

**HENDERSON COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2021**

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

**HENDERSON COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**TABLE OF CONTENTS**

**DECEMBER 31, 2021**

**Page  
Number**

**INTRODUCTORY SECTION**

Directory of Officials ..... i

**FINANCIAL SECTION**

Independent Auditor’s Report..... 1 – 3

Management’s Discussion and Analysis..... 4 – 9

Basic Financial Statements:

    Government-wide Financial Statements:

        Statement of Net Position ..... 10

        Statement of Activities ..... 11 – 12

    Fund Financial Statements:

        Balance Sheet – Governmental Funds..... 13 – 14

        Statement of Revenues, Expenditures and Changes in  
        Fund Balances – Governmental Funds..... 15 – 16

        Reconciliation of the Statement of Revenues, Expenditures  
        and Changes in Fund Balances of Governmental Funds to the  
        Statement of Activities ..... 17

        Statement of Net Position – Proprietary Funds ..... 18

        Statement of Revenues, Expenses and Changes in  
        Net Position – Proprietary Funds ..... 19

        Statement of Cash Flows – Proprietary Funds ..... 20

        Statement of Fiduciary Net Position..... 21

        Statement of Changes in Fiduciary Net Position..... 22

    Notes to the Financial Statements..... 23 – 37

Required Supplementary Information:

    Schedule of Revenues, Expenditures and Changes in  
    Fund Balance – Budget and Actual – General Fund ..... 38 – 40

    Schedule of Revenues, Expenditures and Changes in  
    Fund Balance – Budget and Actual – Road and Bridge..... 41

**FINANCIAL SECTION** (Continued)

Notes to Required Supplementary Information – Budgetary Schedules .....	42
Schedule of Changes in Net Pension Liability and Related Ratios.....	43 – 44
Schedule of Employer Contributions – TCDRS.....	45
Notes to Schedule of Employer Contributions – TCDRS .....	46
Combining Fund Statements:	
Nonmajor Governmental Funds:	
Combining Balance Sheet .....	47 – 48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	49 – 50
Fiduciary Funds:	
Investment Trust Funds:	
Combining Statement of Fiduciary Net Position .....	51
Combining Statement of Changes in Fiduciary Net Position .....	52
Custodial Funds:	
Combining Statement of Fiduciary Net Position .....	53 – 54
Combining Statement of Changes in Fiduciary Net Position .....	55 – 56

**INTERNAL CONTROL AND COMPLIANCE SECTION**

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	57 – 58
Schedule of Findings and Responses .....	59
Summary Schedule of Prior Audit Findings and Responses.....	60

## **INTRODUCTORY SECTION**

**HENDERSON COUNTY, TEXAS**

**DIRECTORY OF OFFICIALS**

**DECEMBER 31, 2021**

<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	Jenny Palmer
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	Thomas Goodell
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 Audit of the Financial Statements**

**Opinions**

We have audited the 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, 2021, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements as listed in the table of contents.

*Summary of Opinions*

<b><u>Opinion Unit</u></b>	<b><u>Type of Opinion</u></b>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Road and Bridge Fund	Unmodified
American Rescue Plan Fund	Unmodified
Fair Park Fund	Qualified
Fair Park Concessions Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

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

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinions on the Governmental Activities, the Business-type Activities and Each Major Proprietary Fund section, the accompanying financial statements 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, 2021, 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 on the General Fund, Road and Bridge Fund, American Rescue Plan Fund and the Aggregate Remaining Fund Information**

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the General Fund, Road and Bridge Fund, American Rescue Plan Fund and the aggregate remaining fund information of Henderson County, Texas, as of December 31, 2021, 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.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Henderson County, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

**Responsibilities of Management for the Financial Statements**

Henderson County's 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Henderson County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

In performing an audit in accordance with GAAS, we:

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

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

**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 38 – 42, and pension information on pages 43 – 46 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

**Supplementary Information**

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

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

**Other Information Included in the Annual Report**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2022 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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  
November 7, 2022

**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, 2021. 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 2021 by \$50,020,831 (*net position*). Of this amount, \$14,425,556 (*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 \$4,147,764.
- As of December 31, 2021, the County's governmental funds reported combined ending fund balances of \$18,114,425, an increase of \$3,992,354.
- At the end of fiscal year 2021, unassigned fund balance for the General Fund was \$14,136,183.

### 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, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference 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 the 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, Road and Bridge Fund, and American Rescue Plan Fund, all 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 schedules 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.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the County's progress in funding its obligations to provide pension benefits to its employees and budgetary comparison schedules for the General Fund and major special revenue funds to demonstrate compliance with the budget. Required supplementary information can be found immediately after the notes to the financial statements.

**Other Information.** Additionally, this report presents combining fund statements that further support the information in the financial statements. The combining fund statements are presented immediately following the required supplementary information.

## **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 \$50,020,831 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 \$32,038,058 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 50,925,056	\$ 39,910,873	\$ 593,404	\$ 369,395	\$ 51,518,460	\$ 40,280,268
Capital assets	<u>31,186,803</u>	<u>32,636,432</u>	<u>1,134,962</u>	<u>1,266,399</u>	<u>32,321,765</u>	<u>33,902,831</u>
Total assets	<u>82,111,859</u>	<u>72,547,305</u>	<u>1,728,366</u>	<u>1,635,794</u>	<u>83,840,225</u>	<u>74,183,099</u>
Deferred outflows of resources	6,699,237	2,835,340	-	-	6,699,237	2,835,340
Long-term liabilities	8,563,410	6,996,505	-	-	8,563,410	6,996,505
Other liabilities	<u>10,883,870</u>	<u>4,642,766</u>	<u>18,281</u>	<u>15,980</u>	<u>10,902,151</u>	<u>4,658,746</u>
Total liabilities	<u>19,447,280</u>	<u>11,639,271</u>	<u>18,281</u>	<u>15,980</u>	<u>19,465,561</u>	<u>11,655,251</u>
Deferred inflows of resources	21,053,070	19,490,121	-	-	21,053,070	19,490,121
Net position:						
Net investment in capital assets	30,903,096	30,932,708	1,134,962	1,266,399	32,038,058	32,199,107
Restricted	3,557,217	3,025,560	-	-	3,557,217	3,025,560
Unrestricted	<u>13,850,433</u>	<u>10,294,985</u>	<u>575,123</u>	<u>353,415</u>	<u>14,425,556</u>	<u>10,648,400</u>
Total net position	\$ <u>48,310,746</u>	\$ <u>44,253,253</u>	\$ <u>1,710,085</u>	\$ <u>1,619,814</u>	\$ <u>50,020,831</u>	\$ <u>45,873,067</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.

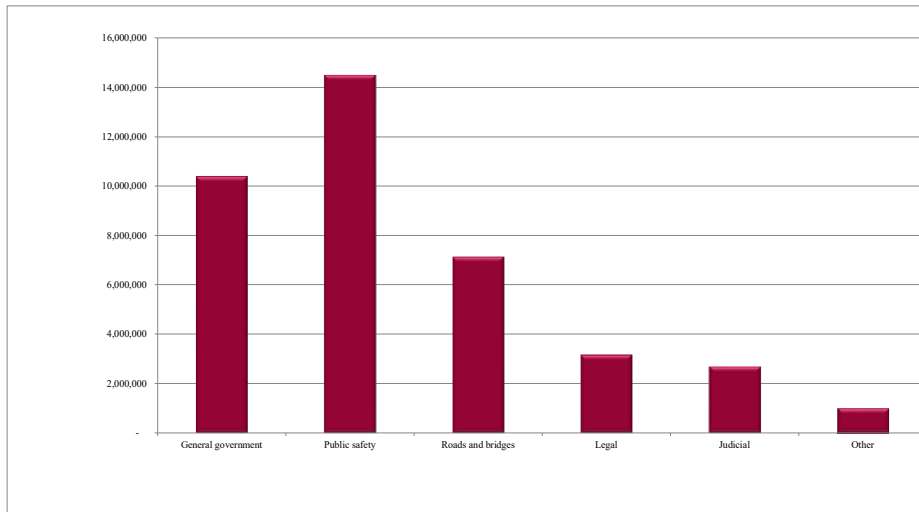
## HENDERSON COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 8,621,909	\$ 6,705,939	\$ 391,466	\$ 313,940	\$ 9,013,375	\$ 7,019,879
Operating grants and contributions	1,236,879	3,680,163	12,000	30,813	1,248,879	3,710,976
Capital grants and contributions	115,391	-	-	-	115,391	-
General revenues:						
Property taxes	31,798,446	30,448,356	-	-	31,798,446	30,448,356
Other taxes	154,688	103,842	221,591	119,638	376,279	223,480
Investment earnings	227,203	298,616	-	-	227,203	298,616
Gain on sale of capital assets	50,180	79,616	31,476	-	81,656	79,616
Miscellaneous	<u>720,635</u>	<u>528,251</u>	<u>-</u>	<u>-</u>	<u>720,635</u>	<u>528,251</u>
Total revenues	<u>42,925,331</u>	<u>41,844,783</u>	<u>656,533</u>	<u>464,391</u>	<u>43,581,864</u>	<u>42,309,174</u>
Expenses:						
Governmental activities:						
General government	10,391,645	10,562,178	-	-	10,391,645	10,562,178
Legal	3,144,674	3,192,153	-	-	3,144,674	3,192,153
Health and welfare	496,511	444,300	-	-	496,511	444,300
Judicial	2,662,878	2,700,250	-	-	2,662,878	2,700,250
Public safety	14,501,628	14,403,242	-	-	14,501,628	14,403,242
Culture and recreation	462,060	605,975	-	-	462,060	605,975
Roads and bridges	7,124,033	6,898,542	-	-	7,124,033	6,898,542
Interest and fiscal charges	9,409	3,747	-	-	9,409	3,747
Business-type activities:						
Fair Park	-	-	532,441	527,075	532,441	527,075
Fair Park Concessions	-	-	<u>108,821</u>	<u>84,799</u>	<u>108,821</u>	<u>84,799</u>
Total expenses	<u>38,792,838</u>	<u>38,810,387</u>	<u>641,262</u>	<u>611,874</u>	<u>39,434,100</u>	<u>39,422,261</u>
Change in net position before transfers	4,132,493	3,034,396	15,271	( 147,483)	4,147,764	2,886,913
Transfers	( 75,000)	( 75,000)	<u>75,000</u>	<u>75,000</u>	-	-
Change in net position	4,057,493	2,959,396	90,271	( 72,483)	4,147,764	2,886,913
Net position, beginning	<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>
Prior period adjustment	-	570,735	-	214,595	-	785,330
Net position, beginning, as restated	<u>44,253,253</u>	<u>41,293,857</u>	<u>1,619,814</u>	<u>1,692,297</u>	<u>45,873,067</u>	<u>42,986,154</u>
Net position, ending	\$ <u>48,310,746</u>	\$ <u>44,253,253</u>	\$ <u>1,710,085</u>	\$ <u>1,619,814</u>	\$ <u>50,020,831</u>	\$ <u>45,873,067</u>

**Governmental Activities.** Governmental activities increased the County's net position by \$4,057,493. Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Program revenues of \$9,974,179 equaled 26% of governmental expenses of \$38,792,838. General revenues of \$32,951,152 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 \$7,124,033 accounted for 18% of expenses.
- Grant revenues totaling \$1,352,270 were available to offset only 3% 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 the 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 2021, Henderson County's *governmental funds* reported combined ending fund balances of \$18,114,425. Overall fund balance increased by \$3,992,354. The increase is approximately 28% of the total fund balance.

The General Fund is the chief operating fund of the County. At the end of fiscal year 2021, the General Fund had an ending fund balance of \$14,708,275. 96% of this total amount (\$14,136,183) 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 43% of total General Fund expenditures.

The Road and Bridge Fund had an ending fund balance of \$1,571,181, a net increase of \$418,680. The increase was mainly due to an increase in taxes and fees.

The American Rescue Plan Fund is used to account for grant funding received under the ARPA program. This fund had approximately \$8 million in cash at fiscal year-end that will be used in future years in accordance with the requirements of the program.

#### *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 \$641,262 of expenses, \$131,437 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 for the General Fund and 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 \$1.5 million to cover the cost of a new radio tower system and various other projects.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The County’s investment in capital assets for its governmental activities as of December 31, 2021, was \$31,186,803 (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	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,430,150	\$ 1,436,040	\$ 250,504	\$ 250,504	\$ 1,680,654	\$ 1,686,544
Buildings and improvements	28,675,161	28,632,938	2,709,759	2,709,759	31,384,920	31,342,697
Furniture and equipment	22,308,263	21,245,130	368,572	368,572	22,676,835	21,613,702
Infrastructure	37,639,312	37,639,312	-	-	37,639,312	37,639,312
Less: accumulated depreciation	(58,866,083)	(56,316,988)	( 2,193,873)	( 2,062,436)	(61,059,956)	(58,379,424)
Total capital assets	\$ <u>31,186,803</u>	\$ <u>32,636,432</u>	\$ <u>1,134,962</u>	\$ <u>1,266,399</u>	\$ <u>32,321,765</u>	\$ <u>33,902,831</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 a new Justice of the Peace facility was completed.

**Long-term Debt.** At the end of fiscal year 2021, the County had no bonded debt outstanding.

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

The tax rate was lowered for 2022 to .4464870% per \$100 value. Total revenues are estimated to be \$33,941,518 with \$920,526 of revenue from the property added.

In addition, Henderson County will receive a total of just in excess of \$14 million in ARPA funding for 2022. Plans have begun to hire a grant management firm to help the County determine the best uses of the funds and for proper reporting guidance.

**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, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 44,156,156	\$ 482,045	\$ 44,638,201
Receivables, net of allowance for uncollectibles:			
Taxes	1,978,611	-	1,978,611
Fines	3,116,029	-	3,116,029
Other	929,502	16,577	946,079
Due from other governments	154,148	-	154,148
Prepaid items	<u>590,610</u>	<u>94,782</u>	<u>685,392</u>
Total current assets	<u>50,925,056</u>	<u>593,404</u>	<u>51,518,460</u>
Noncurrent assets:			
Capital assets:			
Land	1,430,150	250,504	1,680,654
Buildings and improvements	28,675,161	2,709,759	31,384,920
Furniture and equipment	22,308,263	368,572	22,676,835
Infrastructure	37,639,312	-	37,639,312
Less: accumulated depreciation	<u>( 58,866,083)</u>	<u>( 2,193,873)</u>	<u>( 61,059,956)</u>
Total capital assets	<u>31,186,803</u>	<u>1,134,962</u>	<u>32,321,765</u>
Total noncurrent assets	<u>31,186,803</u>	<u>1,134,962</u>	<u>32,321,765</u>
Total assets	<u>82,111,859</u>	<u>1,728,366</u>	<u>83,840,225</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	<u>6,699,237</u>	<u>-</u>	<u>6,699,237</u>
Total deferred outflows of resources	<u>6,699,237</u>	<u>-</u>	<u>6,699,237</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	816,587	11,925	828,512
Accrued liabilities	806,783	6,356	813,139
Due to other governments	468,728	-	468,728
Cash bond deposits	379,763	-	379,763
Interest payable	5,641	-	5,641
Unearned revenue	8,035,346	-	8,035,346
Compensated absences	208,892	-	208,892
Capital lease	<u>162,130</u>	<u>-</u>	<u>162,130</u>
Total current liabilities	<u>10,883,870</u>	<u>18,281</u>	<u>10,902,151</u>
Noncurrent liabilities:			
Net pension liability	7,815,159	-	7,815,159
Compensated absences	626,674	-	626,674
Capital lease	<u>121,577</u>	<u>-</u>	<u>121,577</u>
Total noncurrent liabilities	<u>8,563,410</u>	<u>-</u>	<u>8,563,410</u>
Total liabilities	<u>19,447,280</u>	<u>18,281</u>	<u>19,465,561</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Advance property tax collections	17,254,155	-	17,254,155
Deferred inflows of resources related to pensions	<u>3,798,915</u>	<u>-</u>	<u>3,798,915</u>
Total deferred inflows of resources	<u>21,053,070</u>	<u>-</u>	<u>21,053,070</u>
<b>NET POSITION</b>			
Net investment in capital assets	30,903,096	1,134,962	32,038,058
Restricted for:			
Roads and bridges	1,724,142	-	1,724,142
Other purposes	1,833,075	-	1,833,075
Unrestricted	<u>13,850,433</u>	<u>575,123</u>	<u>14,425,556</u>
Total net position	<u>\$ 48,310,746</u>	<u>\$ 1,710,085</u>	<u>\$ 50,020,831</u>

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

**HENDERSON COUNTY, TEXAS**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
<b>Governmental activities:</b>			
General government	\$ 10,391,645	\$ 2,828,154	\$ 408,108
Legal	3,144,674	40,735	128,165
Health and welfare	496,511	18,480	3,961
Judicial	2,662,878	1,254,804	245,414
Public safety	14,501,628	2,588,024	394,030
Culture and recreation	462,060	10,527	-
Roads and bridges	7,124,033	1,881,185	57,201
Interest and fiscal charges on long-term debt	9,409	-	-
<b>Total governmental activities</b>	<u>38,792,838</u>	<u>8,621,909</u>	<u>1,236,879</u>
<b>Business-type activities:</b>			
Fair Park	532,441	240,511	12,000
Fair Park concessions	108,821	150,955	-
<b>Total business-type activities</b>	<u>641,262</u>	<u>391,466</u>	<u>12,000</u>
<b>Total</b>	<u>\$ 39,434,100</u>	<u>\$ 9,013,375</u>	<u>\$ 1,248,879</u>
<b>General revenues:</b>			
Taxes:			
Property			
Other			
Unrestricted investment earnings			
Gain on disposal of capital assets			
Miscellaneous			
Transfers			
<b>Total general revenues and transfers</b>			
Change in net position			
Net position, beginning			
Net position, ending			

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$( 7,155,383)	\$ -	\$( 7,155,383)
( 2,975,774)	-	( 2,975,774)
( 474,070)	-	( 474,070)
( 1,162,660)	-	( 1,162,660)
( 11,519,574)	-	( 11,519,574)
( 451,533)	-	( 451,533)
( 5,070,256)	-	( 5,070,256)
<u>( 9,409)</u>	<u>-</u>	<u>( 9,409)</u>
<u>( 28,818,659)</u>	<u>-</u>	<u>( 28,818,659)</u>
-	( 279,930)	( 279,930)
<u>-</u>	<u>42,134</u>	<u>42,134</u>
<u>-</u>	<u>( 237,796)</u>	<u>( 237,796)</u>
<u>( 28,818,659)</u>	<u>( 237,796)</u>	<u>( 29,056,455)</u>
31,798,446	-	31,798,446
154,688	221,591	376,279
227,203	-	227,203
50,180	31,476	81,656
720,635	-	720,635
<u>( 75,000)</u>	<u>75,000</u>	<u>-</u>
<u>32,876,152</u>	<u>328,067</u>	<u>33,204,219</u>
4,057,493	90,271	4,147,764
<u>44,253,253</u>	<u>1,619,814</u>	<u>45,873,067</u>
<u>\$ 48,310,746</u>	<u>\$ 1,710,085</u>	<u>\$ 50,020,831</u>

**HENDERSON COUNTY, TEXAS**

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	General	Road and Bridge	American Rescue Plan
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and investments	\$ 29,248,256	\$ 4,735,833	\$ 8,035,346
Receivables, net of allowance for uncollectibles:			
Taxes	1,804,156	174,455	-
Fines	3,116,029	-	-
Other	914,388	14,990	-
Due from other governments	38,757	115,391	-
Due from other funds	984	-	-
Prepaid items	<u>572,092</u>	<u>7,084</u>	<u>-</u>
Total assets	<u>35,694,662</u>	<u>5,047,753</u>	<u>8,035,346</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable	577,639	229,458	-
Accrued liabilities	703,445	101,118	-
Due to other governments	193,612	-	-
Due to other funds	-	-	-
Cash bonds and deposits	354,263	-	-
Unearned revenue	<u>-</u>	<u>-</u>	<u>8,035,346</u>
Total liabilities	<u>1,828,959</u>	<u>330,576</u>	<u>8,035,346</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Advance property tax collections	14,261,120	2,993,035	-
Unavailable revenue - property taxes	1,649,427	152,961	-
Unavailable revenue - court fines and fees	<u>3,246,881</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>19,157,428</u>	<u>3,145,996</u>	<u>-</u>
<b>FUND BALANCES</b>			
Fund balances:			
Nonspendable	572,092	7,084	-
Restricted	-	1,564,097	-
Unassigned	<u>14,136,183</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>14,708,275</u>	<u>1,571,181</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>35,694,662</u>	\$ <u>5,047,753</u>	\$ <u>8,035,346</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.

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

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.

Net position of governmental activities

Other Governmental Funds	Total Governmental Funds
\$ 2,136,721	\$ 44,156,156
-	1,978,611
-	3,116,029
124	929,502
-	154,148
-	984
<u>11,434</u>	<u>590,610</u>
<u>2,148,279</u>	<u>50,926,040</u>

9,490	816,587
2,220	806,783
275,116	468,728
984	984
25,500	379,763
-	<u>8,035,346</u>
<u>313,310</u>	<u>10,508,191</u>

-	17,254,155
-	1,802,388
-	<u>3,246,881</u>
-	<u>22,303,424</u>

11,434	590,610
1,825,004	3,389,101
( 1,469)	<u>14,134,714</u>
<u>1,834,969</u>	<u>18,114,425</u>

\$ 2,148,279

31,186,803

5,049,269

( 6,039,751)

\$ 48,310,746

**HENDERSON COUNTY, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>General</u>	<u>Road and Bridge</u>	<u>American Rescue Plan</u>
<b>REVENUES</b>			
Taxes	\$ 26,698,584	\$ 5,418,016	\$ -
Fees	3,215,722	1,521,185	-
Intergovernmental	5,133,021	172,592	-
Fines and forfeitures	688,106	-	-
Licenses and permits	21,313	360,000	-
Investment earnings	208,611	18,498	-
Miscellaneous	437,170	225,314	-
Total revenues	<u>36,402,527</u>	<u>7,715,605</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current:			
General government	9,842,610	-	-
Public safety	15,222,141	-	-
Roads and bridges	-	6,929,542	-
Legal	2,806,968	-	-
Judicial	3,254,991	-	-
Culture and recreation	443,779	-	-
Health and welfare	13,241	483,270	-
Debt service:			
Principal	1,500,000	100,017	-
Interest	-	7,515	-
Total expenditures	<u>33,083,730</u>	<u>7,520,344</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>3,318,797</u>	<u>195,261</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Insurance recoveries	25,021	-	-
Sale of capital assets	38,604	26,619	-
Capital lease	-	180,000	-
Transfers in	-	16,800	-
Transfers out	( 91,800)	-	-
Total other financing sources and uses	<u>( 28,175)</u>	<u>223,419</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	3,290,622	418,680	-
<b>FUND BALANCES, BEGINNING</b>	<u>11,417,653</u>	<u>1,152,501</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 14,708,275</u>	<u>\$ 1,571,181</u>	<u>\$ -</u>

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 32,116,600
360,480	5,097,387
-	5,305,613
182,466	870,572
-	381,313
94	227,203
<u>27,062</u>	<u>689,546</u>
<u>570,102</u>	<u>44,688,234</u>
129,395	9,972,005
49,706	15,271,847
-	6,929,542
45,689	2,852,657
-	3,254,991
62,260	506,039
-	496,511
-	1,600,017
-	7,515
<u>287,050</u>	<u>40,891,124</u>
<u>283,052</u>	<u>3,797,110</u>
-	25,021
-	65,223
-	180,000
41,012	57,812
<u>( 41,012)</u>	<u>( 132,812)</u>
-	195,244
283,052	3,992,354
<u>1,551,917</u>	<u>14,122,071</u>
<u>\$ 1,834,969</u>	<u>\$ 18,114,425</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, 2021

Net change in fund balances - total governmental funds: \$ 3,992,354

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. ( 1,434,586)

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. ( 15,043)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. ( 1,838,104)

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.

Capital lease proceeds	( 180,000)	
Principal retirement	1,600,017	
Interest payable	( 1,894)	1,418,123

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	1,260,229	
Net pension liability	674,520	<u>1,934,749</u>

Change in net position of governmental activities \$ 4,057,493

**HENDERSON COUNTY, TEXAS**

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2021

	<u>Enterprise Funds</u>		
	<u>Fair Park</u>	<u>Fair Park Concessions</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 472,116	\$ 9,929	\$ 482,045
Accounts receivable, net	15,435	1,142	16,577
Prepays	<u>94,782</u>	<u>-</u>	<u>94,782</u>
Total current assets	<u>582,333</u>	<u>11,071</u>	<u>593,404</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>( 2,193,873)</u>	<u>-</u>	<u>( 2,193,873)</u>
Total non-current assets	<u>1,134,962</u>	<u>-</u>	<u>1,134,962</u>
Total assets	<u>1,717,295</u>	<u>11,071</u>	<u>1,728,366</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	5,584	6,341	11,925
Accrued liabilities	<u>5,435</u>	<u>921</u>	<u>6,356</u>
Total current liabilities	<u>11,019</u>	<u>7,262</u>	<u>18,281</u>
Total liabilities	<u>11,019</u>	<u>7,262</u>	<u>18,281</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,134,962	-	1,134,962
Unrestricted	<u>571,314</u>	<u>3,809</u>	<u>575,123</u>
Total net position	<u>\$ 1,706,276</u>	<u>\$ 3,809</u>	<u>\$ 1,710,085</u>

**HENDERSON COUNTY, TEXAS**

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

**PROPRIETARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Enterprise Funds</u>		
	<u>Fair Park</u>	<u>Fair Park Concessions</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Rentals	\$ 175,622	\$ -	\$ 175,622
Concessions	-	150,955	150,955
Contributions	12,000	-	12,000
Other	64,889	-	64,889
Total operating revenues	<u>252,511</u>	<u>150,955</u>	<u>403,466</u>
<b>OPERATING EXPENSES</b>			
Personnel	241,677	40,444	282,121
Supplies and materials	92,569	657	93,226
Repairs and maintenance	13,898	-	13,898
Utilities	51,596	-	51,596
Professional services	500	56,597	57,097
Depreciation	131,437	-	131,437
Other	764	11,123	11,887
Total operating expenses	<u>532,441</u>	<u>108,821</u>	<u>641,262</u>
<b>OPERATING INCOME (LOSS)</b>	<u>( 279,930)</u>	<u>42,134</u>	<u>( 237,796)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Taxes	<u>221,591</u>	<u>-</u>	<u>221,591</u>
Total non-operating revenues (expenses)	<u>221,591</u>	<u>-</u>	<u>221,591</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>( 58,339)</u>	<u>42,134</u>	<u>( 16,205)</u>
Gain on disposal of property	31,476	-	31,476
Transfers in	112,693	-	112,693
Transfers out	<u>-</u>	<u>( 37,693)</u>	<u>( 37,693)</u>
<b>CHANGE IN NET POSITION</b>	<u>85,830</u>	<u>4,441</u>	<u>90,271</u>
<b>NET POSITION, BEGINNING</b>	<u>1,620,446</u>	<u>( 632)</u>	<u>1,619,814</u>
<b>TOTAL NET POSITION, ENDING</b>	<u>\$ 1,706,276</u>	<u>\$ 3,809</u>	<u>\$ 1,710,085</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, 2021

	Enterprise Funds		
	Fair Park	Fair Park Concessions	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 248,491	\$ 149,813	\$ 398,304
Cash paid to suppliers for goods and services	( 240,805)	( 38,028)	( 278,833)
Cash paid to employees for services	( 254,958)	( 68,119)	( 323,077)
Net cash provided (used) by operating activities	<u>( 247,272)</u>	<u>43,666</u>	<u>( 203,606)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cash received from taxes	221,591	-	221,591
Transfers from (to) other funds	<u>112,693</u>	<u>( 37,693)</u>	<u>75,000</u>
Net cash provided (used) by noncapital financing activities	<u>334,284</u>	<u>( 37,693)</u>	<u>296,591</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Disposal of capital assets	<u>31,476</u>	<u>-</u>	<u>31,476</u>
Net cash used by capital and related financing activities	<u>31,476</u>	<u>-</u>	<u>31,476</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	118,488	5,973	124,461
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>353,628</u>	<u>3,956</u>	<u>357,584</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 472,116</u>	<u>\$ 9,929</u>	<u>\$ 482,045</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$( 279,930)	\$ 42,134	\$( 237,796)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	131,437	-	131,437
(Increase) decrease in assets:			
Accounts receivable	( 4,020)	( 1,142)	( 5,162)
Prepays	( 94,386)	-	( 94,386)
Increase (decrease) in liabilities:			
Accounts payable	872	2,416	3,288
Accrued liabilities	<u>( 1,245)</u>	<u>258</u>	<u>( 987)</u>
Net cash provided (used) by operating activities	<u>\$( 247,272)</u>	<u>\$ 43,666</u>	<u>\$( 203,606)</u>

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

**HENDERSON COUNTY, TEXAS**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

DECEMBER 31, 2021

	<u>Investment Trust Funds</u>	<u>Custodial Funds</u>
<b>ASSETS</b>		
Cash and investments	\$ <u>5,123,143</u>	\$ <u>3,780,038</u>
Total assets	\$ <u>5,123,143</u>	\$ <u>3,780,038</u>
<b>LIABILITIES</b>		
Due to beneficiaries	\$ -	\$ 2,734
Due to other governments	<u>-</u>	<u>1,412,814</u>
Total liabilities	\$ <u>-</u>	\$ <u>1,415,548</u>
<b>NET POSITION</b>		
Restricted for individuals, organizations and other governments	\$ <u>5,123,143</u>	\$ <u>2,364,490</u>
Total net position	\$ <u>5,123,143</u>	\$ <u>2,364,490</u>

**HENDERSON COUNTY, TEXAS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2021

	Investment Trust Funds	Custodial Funds
<b>INCREASES</b>		
Contributions from judgements - uninvested	\$ 2,614,855	\$ 166,102
Contributions from judgements - invested	826,882	-
Taxes collected on behalf of taxing entities	-	117,652,252
Contributions from inmates	-	1,505,565
Bonds	-	40,250
Miscellaneous	-	30,644
	<u>                    </u>	<u>                    </u>
Total increases	\$ <u>3,441,737</u>	\$ <u>119,394,813</u>
<b>DECREASES</b>		
Cash bonds released by judgements	\$ -	\$ 59,259
Cash bond forfeitures	-	6,642
Invested disbursements	101,237	-
Uninvested disbursements	<u>2,113,985</u>	<u>118,879,184</u>
	<u>                    </u>	<u>                    </u>
Total decreases	\$ <u>2,215,222</u>	\$ <u>118,945,085</u>
<b>NET INCREASE IN FIDUCIARY NET POSITION</b>	1,226,515	449,728
<b>NET POSITION, BEGINNING</b>	<u>3,896,628</u>	<u>1,914,762</u>
<b>NET POSITION, ENDING</b>	\$ <u>5,123,143</u>	\$ <u>2,364,490</u>

## HENDERSON COUNTY, TEXAS

### NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

#### 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, 2021, 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 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 **American Rescue Plan Fund** is used to account for all revenue and expenditures related to grant funding in response to the COVID-19 global pandemic.

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:

- **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 (\$6,039,751) difference are as follows:

Capital leases	\$( 283,707)
Net pension liability	( 7,815,159)
Deferred outflows related to pensions	6,699,237
Deferred inflows related to pensions	( 3,798,915)
Accrued interest payable	( 5,641)
Compensated absences	( 835,566)
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$( <u>6,039,751</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 (\$1,434,586) difference are as follows:

Capital outlay	\$ 1,312,285
Depreciation expense	( <u>2,746,871</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>1,434,586</u> )

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources as revenues in the funds.” The details of this (\$1,838,104) difference are as follows:

Property taxes	\$( 163,466)
Grant	( 1,903,352)
Court fines	<u>228,714</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>1,838,104</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, 2021, the County's \$55,342,073 deposit balance was entirely collateralized with securities pledged by the pledging financial institution or covered by FDIC insurance.

##### Receivables

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

	Governmental Funds		Enterprise Funds		Total
	General	Road and Bridge	Fair Park	Fair Park Concessions	
Receivables:					
Taxes	\$ 2,122,536	\$ 205,240	\$ -	\$ -	\$ 2,327,776
Fines	20,773,526	-	-	-	20,773,526
Tax service agreements	89,784	-	-	-	89,784
Fees and commission	277,567	-	-	-	277,567
Other	547,037	14,990	15,435	1,142	578,728
Gross receivables	<u>23,810,450</u>	<u>220,230</u>	<u>15,435</u>	<u>1,142</u>	<u>24,047,381</u>
Less: allowance for uncollectibles	(17,975,877)	( 30,785)	-	-	(18,006,662)
Net total receivables	<u>\$ 5,834,573</u>	<u>\$ 189,445</u>	<u>\$ 15,435</u>	<u>\$ 1,142</u>	<u>\$ 6,040,719</u>

##### Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,436,040	\$ -	\$ ( 5,890)	\$ 1,430,150
Total capital assets not being depreciated	<u>1,436,040</u>	<u>-</u>	<u>( 5,890)</u>	<u>1,430,150</u>
Capital assets, being depreciated:				
Buildings and improvements	28,632,938	53,833	( 11,610)	28,675,161
Furniture and equipment	21,245,130	1,258,452	( 195,319)	22,308,263
Infrastructure	<u>37,639,312</u>	<u>-</u>	<u>-</u>	<u>37,639,312</u>
Total capital assets being depreciated	<u>87,517,380</u>	<u>1,312,285</u>	<u>( 206,929)</u>	<u>88,622,736</u>
Less accumulated depreciation:				
Buildings and improvements	( 14,538,345)	( 680,995)	3,706	( 15,215,634)
Furniture and equipment	( 11,763,401)	( 1,690,147)	194,070	( 13,259,478)
Infrastructure	<u>( 30,015,242)</u>	<u>( 375,729)</u>	<u>-</u>	<u>( 30,390,971)</u>
Total accumulated depreciation	<u>( 56,316,988)</u>	<u>( 2,746,871)</u>	<u>197,776</u>	<u>( 58,866,083)</u>
Total capital assets, being depreciated, net	<u>31,200,392</u>	<u>( 1,434,586)</u>	<u>( 9,153)</u>	<u>29,756,653</u>
Governmental activities capital assets, net	<u>\$ 32,636,432</u>	<u>\$ ( 1,434,586)</u>	<u>\$ ( 15,043)</u>	<u>\$ 31,186,803</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 250,504	\$ -	\$ -	\$ 250,504
Total capital assets not being depreciated	<u>250,504</u>	<u>-</u>	<u>-</u>	<u>250,504</u>
Capital assets, being depreciated:				
Buildings	1,550,781	-	-	1,550,781
Improvements	1,158,978	-	-	1,158,978
Furniture and equipment	<u>368,572</u>	<u>-</u>	<u>-</u>	<u>368,572</u>
Total capital assets being depreciated	<u>3,078,331</u>	<u>-</u>	<u>-</u>	<u>3,078,331</u>
Less accumulated depreciation:				
Buildings	( 1,106,681)	( 37,549)	-	( 1,144,230)
Improvements	( 674,951)	( 76,784)	-	( 751,735)
Furniture and equipment	<u>( 280,804)</u>	<u>( 17,104)</u>	<u>-</u>	<u>( 297,908)</u>
Total accumulated depreciation	<u>( 2,062,436)</u>	<u>( 131,437)</u>	<u>-</u>	<u>( 2,193,873)</u>
Total capital assets, being depreciated, net	<u>1,015,895</u>	<u>( 131,437)</u>	<u>-</u>	<u>884,458</u>
Business-type activities capital assets, net	<u>\$ 1,266,399</u>	<u>\$ ( 131,437)</u>	<u>\$ -</u>	<u>\$ 1,134,962</u>

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

Governmental activities:		
General government	\$ 758,111	
Culture and recreation	716	
Legal	13,538	
Judicial	1,362	
Public safety	860,173	
Road and bridge	<u>1,112,971</u>	
Total depreciation expense - governmental activities	<u>2,746,871</u>	
Business-type activities:		
Fair Park	<u>131,437</u>	
Total depreciation expense - business-type activities	<u>\$ 131,437</u>	

### **Interfund Balance and Transfers**

Interfund balances as of December 31, 2021, were as follows:

Due to	Due from	Amount
General	Nonmajor Governmental	\$ 984
		<u>\$ 984</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, 2021, is as follows:

Transfer In	Transfer Out	Amount
Road and Bridge	General	\$ 16,800
Nonmajor	Nonmajor	41,012
Fair Park	General	75,000
Fair Park	Fair Park Concessions	<u>37,693</u>
		<u>\$ 170,505</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, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Capital leases	\$ 1,703,724	\$ 180,000	\$(1,600,017)	\$ 283,707	\$ 162,130
Compensated absences	<u>2,095,795</u>	<u>1,877,398</u>	<u>( 3,137,627)</u>	<u>835,566</u>	<u>208,892</u>
Governmental activities long-term liabilities	<u>\$ 3,799,519</u>	<u>\$ 2,057,398</u>	<u>\$(4,737,644)</u>	<u>\$ 1,119,273</u>	<u>\$ 371,022</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>
2022	\$ 162,130	\$ 8,641
2023	59,986	3,252
2024	<u>61,591</u>	<u>1,648</u>
Total	<u>\$ 283,707</u>	<u>\$ 13,541</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 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, 2021, full-time employees of the County were covered by a health insurance plan (the "Plan") through Blue Cross Blue Shield. The County pays monthly premiums 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, 2021, the County had 10 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 \$120,270.

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 established 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 annual comprehensive financial report (ACFR) that can be obtained at [www.tcdrs.org](http://www.tcdrs.org).

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

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

Members can retire at age 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

**Employees Covered by Benefit Terms.** At the December 31, 2020, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	276
Inactive employees entitled to but not yet receiving benefits	339
Active employees	<u>388</u>
	<u>1,003</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 15.02% and 14.07% in calendar years 2020 and 2021, respectively. The County’s contributions to TCDRS for the year ended December 31, 2020, were \$2,695,575, and were equal to the required contributions.

**Net Pension Liability.** The County’s Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	5.00% per year
Investment rate of return	7.50%, 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, 2020, were based on the results of an actuarial experience study for the period January 1, 2013, through December 31, 2016. The economic assumptions were reviewed at the March 2021 TCDRS Board of Trustees meeting and revised assumptions were adopted. These revisions included reductions in the investment return, wage growth, and maximum payroll growth assumptions. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

The long-term expected rate of return on pension plan investments is 7.6%. The pension plan’s policy regarding the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2021 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 long-time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

The target allocation and best estimates of geometric real rates return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Benchmark</b>	<b>Target Allocation</b> <sup>(1)</sup>	<b>Geometric Real Rate of Return (Expected minus Inflation)</b> <sup>(2)</sup>
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
International Equities - Developed	MSCI World Ex USA (net) Index	5.00%	4.25%
International Equities - Emerging	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA Leverage Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>(3)</sup>	4.00%	5.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.45%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(4)</sup>	6.00%	4.90%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(6)</sup>	25.00%	7.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-Day U. S. Treasury	2.00%	-0.70%

<sup>(1)</sup> Target asset allocation adopted at the March 2021 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return expected return minus the assumed inflation rate of 2%, per Cliffwater's 2021 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

<sup>(5)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

**Discount Rate.** The discount rate used to measure the Total Pension Liability was 7.6%. 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 12/31/2019	\$ 85,544,146	\$ 80,223,194	\$ 5,320,952
Changes for the year:			
Service cost	2,515,891	-	2,515,891
Interest on total pension liability <sup>(1)</sup>	6,946,938	-	6,946,938
Effect of economic/demographic gains or losses	( 229,780)	-	( 229,780)
Effect on assumptions changes or inputs	5,421,359		5,421,359
Refund of contributions	( 263,699)	( 263,699)	-
Benefit payments	( 4,418,190)	( 4,418,190)	-
Administrative expenses	-	( 64,173)	64,173
Member contributions	-	1,256,260	( 1,256,260)
Net investment income	-	8,286,103	( 8,286,103)
Employer contributions	-	2,695,575	( 2,695,575)
Other <sup>(2)</sup>	-	( 13,564)	13,564
Balance at 12/31/2020	<u>\$ 95,516,665</u>	<u>\$ 87,701,506</u>	<u>\$ 7,815,159</u>

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

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

**Sensitivity Analysis.** The following presents the net pension liability of the County, calculated using the discount rate of 7.6%, 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 (6.6%) or 1-percentage-higher (8.6%) than the current rate:

	1% Decrease 6.6%	Current Discount Rate 7.6%	1% Increase 8.6%
Total pension liability	\$ 108,063,640	\$ 95,516,665	\$ 85,063,337
Fiduciary net position	<u>87,701,506</u>	<u>87,701,506</u>	<u>87,701,506</u>
Net pension liability/(asset)	<u>\$ 20,362,134</u>	<u>\$ 7,815,159</u>	<u>\$ ( 2,638,169)</u>

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

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** For the year ended December 31, 2021, the County recognized pension expense of \$1,888,867. On December 31, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 25,151	\$ 868,056
Changes in actuarial assumptions	4,110,803	-
Net difference between projected and actual investment earnings	-	2,930,859
Contributions subsequent to the measurement date	<u>2,563,283</u>	<u>-</u>
Total	<u>\$ 6,699,237</u>	<u>\$ 3,798,915</u>

\$2,563,283 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year Ended</u> <u>December 31,</u>	
2022	\$( 6,858)
2023	944,409
2024	( 236,491)
2025	( 364,021)

### **Tax Abatement**

The County 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. was to 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 were 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 were abated for the following periods and in the following amounts:

Year 1 – 90% 2017

Year 2 – 70% 2018

Year 3 – 45% 2019

Year 4 – 30% 2020

Year 5 – 25% 2021

During 2021, the County had a reduction of property tax revenue of \$373,100.

### **Deficit Fund Equity**

As of December 31, 2021, the CWM Library fund had a negative fund balance of \$1,469. The fund deficit is the result of revenues falling short of levels expected when the budget was approved. The year-end deficit will be rectified by providing supplemental funding from the General Fund by the County.

### **Future Financial Reporting Requirements**

Significant new accounting standards not yet implemented by the County include the following:

Statement No. 87, *Leases* – This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. This statement will become effective in fiscal year 2022.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – The objectives of this statement are to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement will become effective in fiscal year 2022.

Statement No. 91, *Conduit Debt Obligations* – This Statement provides a single method of reporting conduit debt obligation by issuers and eliminates diversity in practice associated with (1)

commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 will be implemented in fiscal year 2023.

Statement No. 92, *Omnibus 2020* – The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB 92 will be implemented by the County in fiscal year 2022.

Statement No. 93, *Replacement of Interbank Offered Rates* – Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)-most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. GASB 93 will be implemented by the County in fiscal year 2022.

Statement No. 94, *Public-Private and Public-Private Partnerships and Availability Payment Arrangements* – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). GASB 94 will be implemented by the County in fiscal year 2023.

Statement No. 96, *Subscription-Based Technology Arrangements* – this Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be implemented by the City in fiscal year 2023.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* – The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB 97 will be implemented by the County in fiscal year 2022.

Statement No. 99, *Omnibus 2022* – this Statement makes various changes or clarifications to existing standards. The implementation dates vary for each component.

Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* – this Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

Statement No. 101, *Compensated Absences* – this Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

The County has not yet determined the impact of implementation of the new standards.

**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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 26,893,620	\$ 26,893,620	\$ 26,543,896	\$ ( 349,724)
Mixed beverage taxes	100,000	100,000	154,688	54,688
Fees of office:				
Sheriff	220,000	220,000	169,000	( 51,000)
County Clerk	778,000	778,000	1,291,006	513,006
Tax Assessor/Collector	937,000	937,000	1,017,781	80,781
District Clerk	247,000	247,000	254,522	7,522
Justice of the Peace	93,700	93,700	95,718	2,018
County Attorney	115,000	115,000	144,186	29,186
Constables	62,000	62,000	62,712	712
Court costs	41,000	41,000	52,991	11,991
Other	120,000	120,000	127,806	7,806
Total fees of office	<u>2,613,700</u>	<u>2,613,700</u>	<u>3,215,722</u>	<u>602,022</u>
Intergovernmental	1,507,785	1,558,003	5,133,021	3,575,018
Licenses and permits	12,000	12,000	21,313	9,313
Fines and forfeitures	684,000	684,000	688,106	4,106
Investment earnings	300,100	300,100	208,611	( 91,489)
Miscellaneous	<u>273,265</u>	<u>273,265</u>	<u>437,170</u>	<u>163,905</u>
Total revenues	<u>32,384,470</u>	<u>32,434,688</u>	<u>36,402,527</u>	<u>3,967,839</u>
<b>EXPENDITURES</b>				
General government:				
County Judge	300,268	300,268	285,281	14,987
General county operations	6,738,315	4,391,823	3,849,777	542,046
Juvenile	260,000	260,000	173,476	86,524
General information systems	641,576	641,576	620,121	21,455
County Clerk	831,156	831,156	772,904	58,252
County Clerk records management	26,531	26,531	2,304	24,227
Elections administration	575,172	575,172	545,812	29,360
Veterans services	23,711	23,711	20,191	3,520
County Auditor	725,448	725,448	689,896	35,552
Information technology	312,756	312,756	311,293	1,463
County Treasurer	234,192	234,192	227,542	6,650
Tax Assessor/Collector	914,653	914,653	880,163	34,490
Public facilities	1,850,619	1,839,243	1,375,916	463,327
Human resources	87,473	87,938	87,934	4
Total general government	<u>13,521,870</u>	<u>11,164,467</u>	<u>9,842,610</u>	<u>1,321,857</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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public safety:				
Constables general	\$ 12,415	\$ 12,885	\$ 2,770	\$ 10,115
Constable, Precinct 1	78,245	78,245	52,895	25,350
Constable, Precinct 2	76,922	76,922	75,604	1,318
Constable, Precinct 3	76,268	76,268	75,231	1,037
Constable, Precinct 4	70,285	70,285	67,469	2,816
Constable, Precinct 5	76,008	76,008	75,706	302
Solid waste grant	-	3,550	3,550	-
Sheriff's office field operations	5,785,865	8,591,000	8,556,667	34,333
Sheriff department LEOSE	17,683	17,683	1,497	16,186
Bullet proof vest grant	-	35,037	35,037	-
Jail operations	7,513,069	7,336,079	7,191,887	144,192
Emergency management	100,436	100,536	81,677	18,859
Fire Marshal/environmental crimes	397,991	436,719	392,730	43,989
Department of Public Safety	<u>112,118</u>	<u>112,118</u>	<u>109,421</u>	<u>2,697</u>
Total public safety	<u>14,317,305</u>	<u>17,023,335</u>	<u>16,722,141</u>	<u>301,194</u>
<b>EXPENDITURES (Continued)</b>				
Legal:				
County Attorney prosecution	2,599,006	2,624,200	2,534,153	90,047
County Attorney collections	239,745	239,745	234,036	5,709
District Attorney capital cases	<u>398,800</u>	<u>97,336</u>	<u>38,779</u>	<u>58,557</u>
Total legal	<u>3,237,551</u>	<u>2,961,281</u>	<u>2,806,968</u>	<u>154,313</u>
Judicial:				
County Court-at-law 1	437,403	437,403	424,383	13,020
County Court-at-law 2	466,976	466,976	460,432	6,544
District Courts general	85,607	84,673	28,152	56,521
Indigent defense	77,670	79,170	64,542	14,628
3rd District Court	162,658	161,158	152,974	8,184
173rd District Court	270,583	272,833	266,176	6,657
392nd District Court	290,343	291,277	290,916	361
District Clerk	739,312	739,312	678,898	60,414
Justice of the Peace, precinct 1	198,128	199,426	196,529	2,897
Justice of the Peace, precinct 2	207,898	207,898	200,894	7,004
Justice of the Peace, precinct 3	148,239	148,239	145,336	2,903
Justice of the Peace, precinct 4	153,721	153,932	143,627	10,305
Justice of the Peace, precinct 5	192,755	192,755	177,171	15,584
Arraignments	9,870	9,870	8,398	1,472
Jury	<u>92,500</u>	<u>92,500</u>	<u>16,563</u>	<u>75,937</u>
Total judicial	<u>3,533,663</u>	<u>3,537,422</u>	<u>3,254,991</u>	<u>282,431</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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b> (Continued)				
Health and welfare:				
Health care coordination	\$ 15,440	\$ 15,440	\$ 13,241	\$ 2,199
Total health and welfare	<u>15,440</u>	<u>15,440</u>	<u>13,241</u>	<u>2,199</u>
Culture and recreation:				
Public library	238,064	238,041	229,524	8,517
County extension office	204,183	204,183	197,627	6,556
Historical Commission	19,075	19,075	16,435	2,640
Healthy county	4,300	4,300	193	4,107
Total culture and recreation	<u>465,622</u>	<u>465,599</u>	<u>443,779</u>	<u>21,820</u>
Total expenditures	<u>35,091,451</u>	<u>35,167,544</u>	<u>33,083,730</u>	<u>2,083,814</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 2,706,981)	( 2,732,856)	3,318,797	6,051,653
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance recoveries	-	-	25,021	25,021
Sale of capital assets	-	-	38,604	38,604
Transfers out	( 2,707,000)	( 2,707,000)	( 91,800)	2,615,200
Total other financing sources (uses)	<u>( 2,707,000)</u>	<u>( 2,707,000)</u>	<u>( 28,175)</u>	<u>2,678,825</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 5,413,981)	( 5,439,856)	3,290,622	8,730,478
<b>FUND BALANCE, BEGINNING</b>	<u>11,417,653</u>	<u>11,417,653</u>	<u>11,417,653</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 6,003,672</u>	<u>\$ 5,977,797</u>	<u>\$ 14,708,275</u>	<u>\$ 8,730,478</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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 5,707,404	\$ 5,707,404	\$ 5,418,016	\$( 289,388)
Fees	1,345,000	1,345,000	1,521,185	176,185
Intergovernmental	56,583	171,974	172,592	618
Licenses and permits	360,000	360,000	360,000	-
Investment earnings	20,000	20,000	18,498	( 1,502)
Miscellaneous	-	121,218	225,314	104,096
Total revenues	<u>7,488,987</u>	<u>7,725,596</u>	<u>7,715,605</u>	<u>( 9,991)</u>
<b>EXPENDITURES</b>				
Current:				
Waste management	351,612	491,612	483,270	8,342
Road and Bridge General	48,725	164,116	137,058	27,058
Road and Bridge Precinct #1	1,763,363	1,948,952	1,924,455	24,497
Road and Bridge Precinct #2	1,763,362	1,997,092	1,928,948	68,144
Road and Bridge Precinct #3	1,763,362	1,621,293	1,462,872	158,421
Road and Bridge Precinct #4	1,763,361	1,553,560	1,476,209	77,351
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
Debt service:				
Principal	-	100,017	100,017	-
Interest	-	7,515	7,515	-
Total expenditures	<u>7,505,785</u>	<u>7,936,157</u>	<u>7,520,344</u>	<u>415,813</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 16,798)	( 210,561)	195,261	405,822
<b>OTHER FINANCING SOURCES</b>				
Sale of capital assets	-	193,762	26,619	( 167,143)
Capital lease	-	-	180,000	180,000
Transfers in	16,800	16,800	16,800	-
Total other financing sources	<u>16,800</u>	<u>210,562</u>	<u>223,419</u>	<u>12,857</u>
<b>NET CHANGE IN FUND BALANCES</b>	2	1	418,680	418,679
<b>FUND BALANCE, BEGINNING</b>	<u>1,152,501</u>	<u>1,152,501</u>	<u>1,152,501</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 1,152,503</u>	<u>\$ 1,152,502</u>	<u>\$ 1,571,181</u>	<u>\$ 418,679</u>

The accompanying notes are an integral part of this schedule.

## HENDERSON COUNTY, TEXAS

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY SCHEDULES

FOR THE YEAR ENDED DECEMBER 31, 2021

#### **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 generally adopted on a basis consistent with generally accepted accounting principles, although certain expenditures (such as debt service and capital outlay) may be classified within the "current expenditures" character. 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, 2021

<b>Plan Year Ended December 31</b>	<u><b>2020</b></u>	<u><b>2019</b></u>
<b>Total Pension Liability</b>		
Service Cost	\$ 2,515,891	\$ 2,350,904
Interest total pension liability	6,946,938	6,663,717
Effect of plan changes	-	-
Effect of assumption changes or inputs	5,421,359	-
Effect of economic/demographic (gains) or losses	( 229,780)	( 1,010,598)
Benefit payments/refunds of contributions	<u>( 4,681,889)</u>	<u>( 4,663,377)</u>
Net change in total pension liability	9,972,519	3,340,646
Total pension liability - beginning	<u>85,544,146</u>	<u>82,203,500</u>
Total pension liability - ending (a)	\$ <u>95,516,665</u>	\$ <u>85,544,146</u>
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ 2,695,575	\$ 2,495,773
Member contributions	1,256,260	1,203,196
Investment income net of investment expenses	8,286,103	11,464,525
Benefit payments refunds of contributions	( 4,681,889)	( 4,663,377)
Administrative expenses	( 64,173)	( 61,133)
Other	<u>( 13,564)</u>	<u>( 21,843)</u>
Net change in plan fiduciary net position	7,478,312	10,417,141
Plan fiduciary net position - beginning	<u>80,223,194</u>	<u>69,806,053</u>
Plan fiduciary net position - ending (b)	\$ <u>87,701,506</u>	\$ <u>80,223,194</u>
Net pension liability - ending (a) - (b)	\$ <u>7,815,159</u>	\$ <u>5,320,952</u>
Fiduciary net position as a percentage of total pension liability	92%	94%
Pensionable covered payroll	\$ 17,946,575	\$ 17,188,516
Net pension liability as a percentage of covered payroll	44%	31%

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
\$ 2,336,040	\$ 2,342,034	\$ 2,452,420	\$ 2,174,127	\$ 2,118,519
6,388,186	6,023,203	5,665,098	5,385,909	5,047,123
-	-	2,604	( 401,168)	-
-	223,921	-	747,396	-
( 761,688)	125,755	( 1,072,284)	( 775,010)	206,048
<u>( 4,491,512)</u>	<u>( 3,925,439)</u>	<u>( 3,611,101)</u>	<u>( 3,692,208)</u>	<u>( 3,091,788)</u>
3,471,026	4,789,474	3,436,737	3,439,046	4,279,902
<u>78,732,474</u>	<u>73,943,000</u>	<u>70,506,263</u>	<u>67,067,217</u>	<u>62,787,315</u>
<u>\$ 82,203,500</u>	<u>\$ 78,732,474</u>	<u>\$ 73,943,000</u>	<u>\$ 70,506,263</u>	<u>\$ 67,067,217</u>
\$ 2,336,030	\$ 2,190,674	\$ 2,090,145	\$ 2,055,741	\$ 1,946,319
1,129,301	1,101,640	1,064,854	1,051,920	1,003,997
( 1,357,827)	9,284,198	4,455,388	( 307,377)	3,946,810
( 4,491,512)	( 3,925,439)	( 3,611,101)	( 3,692,208)	( 3,091,788)
( 56,069)	( 48,061)	( 48,499)	( 43,772)	( 45,832)
<u>( 23,313)</u>	<u>( 8,938)</u>	<u>( 601,609)</u>	<u>( 98,523)</u>	<u>( 17,488)</u>
( 2,463,390)	8,594,074	3,349,178	( 1,034,219)	3,742,018
<u>72,269,443</u>	<u>63,675,369</u>	<u>60,326,191</u>	<u>61,360,410</u>	<u>57,618,392</u>
<u>\$ 69,806,053</u>	<u>\$ 72,269,443</u>	<u>\$ 63,675,369</u>	<u>\$ 60,326,191</u>	<u>\$ 61,360,410</u>
<u>\$ 12,397,447</u>	<u>\$ 6,463,031</u>	<u>\$ 10,267,631</u>	<u>\$ 10,180,072</u>	<u>\$ 5,706,807</u>
85%	92%	86%	86%	91%
\$ 16,132,871	\$ 15,737,716	\$ 15,212,201	\$ 15,027,431	\$ 14,342,815
77%	41%	67%	68%	40%

**HENDERSON COUNTY, TEXAS**

SCHEDULE OF EMPLOYER CONTRIBUTIONS - TCDRS

LAST TEN FISCAL YEARS

<b>Year Ended December 31,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Pensionable Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
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%
2020	2,695,575	2,695,575	-	17,946,575	15.0%

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, 2021

**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:**

<b>Actuarial Cost Method</b>	Entry age
<b>Amortization Method</b>	Level percentage of payroll, closed
<b>Remaining Amortization Period</b>	17.4 years (based on contribution rate calculated in 12/31/2020 valuation)
<b>Asset Valuation Method</b>	5-year smoothed market
<b>Inflation</b>	2.50%
<b>Salary Increases</b>	Varies by age and service. 4.6% average over career including inflation.
<b>Investment Rate of Return</b>	7.50%, net of administrative and investment expenses, including inflation.
<b>Retirement Age</b>	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
<b>Mortality</b>	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
<b>Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions</b>	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
<b>Changes in Plan Provisions Reflected in the Schedule</b>	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: 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, 2021

	Special Revenue			
	Records Management	CWM Library	Hot Check	Law Enforcement District Attorney
<b>ASSETS</b>				
Cash and investments	\$ 1,031,153	\$ -	\$ 63,782	\$ 399,195
Other receivables	-	-	124	-
Prepaid items	<u>11,434</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,042,587</u>	<u>\$ -</u>	<u>\$ 63,906</u>	<u>\$ 399,195</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,542	\$ 485	\$ 344	\$ -
Accrued liabilities	-	-	211	2,009
Due to other funds	-	984	-	-
Due to other governments	-	-	-	275,116
Cash bonds and deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,542</u>	<u>1,469</u>	<u>555</u>	<u>277,125</u>
<b>FUND BALANCES</b>				
Nonspendable	11,434	-	-	-
Restricted	1,029,611	-	63,351	122,070
Unassigned	<u>-</u>	<u>( 1,469)</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,041,045</u>	<u>( 1,469)</u>	<u>63,351</u>	<u>122,070</u>
 Total liabilities and fund balances	 <u>\$ 1,042,587</u>	 <u>\$ -</u>	 <u>\$ 63,906</u>	 <u>\$ 399,195</u>

Special Revenue

Law Enforcement Sheriff	Law Library	Federal Seizures Sheriff	Bail Bond Board	Total Governmental Funds
\$ 145,875	\$ 29,520	\$ 412,265	\$ 54,931	\$ 2,136,721
-	-	-	-	124
-	-	-	-	11,434
<u>\$ 145,875</u>	<u>\$ 29,520</u>	<u>\$ 412,265</u>	<u>\$ 54,931</u>	<u>\$ 2,148,279</u>
\$ 300	\$ 5,827	\$ 992	\$ -	\$ 9,490
-	-	-	-	2,220
-	-	-	-	984
-	-	-	-	275,116
-	-	-	25,500	25,500
<u>300</u>	<u>5,827</u>	<u>992</u>	<u>25,500</u>	<u>313,310</u>
-	-	-	-	11,434
145,575	23,693	411,273	29,431	1,825,004
-	-	-	-	( 1,469)
<u>145,575</u>	<u>23,693</u>	<u>411,273</u>	<u>29,431</u>	<u>1,834,969</u>
<u>\$ 145,875</u>	<u>\$ 29,520</u>	<u>\$ 412,265</u>	<u>\$ 54,931</u>	<u>\$ 2,148,279</u>

**HENDERSON COUNTY, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Special Revenue			
	Records Management	CWM Library	Hot Check	Law Enforcement District Attorney
<b>REVENUES</b>				
Fees	\$ 312,108	\$ 10,527	\$ 3,245	\$ -
Fines and forfeitures	-	-	-	28,664
Investment earnings	-	-	-	27
Contributions	-	14,335	-	-
Miscellaneous	-	-	2,577	-
Total revenues	312,108	24,862	5,822	28,691
<b>EXPENDITURES</b>				
Current:				
General government	129,395	-	-	-
Legal	-	-	7,522	38,167
Public safety	-	-	-	-
Culture and recreation	-	24,851	-	-
Total expenditures	129,395	24,851	7,522	38,167
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	182,713	11	( 1,700)	( 9,476)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	182,713	11	( 1,700)	( 9,476)
<b>FUND BALANCES, BEGINNING</b>	858,332	( 1,480)	65,051	131,546
<b>FUND BALANCES, ENDING</b>	\$ 1,041,045	\$( 1,469)	\$ 63,351	\$ 122,070

Special Revenue

Law Enforcement Sheriff	Law Library	Federal Seizures Sheriff	Bail Bond Board	Total Governmental Funds
\$ -	\$ 29,175	\$ -	\$ 5,425	\$ 360,480
21,390	-	132,412	-	182,466
67	-	-	-	94
-	-	-	-	14,335
-	-	10,150	-	12,727
<u>21,457</u>	<u>29,175</u>	<u>142,562</u>	<u>5,425</u>	<u>570,102</u>
-	-	-	-	129,395
-	-	-	-	45,689
24,975	-	24,731	-	49,706
-	37,409	-	-	62,260
<u>24,975</u>	<u>37,409</u>	<u>24,731</u>	<u>-</u>	<u>287,050</u>
( 3,518)	( 8,234)	117,831	5,425	283,052
41,012	-	-	-	41,012
-	-	( 41,012)	-	( 41,012)
<u>41,012</u>	<u>-</u>	<u>( 41,012)</u>	<u>-</u>	<u>-</u>
37,494	( 8,234)	76,819	5,425	283,052
<u>108,081</u>	<u>31,927</u>	<u>334,454</u>	<u>24,006</u>	<u>1,551,917</u>
\$ <u>145,575</u>	\$ <u>23,693</u>	\$ <u>411,273</u>	\$ <u>29,431</u>	\$ <u>1,834,969</u>

## **FIDUCIARY FUNDS**

### **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** – 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  
INVESTMENT TRUST FUNDS**

DECEMBER 31, 2021

	<u>Investment Trust Funds</u>		
	<u>CC Trust</u>	<u>DC Trust</u>	<u>Total Investment Trust Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ <u>1,585,239</u>	\$ <u>3,537,904</u>	\$ <u>5,123,143</u>
Total assets	\$ <u>1,585,239</u>	\$ <u>3,537,904</u>	\$ <u>5,123,143</u>
<b>LIABILITIES</b>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<b>NET POSITION</b>			
Restricted for individuals, organizations and other governments	\$ <u>1,585,239</u>	\$ <u>3,537,904</u>	\$ <u>5,123,143</u>
Total net position	\$ <u>1,585,239</u>	\$ <u>3,537,904</u>	\$ <u>5,123,143</u>

**HENDERSON COUNTY, TEXAS**

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
INVESTMENT TRUST FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Investment Trust Funds		
	CC Trust	DC Trust	Total Investment Trust Funds
<b>INCREASES</b>			
Contributions from judgements - uninvested	\$ 1,539,397	\$ 1,075,458	\$ 2,614,855
Contributions from judgements - invested	<u>773,763</u>	<u>53,119</u>	<u>826,882</u>
Total increases	<u>\$ 2,313,160</u>	<u>\$ 1,128,577</u>	<u>\$ 3,441,737</u>
<b>DECREASES</b>			
Invested disbursements	\$ 43,816	\$ 57,421	\$ 101,237
Uninvested disbursements	<u>1,510,169</u>	<u>603,816</u>	<u>2,113,985</u>
Total decreases	<u>\$ 1,553,985</u>	<u>\$ 661,237</u>	<u>\$ 2,215,222</u>
<b>NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION</b>	759,175	467,340	1,226,515
<b>NET POSITION, BEGINNING</b>	<u>826,064</u>	<u>3,070,564</u>	<u>3,896,628</u>
<b>NET POSITION, ENDING</b>	<u>\$ 1,585,239</u>	<u>\$ 3,537,904</u>	<u>\$ 5,123,143</u>



**HENDERSON COUNTY, TEXAS**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUNDS**

DECEMBER 31, 2021

	<u>Bonds</u>	<u>Donations</u>	<u>Seizures</u>	<u>Hot Check</u>
<b>ASSETS</b>				
Cash and investments	\$ <u>354,263</u>	\$ <u>1,302</u>	\$ <u>275,116</u>	\$ <u>2,734</u>
Total assets	\$ <u>354,263</u>	\$ <u>1,302</u>	\$ <u>275,116</u>	\$ <u>2,734</u>
<b>LIABILITIES</b>				
Due to beneficiaries	\$ -	\$ -	\$ -	\$ 2,734
Due to other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,734</u>
<b>NET POSITION</b>				
Restricted for individuals, organizations, and other governments	\$ <u>354,263</u>	\$ <u>1,302</u>	\$ <u>275,116</u>	\$ <u>-</u>
Total net position	\$ <u>354,263</u>	\$ <u>1,302</u>	\$ <u>275,116</u>	\$ <u>-</u>

<u>Property Taxes</u>	<u>Auto Reg.</u>	<u>Auto Reg. 6%</u>	<u>VIT</u>	<u>Inmate</u>	<u>Juvenile Restitution</u>	<u>Total Custodial Funds</u>
\$ <u>1,412,814</u>	\$ <u>479,145</u>	\$ <u>356,460</u>	\$ <u>498,944</u>	\$ <u>383,228</u>	\$ <u>16,032</u>	\$ <u>3,780,038</u>
\$ <u>1,412,814</u>	\$ <u>479,145</u>	\$ <u>356,460</u>	\$ <u>498,944</u>	\$ <u>383,228</u>	\$ <u>16,032</u>	\$ <u>3,780,038</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,734</u>
<u>1,412,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,412,814</u>
\$ <u>1,412,814</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,415,548</u>
\$ <u>-</u>	\$ <u>479,145</u>	\$ <u>356,460</u>	\$ <u>498,944</u>	\$ <u>383,228</u>	\$ <u>16,032</u>	\$ <u>2,364,490</u>
\$ <u>-</u>	\$ <u>479,145</u>	\$ <u>356,460</u>	\$ <u>498,944</u>	\$ <u>383,228</u>	\$ <u>16,032</u>	\$ <u>2,364,490</u>

**HENDERSON COUNTY, TEXAS**

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Bonds</u>	<u>Donations</u>	<u>Seizures</u>	<u>Hot Check</u>
<b>INCREASES</b>				
Contributions from judgements - uninvested	\$ -	\$ -	\$ 166,102	\$ -
Taxes collected on behalf of taxing entities	-	-	-	-
Contributions from inmates	-	-	-	-
Bonds	40,250	-	-	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,464</u>
Total increases	\$ <u>40,250</u>	\$ <u>-</u>	\$ <u>166,102</u>	\$ <u>27,464</u>
<b>DECREASES</b>				
Cash bonds released by judgements	\$ 59,259	\$ -	\$ -	\$ -
Cash bond forfeitures	6,642	-	-	-
Uninvested disbursements	<u>-</u>	<u>663</u>	<u>55,455</u>	<u>27,464</u>
Total decreases	\$ <u>65,901</u>	\$ <u>663</u>	\$ <u>55,455</u>	\$ <u>27,464</u>
<b>NET INCREASE (DECREASE)</b>				
<b>IN FIDUCIARY NET POSITION</b>	( 25,651)	( 663)	110,647	-
<b>NET POSITION, BEGINNING</b>				
	<u>379,914</u>	<u>1,965</u>	<u>164,469</u>	<u>-</u>
<b>NET POSITION, ENDING</b>				
	\$ <u>354,263</u>	\$ <u>1,302</u>	\$ <u>275,116</u>	\$ <u>-</u>

<u>Property Taxes</u>	<u>Auto Reg.</u>	<u>Auto Reg. 6%</u>	<u>VIT</u>	<u>Inmate</u>	<u>Juvenile Restitution</u>	<u>Total Custodial Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 166,102
92,614,496	15,475,429	9,082,046	480,281	-	-	117,652,252
-	-	-	-	1,505,565	-	1,505,565
-	-	-	-	-	-	40,250
-	-	-	-	-	3,180	30,644
<u>\$ 92,614,496</u>	<u>\$ 15,475,429</u>	<u>\$ 9,082,046</u>	<u>\$ 480,281</u>	<u>\$ 1,505,565</u>	<u>\$ 3,180</u>	<u>\$ 119,394,813</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,259
-	-	-	-	-	-	6,642
<u>92,614,496</u>	<u>15,410,594</u>	<u>9,001,436</u>	<u>441,883</u>	<u>1,325,341</u>	<u>1,852</u>	<u>118,879,184</u>
<u>\$ 92,614,496</u>	<u>\$ 15,410,594</u>	<u>\$ 9,001,436</u>	<u>\$ 441,883</u>	<u>\$ 1,325,341</u>	<u>\$ 1,852</u>	<u>\$ 118,945,085</u>
-	64,835	80,610	38,398	180,224	1,328	449,728
-	<u>414,310</u>	<u>275,850</u>	<u>460,546</u>	<u>203,004</u>	<u>14,704</u>	<u>1,914,762</u>
<u>\$ -</u>	<u>\$ 479,145</u>	<u>\$ 356,460</u>	<u>\$ 498,944</u>	<u>\$ 383,228</u>	<u>\$ 16,032</u>	<u>\$ 2,364,490</u>

**INTERNAL CONTROL AND  
COMPLIANCE SECTION**

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

Honorable 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, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 7, 2022. 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 responses as Item 2021-001 that we consider to be a material weakness.

**OFFICE LOCATIONS**

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

## **Report on 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 responses. 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.

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

Waco, Texas  
November 7, 2022

**HENDERSON COUNTY, TEXAS**

**SCHEDULE OF FINDINGS AND RESPONSES**

**DECEMBER 31, 2021**

Finding Number: 2021-001

Repeat Finding: Yes, reported as 2018-001, 2019-001 and 2020-001.

Condition: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 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.

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.

Effect: 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.

Cause: The County has not obtained the required actuarial valuation of the benefits it provides to retirees and, therefore, has not implemented this standard.

Recommendation: 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.

Management's Response: 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.



**County Auditor**  
Ann Marie Lee, CPA

**First Assistant**  
Lynn McCawley



**Assistant Auditor**

Jessica Brown  
Jennifer Nicholson  
Christie Petty  
Rebecca Maple  
Leticia Carpenter  
Misty Stice  
Elena Barrios

**HENDERSON COUNTY  
AUDIT OFFICE  
125 N Prairieville, Suite 202  
Athens, TX 75751  
Phone: (903) 675-6145**

**HENDERSON COUNTY, TEXAS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES**

FOR THE YEAR ENDED DECEMBER 31, 2021

Finding Number: 2020-001

Repeat Finding: Yes, reported as 2018-001, 2019-001, and 2020-001

Condition: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 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.

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.

Management's Response: 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.

Current Status: Unchanged. See Finding 2021-001.