</u>	<u>50,000</u>	<u>62,439</u>
108,081	31,927	334,454	24,006	1,553,397
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,480)</u>
<u>108,081</u>	<u>31,927</u>	<u>334,454</u>	<u>24,006</u>	<u>1,551,917</u>
<u>\$ 111,772</u>	<u>\$ 35,155</u>	<u>\$ 334,785</u>	<u>\$ 74,006</u>	<u>\$ 1,614,356</u>

HENDERSON COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Special Revenue			
	Records Management	CWM Library	Hot Check	Law Enforcement District Attorney
REVENUES				
Fees	\$ 267,227	\$ 6,339	\$ 4,900	\$ -
Intergovernmental	-	297	-	-
Fines and forfeitures	-	-	-	41,546
Investment earnings	-	-	-	13
Contributions	-	19,644	-	-
Miscellaneous	-	-	1,956	-
Total revenues	267,227	26,280	6,856	41,559
EXPENDITURES				
Current:				
General government	130,633	-	-	-
Legal	-	-	7,516	14,593
Public safety	-	-	-	-
Culture and recreation	-	35,358	-	-
Total expenditures	130,633	35,358	7,516	14,593
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	136,594	(9,078)	(660)	26,966
FUND BALANCES, BEGINNING	721,738	7,598	65,711	104,580
FUND BALANCES, ENDING	\$ 858,332	\$(1,480)	\$ 65,051	\$ 131,546

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>
\$ -	\$ 25,691	\$ -	\$ 650	\$ 304,807
-	-	-	-	297
53,720	-	17,596	-	112,862
27	-	-	-	40
-	-	-	-	19,644
-	-	<u>41,012</u>	-	<u>42,968</u>
<u>53,747</u>	<u>25,691</u>	<u>58,608</u>	<u>650</u>	<u>480,618</u>
-	-	-	-	130,633
-	-	-	-	22,109
89,565	-	4,869	-	94,434
-	<u>27,051</u>	-	-	<u>62,409</u>
<u>89,565</u>	<u>27,051</u>	<u>4,869</u>	<u>-</u>	<u>309,585</u>
(35,818)	(1,360)	53,739	650	171,033
<u>143,899</u>	<u>33,287</u>	<u>280,715</u>	<u>23,356</u>	<u>1,380,884</u>
\$ <u>108,081</u>	\$ <u>31,927</u>	\$ <u>334,454</u>	\$ <u>24,006</u>	\$ <u>1,551,917</u>

INVESTMENT TRUST FUNDS

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

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

CUSTODIAL FUNDS

Bonds – Used to account for financial assurances from a criminal defendant to appear for judicial proceedings. The funds are disbursed upon the disposition of the case through court order.

Donations – Used to account for funds received from citizens for the benefit of the local animal shelter. Funds are disbursed to the shelter through an action of the Commissioner's Court.

Seizures – Used to account for funds that have been confiscated during criminal investigation. Disbursements are made upon disposition of the case by court order.

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.

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

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

Auto Registrations 6% – This fund is maintained by the Tax Collector to account for sales tax on new vehicles due to the State.

Vehicle Inventory Taxes – 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.

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

Juvenile Restitution - Funds are the result of payments made by a defendant and remitted to the victim. Disbursement occurs at either the time of restitution has been paid in full or when the defendant reaches the age of 18 years.

HENDERSON COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2020

	Investment Trust Funds			Custodial Funds
	CC Trust	DC Trust	Total Investment Trust Funds	Bonds
ASSETS				
Cash and investments	\$ <u>826,064</u>	\$ <u>3,070,641</u>	\$ <u>3,896,705</u>	\$ <u>379,914</u>
Total assets	\$ <u>826,064</u>	\$ <u>3,070,641</u>	\$ <u>3,896,705</u>	\$ <u>379,914</u>
LIABILITIES				
Liabilities:				
Due to beneficiaries	-	-	-	-
Due to other governments	-	-	-	-
Total liabilities	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
NET POSITION				
Restricted for individuals, organizations and other governments	\$ <u>826,064</u>	\$ <u>3,070,641</u>	\$ <u>3,896,705</u>	\$ <u>379,914</u>
Total net position	\$ <u>826,064</u>	\$ <u>3,070,641</u>	\$ <u>3,896,705</u>	\$ <u>379,914</u>

Custodial Funds

<u>Donations</u>	<u>Seizures</u>	<u>Hot Check</u>	<u>Property Taxes</u>	<u>Auto Reg.</u>	<u>Auto Reg. 6%</u>	<u>VIT</u>	<u>Inmate</u>
\$ <u>1,965</u>	\$ <u>164,469</u>	\$ <u>2,734</u>	\$ <u>2,088,230</u>	\$ <u>414,310</u>	\$ <u>275,850</u>	\$ <u>460,546</u>	\$ <u>203,004</u>
\$ <u>1,965</u>	\$ <u>164,469</u>	\$ <u>2,734</u>	\$ <u>2,088,230</u>	\$ <u>414,310</u>	\$ <u>275,850</u>	\$ <u>460,546</u>	\$ <u>203,004</u>
-	-	2,734	-	-	-	-	-
-	-	-	2,088,230	-	-	-	-
\$ -	\$ -	\$ <u>2,734</u>	\$ <u>2,088,230</u>	\$ -	\$ -	\$ -	\$ -
\$ <u>1,965</u>	\$ <u>164,469</u>	\$ -	\$ -	\$ <u>414,310</u>	\$ <u>275,850</u>	\$ <u>460,546</u>	\$ <u>203,004</u>
\$ <u>1,965</u>	\$ <u>164,469</u>	\$ -	\$ -	\$ <u>414,310</u>	\$ <u>275,850</u>	\$ <u>460,546</u>	\$ <u>203,004</u>

HENDERSON COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2020

	<u>Custodial Funds</u>		
	Juvenile Restitution	Total Custodial Funds	Total Fiduciary Funds
ASSETS			
Cash and investments	\$ 14,704	\$ 4,005,726	\$ 7,902,431
Total assets	<u>\$ 14,704</u>	<u>\$ 4,005,726</u>	<u>\$ 7,902,431</u>
LIABILITIES			
Liabilities:			
Due to beneficiaries	-	2,734	2,734
Due to other governments	-	2,088,230	2,088,230
Total liabilities	<u>\$ -</u>	<u>\$ 2,090,964</u>	<u>\$ 2,090,964</u>
NET POSITION			
Restricted for individuals, organizations and other governments	\$ 14,704	\$ 1,914,762	\$ 5,811,467
Total net position	<u>\$ 14,704</u>	<u>\$ 1,914,762</u>	<u>\$ 5,811,467</u>

HENDERSON COUNTY, TEXAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Investment Trust Funds</u>		Total	<u>Custodial Fur</u>
	<u>CC Trust</u>	<u>DC Trust</u>	Investment Trust Funds	<u>Bonds</u>
INCREASES				
Contributions from judgements - uninvested	\$ 45,598	\$ 904,021	\$ 949,619	\$ -
Contributions from judgements - invested	25,964	92,413	118,377	-
Taxes collected on behalf of taxing entities	-	-	-	-
Contributions from inmates	-	-	-	-
Bonds	-	-	-	69,536
Miscellaneous	-	-	-	-
Donations	-	-	-	-
Total increases	\$ <u>71,562</u>	\$ <u>996,434</u>	\$ <u>1,067,996</u>	\$ <u>69,536</u>
DECREASES				
Cash bonds released by judgements	\$ -	\$ -	\$ -	\$ 58,285
Cash bond forfeitures	-	-	-	3,536
Invested disbursements	3,318	16,805	20,123	-
Uninvested disbursements	<u>17,000</u>	<u>271,650</u>	<u>288,650</u>	-
Total decreases	\$ <u>20,318</u>	\$ <u>288,455</u>	\$ <u>308,773</u>	\$ <u>61,821</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	<u>51,244</u>	<u>707,979</u>	<u>759,223</u>	<u>7,715</u>
NET POSITION, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
PRIOR PERIOD ADJUSTMENT - CHANGE IN ACCOUNTING PRINCIPLE	<u>774,820</u>	<u>2,362,662</u>	<u>3,137,482</u>	<u>372,199</u>
NET POSITION, BEGINNING, AS RESTATED	<u>774,820</u>	<u>2,362,662</u>	<u>3,137,482</u>	<u>372,199</u>
NET POSITION, ENDING	\$ <u>826,064</u>	\$ <u>3,070,641</u>	\$ <u>3,896,705</u>	\$ <u>379,914</u>

Custodial Funds

Donations	Seizures	Hot Check	Property Taxes	Auto Reg.	Auto Reg. 6%	VIT	Inmate
\$ -	\$ 122,952	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	87,258,916	12,799,665	6,443,207	392,013	-
-	-	-	-	-	-	-	1,106,637
-	-	-	-	-	-	-	-
-	-	44,607	-	-	-	-	-
<u>1,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,965</u>	<u>\$ 122,952</u>	<u>\$ 44,607</u>	<u>\$ 87,258,916</u>	<u>\$ 12,799,665</u>	<u>\$ 6,443,207</u>	<u>\$ 392,013</u>	<u>\$ 1,106,637</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>36,589</u>	<u>44,607</u>	<u>87,258,916</u>	<u>12,861,018</u>	<u>6,517,369</u>	<u>309,394</u>	<u>991,344</u>
<u>\$ -</u>	<u>\$ 36,589</u>	<u>\$ 44,607</u>	<u>\$ 87,258,916</u>	<u>\$ 12,861,018</u>	<u>\$ 6,517,369</u>	<u>\$ 309,394</u>	<u>\$ 991,344</u>
<u>1,965</u>	<u>86,363</u>	<u>-</u>	<u>-</u>	<u>(61,353)</u>	<u>(74,162)</u>	<u>82,619</u>	<u>115,293</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>78,106</u>	<u>-</u>	<u>-</u>	<u>475,663</u>	<u>350,012</u>	<u>377,927</u>	<u>87,711</u>
<u>-</u>	<u>78,106</u>	<u>-</u>	<u>-</u>	<u>475,663</u>	<u>350,012</u>	<u>377,927</u>	<u>87,711</u>
<u>\$ 1,965</u>	<u>\$ 164,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 414,310</u>	<u>\$ 275,850</u>	<u>\$ 460,546</u>	<u>\$ 203,004</u>

HENDERSON COUNTY, TEXAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Custodial Funds</u>		Total Custodial Funds		Total Fiduciary Funds
	<u>Juvenile Restitution</u>				
INCREASES					
Contributions from judgements - uninvested	\$ -	\$	122,952	\$	1,072,571
Contributions from judgements - invested	-		-		118,377
Taxes collected on behalf of taxing entities	-		106,893,801		106,893,801
Contributions from inmates	-		1,106,637		1,106,637
Bonds	-		81,312		81,312
Miscellaneous	11,776		44,607		44,607
Donations	-		1,965		1,965
Total increases	\$ <u>11,776</u>	\$	\$ <u>108,251,274</u>	\$	\$ <u>109,319,270</u>
DECREASES					
Cash bonds released by judgements	\$ -	\$	58,285	\$	58,285
Cash bond forfeitures	-		3,536		3,536
Invested disbursements	-		-		20,123
Uninvested disbursements	<u>11,586</u>		<u>108,030,823</u>		<u>108,319,473</u>
Total decreases	\$ <u>11,586</u>	\$	\$ <u>108,092,644</u>	\$	\$ <u>108,401,417</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	<u>190</u>		<u>158,630</u>		<u>917,853</u>
NET POSITION, BEGINNING	<u>-</u>		<u>-</u>		<u>-</u>
PRIOR PERIOD ADJUSTMENT - CHANGE IN ACCOUNTING PRINCIPLE	<u>14,514</u>		<u>1,756,132</u>		<u>4,893,614</u>
NET POSITION, BEGINNING, AS RESTATED	<u>14,514</u>		<u>1,756,132</u>		<u>4,893,614</u>
NET POSITION, ENDING	\$ <u>14,704</u>	\$	\$ <u>1,914,762</u>	\$	\$ <u>5,811,467</u>

SINGLE AUDIT

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

Honorable County Judge
and Commissioners' Court
Henderson County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henderson County, Texas (the "County"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 30, 2021. The report on the governmental activities, the business-type activities, and each major proprietary fund was qualified because the County has not implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Except as discussed in the preceding sentence, 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.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Item 2020-001 that we consider to be a material weakness.

OFFICE LOCATIONS

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

Compliance and Other Matters

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

Henderson County's Response to Findings

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

Purpose of this Report

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

Patillo, Brown & Hill, L.L.P.

Waco, Texas
September 30, 2021

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

Honorable County Judge
and Commissioners' Court
Henderson County, Texas

Report on Compliance for Each Major Federal Program

We have audited Henderson County, Texas' (the "County") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2020. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("*Uniform Guidance*"). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

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

Waco, Texas
September 30, 2021

HENDERSON COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Expenditures	Pass-Through Expenditures
<u>U. S. Department of Justice</u>				
Direct Programs:				
State Criminal Alien Assistance Program	16.606	2020-AP-BX-0978	\$ 16,049	\$ -
Bulletproof Vest Partnership Program	16.607	N/A	13,279	-
Total Direct Programs			<u>29,328</u>	<u>-</u>
Total U. S. Department of Justice			<u>29,328</u>	<u>-</u>
<u>U. S. Department of the Treasury</u>				
Passed through the Texas Department of Emergency Management				
COVID-19 - Coronavirus Relief Fund	21.019	N/A	2,379,190	-
Total Passed through the Texas Department of Emergency Management			<u>2,379,190</u>	<u>-</u>
Total U. S. Department of the Treasury			<u>2,379,190</u>	<u>-</u>
<u>U. S. Election Assistance Commission</u>				
Passed through the Texas Secretary of State:				
COVID-19 - HAVA Election Security Grant	90.404	TX20101CARES-107	78,338	-
Total Passed through the Texas Secretary of State			<u>78,338</u>	<u>-</u>
Total U. S. Election Assistance Commission			<u>78,338</u>	<u>-</u>
<u>U. S. Department of Health and Human Services</u>				
Passed through the Texas Department of Family and Protective Services				
Title IV-E (Child Welfare)	93.658	24723133	8,358	-
Title IV-E (Legal)	93.658	HHS000285100020	104,346	-
Total Passed through the Texas Department of Family and Protective Services			<u>112,704</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>112,704</u>	<u>-</u>
<u>U. S. Department of Homeland Security</u>				
Passed through the Texas Office of the Governor:				
Emergency Management Performance Grant	97.042	17TX-EMPG-1203	31,751	-
Total Passed through the Texas Office of the Governor			<u>31,751</u>	<u>-</u>
Total U. S. Department of Homeland Security			<u>31,751</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u>2,631,311</u>	\$ <u>-</u>

The accompanying notes are an integral part of this schedule.

HENDERSON COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2020

Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note I of the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Basis of Presentation

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards programs of the County. The County's reporting entity is defined in Note I of the basic financial statements. Federal awards received directly from federal agencies, as well as awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Indirect Costs

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

HENDERSON COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2020

Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued	Qualified
Internal control over financial reporting: Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered a material weakness?	None reported
Noncompliance material to financial statements noted?	None

Federal Awards:

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered a material weakness?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified

Any audit findings disclosed that are required
to be reported in accordance with 2 CFR 200.516(a) No

Identification of major programs:

CFDA Number(s): 21.019	Name of Program or Cluster: COVID-19 - Coronavirus Relief Fund
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Dollar threshold used to distinguish between type A
and type B programs \$750,000

Auditee qualified as low-risk auditee
for single audit? No

**Findings Relating to the Financial Statements Which are
Required to be Reported in Accordance With Generally
Accepted Government Auditing Standards**

Item 2020-001

Findings and Questioned Costs for Federal Awards

None

HENDERSON COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(continued)
DECEMBER 31, 2020

<u>Finding Number:</u>	2020-001
<u>Repeat Finding:</u>	Yes, reported as 2018-001 and 2019-001.
<u>Condition:</u>	<p>GASB Statement No. 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>, establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, deferred outflows of resources, deferred inflows of resources, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.</p> <p>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, the County's financial statements recognize the cost of postemployment benefits, other than retirement benefits, on a pay-as-you-go basis.</p>
<u>Effect:</u>	The Total OPEB Liability (TOL) should be recognized in the current period, along with any deferred outflows, deferred inflows, expenses, note disclosures, and required supplementary information. The effect on the governmental activities, the business-type activities, and each major proprietary fund are presumed to be material.
<u>Cause:</u>	The County has not obtained the required actuarial valuation of the benefits it provides to retirees and, therefore, has not implemented this standard.
<u>Recommendation:</u>	In order to comply with generally accepted accounting principles, the County should obtain the required actuarial valuation of the benefits it provides to retirees and implement this standard.
<u>Management's Response:</u>	At this time, the Commissioner's Court does not feel that it is financially responsible to expend County funds on the hiring of an actuary. If, at a later date, the benefits to the County are seen as exceeding the costs of an actuary, the Commissioners will take action at that time.

Ann Marie Lee, CPA
County Auditor

Lynn McCawley
First Assistant



Assistant Auditors:

Jennifer Nicholson
Christie Blakeney
Leticia Carpenter
Jessica Brown
Elena Barrios

HENDERSON COUNTY AUDITOR

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Athens, Texas 75751
903-675-6145
Fax: 903-677-7298

HENDERSON COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2020

<u>Finding Number:</u>	2019-001
<u>Repeat Finding:</u>	Yes, reported as 2018-001.
<u>Condition:</u>	<p>GASB Statement No. 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>, establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, deferred outflows of resources, deferred inflows of resources, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.</p> <p>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, the County's financial statements recognize the cost of postemployment benefits, other than retirement benefits, on a pay-as-you-go basis.</p>
<u>Effect:</u>	<p>The Total OPEB Liability (TOL) should be recognized in the current period, along with any deferred outflows, deferred inflows, expenses, note disclosures, and required supplementary information. The effect on the governmental activities, the business-type activities, and each major proprietary fund are presumed to be material.</p>
<u>Cause:</u>	<p>The County has not obtained the required actuarial valuation of the benefits it provides to retirees and, therefore, has not implemented this standard.</p>
<u>Recommendation:</u>	<p>To comply with generally accepted accounting principles, the County should obtain the required actuarial valuation of the benefits it provides to retirees and implement this standard.</p>
<u>Management's Response:</u>	<p>At this time, the Commissioner's Court does not feel that it is financially responsible to expend County funds on the hiring of an actuary. If, at a later date, the benefits to the County are seen as exceeding the costs of an actuary, the Commissioners will take action at that time.</p>
<u>Current Status:</u>	Unchanged. See Finding 2020-001.