

HENDERSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2016**

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

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HENDERSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

DECEMBER 31, 2016

**Page
Number**

INTRODUCTORY SECTION

Directory of Officials..... i

FINANCIAL SECTION

Independent Auditors' Report..... 1 – 4

Management's Discussion and Analysis 5 – 11

Basic Financial Statements

 Government-wide Financial Statements

 Statement of Net Position 12

 Statement of Activities..... 13 – 14

 Fund Financial Statements

 Balance Sheet – Governmental Funds 15

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

HENDERSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**TABLE OF CONTENTS
(Continued)
DECEMBER 31, 2016**

	<u>Page Number</u>
FINANCIAL SECTION (Continued)	
Fund Financial Statements (Continued)	
Statement of Fiduciary Assets and Liabilities	21
Notes to the Financial Statements.....	22 – 40
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	41 – 44
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Road and Bridge	45
Notes to Required Supplementary Information – Budgetary Schedules	46
Schedule of Changes in Net Pension Liability and Related Ratios	47
Schedule of Employer Contributions – TCDRS.....	48
Notes to Schedule of Employer Contributions – TCDRS	49
Combining Statements	
Nonmajor Governmental Funds	
Combining Balance Sheet.....	50 – 51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	52 – 53
Agency Funds	
Combining Statement of Changes in Assets and Liabilities – All Agency Funds.....	54 – 59

INTRODUCTORY SECTION

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HENDERSON COUNTY, TEXAS

DIRECTORY OF OFFICIALS

DECEMBER 31, 2016

<u>Office</u>	<u>Name</u>
County Judge	Judge Richard Sanders
Commissioner – Precinct 1	Scotty Thomas
Commissioner – Precinct 2	Wade McKinney
Commissioner – Precinct 3	Ronald Lawrence
Commissioner – Precinct 4	Ken Geeslin
County Attorney	Clint Davis
County Auditor	Ann Marie Lee
County Clerk	Mary Margaret Wright
County Tax Assessor/Collector	Peggy Goodall
County Treasurer	Michael Bynum
Sheriff	Botie Hillhouse
District Clerk	Betty Herriage
District Attorney	Scott McKee
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 Tommy Barnett
Constable – Precinct 1	Daryl Graham
Constable – Precinct 2	Mitch Baker
Constable – Precinct 3	David Grubbs
Constable – Precinct 4	Richard Stewart
Constable – Precinct 5	Brad Miers
Chief Juvenile Probation	Bonny Turnage
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 Carter Tarrance
3rd District Court Judge	Judge Mark Calhoon

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FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge
and Commissioners' Court
Henderson County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henderson County, Texas, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Modified Opinion on the Governmental Activities, the Business-type Activities and the Major Proprietary Fund

The County has not implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. These financial statements recognize the cost of postemployment benefits, other than retirement benefits, on a pay-as-you-go basis. Accounting principles generally accepted in the United States of America require that annual required contributions related to postemployment benefits, other than retirement benefits, attributable to employee services already rendered be recorded as expenses as employees earn the benefits, which, if not funded would increase the liabilities, reduce the net position, and change the expenses of the governmental activities, the business-type activities, and each major proprietary fund. The effects on these financial statements, although not reasonably determinable, are presumed to be material.

Modified Opinions

In our opinion, except for the effects of the matter described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major proprietary fund of Henderson County, Texas, as of December 31, 2016, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of Henderson County, Texas, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System, the Schedule of Employer Contributions – Texas County and District Retirement System, the Statement of Revenues and Expenditures – Budget and Actual for the General Fund, and the Statement of Revenues and Expenditures – Budget and Actual for the Road and Bridge Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Waco, Texas
September 29, 2017

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Henderson County, Texas, 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, 2016. The MD&A should be read in conjunction with the County's basic financial statements.

FINANCIAL HIGHLIGHTS

The assets of the County exceeded its liabilities at the close of fiscal year 2016 by \$46,854,105 (*net position*). Of this amount, \$11,254,055 (*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 \$850,767.
- As of December 31, 2016, the County's governmental funds reported combined ending fund balances of \$12,951,975, a decrease of \$168,463 .
- At the end of fiscal year 2016, unassigned fund balance for the General Fund was \$8,910,396.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of 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 of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the County, net position was \$46,854,105 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 \$33,006,966 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 32,093,581	\$ 31,367,089	\$ 385,183	\$ 255,950	\$ 32,478,764	\$ 31,623,039
Capital assets	<u>32,005,860</u>	<u>33,168,033</u>	<u>1,008,159</u>	<u>1,042,122</u>	<u>33,014,019</u>	<u>34,210,155</u>
Total assets	<u>64,099,441</u>	<u>64,535,122</u>	<u>1,393,342</u>	<u>1,298,072</u>	<u>65,492,783</u>	<u>65,833,194</u>
Deferred outflows of resources	7,442,497	2,816,662	-	-	7,442,497	2,816,662
Long-term liabilities	10,819,275	6,094,495	-	7,053	10,819,275	6,101,548
Other liabilities	<u>2,028,792</u>	<u>3,685,307</u>	<u>58,953</u>	<u>15,626</u>	<u>2,087,745</u>	<u>3,700,933</u>
Total liabilities	<u>12,848,067</u>	<u>9,779,802</u>	<u>58,953</u>	<u>22,679</u>	<u>12,907,020</u>	<u>9,802,481</u>
Deferred inflows of resources	13,174,155	12,844,037	-	-	13,174,155	12,844,037
Net position:						
Net investment in capital assets	32,005,860	31,630,405	1,001,106	1,028,276	33,006,966	32,658,681
Restricted	2,593,084	3,043,718	-	-	2,593,084	3,043,718
Unrestricted	<u>10,920,772</u>	<u>10,053,822</u>	<u>333,283</u>	<u>247,117</u>	<u>11,254,055</u>	<u>10,300,939</u>
Total net position	\$ <u>45,519,716</u>	\$ <u>44,727,945</u>	\$ <u>1,334,389</u>	\$ <u>1,275,393</u>	\$ <u>46,854,105</u>	\$ <u>46,003,338</u>

Approximately 6% 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, bond covenants, and granting conditions. The remaining balance, *unrestricted net position*, may be used to meet the County’s ongoing obligations to citizens and creditors.

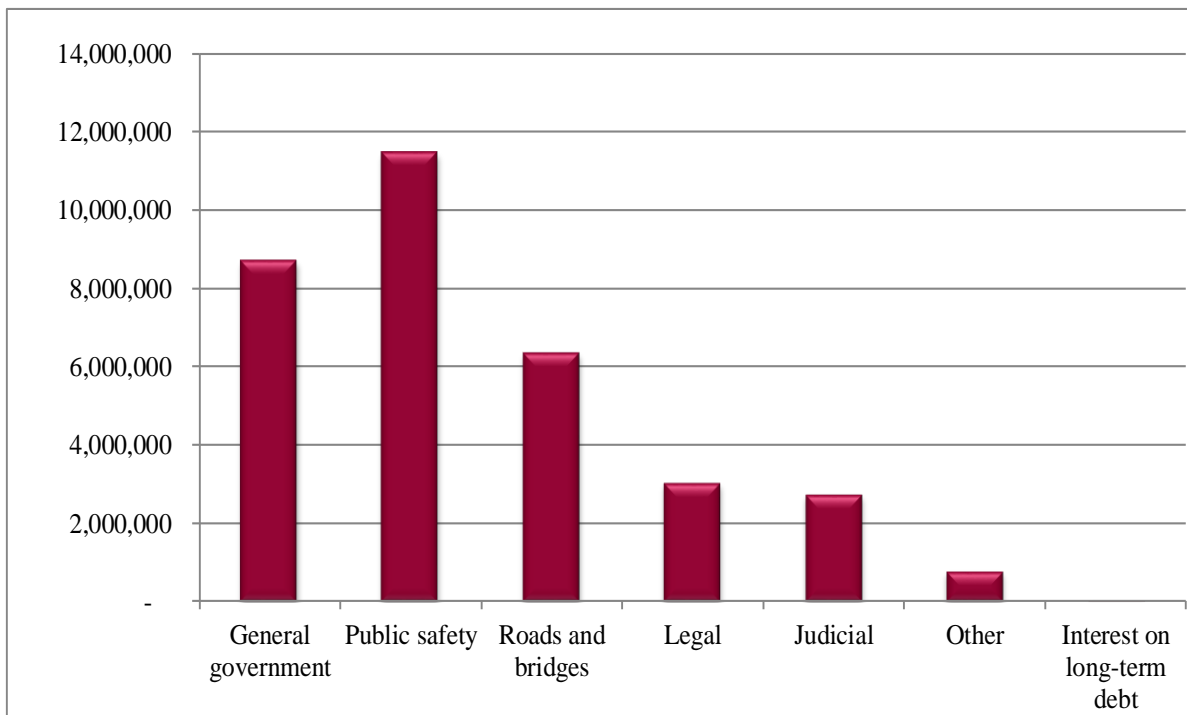
HENDERSON COUNTY'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 5,459,466	\$ 5,113,081	\$ 342,384	\$ 364,427	\$ 5,801,850	\$ 5,477,508
Operating grants and contributions	969,861	1,000,840	28,468	58,273	998,329	1,059,113
Capital grants and contributions	764,261	139,365	-	-	764,261	139,365
General revenues:						
Property taxes	25,930,172	25,947,463	-	-	25,930,172	25,947,463
Other taxes	100,717	94,784	130,376	129,529	231,093	224,313
Investment earnings	114,963	37,872	-	-	114,963	37,872
Gain on sale of capital assets	-	200,475	-	-	-	200,475
Miscellaneous	<u>578,679</u>	<u>723,478</u>	<u>-</u>	<u>-</u>	<u>578,679</u>	<u>723,478</u>
Total revenues	<u>33,918,119</u>	<u>33,257,358</u>	<u>501,228</u>	<u>552,229</u>	<u>34,419,347</u>	<u>33,809,587</u>
Expenses:						
Governmental activities:						
General government	8,711,035	9,863,217	-	-	8,711,035	9,863,217
Legal	3,030,956	2,706,993	-	-	3,030,956	2,706,993
Health and welfare	404,284	381,018	-	-	404,284	381,018
Judicial	2,741,274	2,416,779	-	-	2,741,274	2,416,779
Public safety	11,469,842	11,174,077	-	-	11,469,842	11,174,077
Culture and recreation	374,630	372,493	-	-	374,630	372,493
Roads and bridges	6,347,316	5,616,703	-	-	6,347,316	5,616,703
Interest on long-term debt	17,011	26,965	-	-	17,011	26,965
Business-type activities:						
Fair Park	-	-	375,701	395,722	375,701	395,722
Fair Park Concessions	<u>-</u>	<u>-</u>	<u>96,531</u>	<u>94,403</u>	<u>96,531</u>	<u>94,403</u>
Total expenses	<u>33,096,348</u>	<u>32,558,245</u>	<u>472,232</u>	<u>490,125</u>	<u>33,568,580</u>	<u>33,048,370</u>
Change in net position before transfers	821,771	699,113	28,996	62,104	850,767	761,217
Transfers	<u>(30,000)</u>	<u>(7,500)</u>	<u>30,000</u>	<u>7,500</u>	<u>-</u>	<u>-</u>
Change in net position	791,771	691,613	58,996	69,604	850,767	761,217
Net position, beginning	<u>44,727,945</u>	<u>47,258,936</u>	<u>1,275,393</u>	<u>1,205,789</u>	<u>46,003,338</u>	<u>48,464,725</u>
Prior period adjustment	<u>-</u>	<u>(3,222,604)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,222,604)</u>
Net position, ending	<u>\$ 45,519,716</u>	<u>\$ 44,727,945</u>	<u>\$ 1,334,389</u>	<u>\$ 1,275,393</u>	<u>\$ 46,854,105</u>	<u>\$ 46,003,338</u>

Governmental Activities. Governmental activities increased the County’s net position by \$791,771. Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Program revenues of \$7,193,588 equaled 22% of governmental expenses of \$33,096,348. General revenues of \$26,724,531 provided additional support and coverage for expenses.
- Approximately 35% of governmental expenses were for public safety and 26% were for general government activities.
- Infrastructure (road and bridges) expenses, at \$6,347,316 accounted for 19% of expenses.
- Grant revenues totaling \$1,734,122 were available to offset only 5.24% 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 2016, the County's *governmental funds* reported combined ending fund balances of \$12,951,975. Overall fund balance decreased by \$168,463. The decrease is approximately 1% of the total fund balance.

The General Fund is the chief operating fund of the County. At the end of fiscal year 2016, the General Fund had an ending fund balance of \$10,686,927. 83% of this total amount (\$8,910,396) 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 35% of total General Fund expenditures.

The Road and Bridge Fund had an ending fund balance of \$1,511,253, a net decrease of \$119,569.

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 \$471,703 of expenses, \$113,501 was due to depreciation.

Budgetary Highlights

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

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

- When reviewing budget variances, the deviations were slight. Revenues missed the mark by only 4%. Conservative and realistic budget along with expected economic factors holding as anticipated were the reasons for the modest fluctuations.
- The original General Fund budget included transfers of over a million dollars from Fund Balance into a contingency fund to cover the cost of building and major repairs, such as the Courthouse roof. The Commissioner's Court has elected to maintain and then utilize a healthy fund balance for large expenditures to avoid debt and the associated costs of debt.
- Road and Bridge revenues were higher than originally anticipated. This is due to FEMA grants for road damages due to storms and settlement from private industry for road damages.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The County's investment in capital assets for its governmental activities as of December 31, 2016, was \$32,005,860 (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	
	2016	2015	2016	2015	2016	2015
Land	\$ 3,377,437	\$ 3,607,470	\$ 250,504	\$ 250,504	\$ 3,627,941	\$ 3,857,974
Buildings and improvements	27,947,789	27,916,944	2,216,302	2,161,706	30,164,091	30,078,650
Furniture and equipment	14,056,800	13,416,994	320,352	295,410	14,377,152	13,712,404
Infrastructure	31,941,794	31,941,794	-	-	31,941,794	31,941,794
Less: accumulated depreciation	(45,317,960)	(43,715,169)	(1,778,999)	(1,665,498)	(47,096,959)	(45,380,667)
Total capital assets	\$ <u>32,005,860</u>	\$ <u>33,168,033</u>	\$ <u>1,008,159</u>	\$ <u>1,042,122</u>	\$ <u>33,014,019</u>	\$ <u>34,210,155</u>

Significant Capital Assets Events

- There were no significant capital asset events in 2016.

Long-term Debt. At the end of fiscal year 2016, the County had no bonded debt outstanding. The final debt payment of \$1,250,000 (plus \$5,894 in interest) was made on May 1, 2016.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The tax rate remained the same for 2017 at .477984% per \$100 value. Total ad valorem tax revenues are estimated to be \$26,958,491 with \$357,324 of revenue from new property added to the tax rolls.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Henderson 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

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**BASIC
FINANCIAL STATEMENTS**

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HENDERSON COUNTY, TEXAS

STATEMENT OF NET POSITION

DECEMBER 31, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 27,037,605	\$ 376,511	\$ 27,414,116
Receivables, net of allowance for uncollectibles:			
Taxes	2,298,155	-	2,298,155
Fines	2,564,620	-	2,564,620
Other	147,189	8,672	155,861
Due from other governments	9,099	-	9,099
Prepaid items	36,913	-	36,913
Total current assets	<u>32,093,581</u>	<u>385,183</u>	<u>32,478,764</u>
Noncurrent assets:			
Capital assets:			
Land	3,377,437	250,504	3,627,941
Buildings and improvements	27,947,789	2,216,302	30,164,091
Furniture and equipment	14,056,800	320,352	14,377,152
Infrastructure	31,941,794	-	31,941,794
Less: accumulated depreciation	(45,317,960)	(1,778,999)	(47,096,959)
Total capital assets	<u>32,005,860</u>	<u>1,008,159</u>	<u>33,014,019</u>
Total noncurrent assets	<u>32,005,860</u>	<u>1,008,159</u>	<u>33,014,019</u>
Total assets	<u>64,099,441</u>	<u>1,393,342</u>	<u>65,492,783</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	7,442,497	-	7,442,497
Total deferred outflows of resources	<u>7,442,497</u>	<u>-</u>	<u>7,442,497</u>
LIABILITIES			
Current liabilities:			
Accounts payable	249,738	45,153	294,891
Accrued liabilities	706,778	6,747	713,525
Due to other governments	439,299	-	439,299
Cash bond deposits	288,150	-	288,150
Capital lease obligation	-	7,053	7,053
Compensated absences	213,068	-	213,068
Total current liabilities	<u>2,028,792</u>	<u>58,953</u>	<u>2,087,745</u>
Noncurrent liabilities:			
Net pension liability	10,180,072	-	10,180,072
Compensated absences	639,203	-	639,203
Total noncurrent liabilities	<u>10,819,275</u>	<u>-</u>	<u>10,819,275</u>
Total liabilities	<u>12,848,067</u>	<u>58,953</u>	<u>12,907,020</u>
DEFERRED INFLOWS OF RESOURCES			
Advance property tax collections	12,592,897	-	12,592,897
Deferred inflows of resources related to pensions	581,258	-	581,258
Total deferred inflows of resources	<u>13,174,155</u>	<u>-</u>	<u>13,174,155</u>
NET POSITION			
Net investment in capital assets	32,005,860	1,001,106	33,006,966
Restricted for:			
Roads and bridges	1,839,289	-	1,839,289
Other purposes	753,795	-	753,795
Unrestricted	10,920,772	333,283	11,254,055
Total net position	<u>\$ 45,519,716</u>	<u>\$ 1,334,389</u>	<u>\$ 46,854,105</u>

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

HENDERSON COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 8,711,035	\$ 1,929,701	\$ 402,624	\$ -
Legal	3,030,956	25,968	115,260	-
Health and welfare	404,284	25,273	2,317	-
Judicial	2,741,274	1,314,926	260,830	-
Public safety	11,469,842	570,495	132,247	-
Culture and recreation	374,630	12,323	-	-
Roads and bridges	6,347,316	1,580,780	56,583	764,261
Interest on long-term debt	17,011	-	-	-
Total governmental activities	<u>33,096,348</u>	<u>5,459,466</u>	<u>969,861</u>	<u>764,261</u>
Business-type activities:				
Fair Park	375,701	220,346	28,468	-
Fair Park concessions	96,531	122,038	-	-
Total business-type activities	<u>472,232</u>	<u>342,384</u>	<u>28,468</u>	<u>-</u>
Total	<u>\$ 33,568,580</u>	<u>\$ 5,801,850</u>	<u>\$ 998,329</u>	<u>\$ 764,261</u>

General revenues:
Taxes:
Property
Other
Investment earnings
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position, beginning
Net position, ending

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

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (6,378,710)	\$ -	\$ (6,378,710)
(2,889,728)	-	(2,889,728)
(376,694)	-	(376,694)
(1,165,518)	-	(1,165,518)
(10,767,100)	-	(10,767,100)
(362,307)	-	(362,307)
(3,945,692)	-	(3,945,692)
(17,011)	-	(17,011)
<u>(25,902,760)</u>	<u>-</u>	<u>(25,902,760)</u>
-	(126,887)	(126,887)
<u>-</u>	<u>25,507</u>	<u>25,507</u>
-	(101,380)	(101,380)
<u>(25,902,760)</u>	<u>(101,380)</u>	<u>(26,004,140)</u>
25,930,172	-	25,930,172
100,717	130,376	231,093
114,963	-	114,963
578,679	-	578,679
(30,000)	30,000	-
<u>26,694,531</u>	<u>160,376</u>	<u>26,854,907</u>
791,771	58,996	850,767
<u>44,727,945</u>	<u>1,275,393</u>	<u>46,003,338</u>
<u>\$ 45,519,716</u>	<u>\$ 1,334,389</u>	<u>\$ 46,854,105</u>

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HENDERSON COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2016

	General	Road and Bridge	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 22,364,250	\$ 3,783,203	\$ 890,152	\$ 27,037,605
Receivables, net of allowance for uncollectibles:				
Taxes	1,950,292	347,863	-	2,298,155
Fines	2,564,620	-	-	2,564,620
Other	128,409	18,780	-	147,189
Due from other governments	2,617	6,482	-	9,099
Prepaid items	36,913	-	-	36,913
Total assets	27,047,101	4,156,328	890,152	32,093,581
LIABILITIES				
Liabilities:				
Accounts payable	72,534	155,966	21,238	249,738
Accrued liabilities	626,729	75,867	4,182	706,778
Due to other governments	328,362	-	110,937	439,299
Unearned revenue	-	131,759	-	131,759
Cash bonds and deposits	288,150	-	-	288,150
Total liabilities	1,315,775	363,592	136,357	1,815,724
DEFERRED INFLOWS OF RESOURCES				
Advance property tax collections	10,639,450	1,953,447	-	12,592,897
Unavailable revenue - property taxes	1,840,329	328,036	-	2,168,365
Unavailable revenue - court fines and fees	2,564,620	-	-	2,564,620
Total deferred inflows of resources	15,044,399	2,281,483	-	17,325,882
FUND BALANCES				
Fund balances:				
Nonspendable	36,913	-	-	36,913
Restricted	1,739,618	1,511,253	753,795	4,004,666
Unassigned	8,910,396	-	-	8,910,396
Total fund balances	10,686,927	1,511,253	753,795	12,951,975
Total liabilities, deferred inflows of resources and fund balances	\$ 27,047,101	\$ 4,156,328	\$ 890,152	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,005,860
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	4,732,985
Long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported in the funds. Additionally, deferred outflows of resources related to pensions are not reported in the funds.	(4,171,104)
Net position of governmental activities	\$ 45,519,716

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

HENDERSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Road and Bridge	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 20,724,307	\$ 3,911,655	\$ 1,338,910	\$ 25,974,872
Fees	2,309,313	1,219,765	295,743	3,824,821
Intergovernmental	1,167,345	820,844	70,000	2,058,189
Fines and forfeitures	814,941	-	18,417	833,358
Licenses and permits	19,925	361,015	-	380,940
Investment earnings	107,414	7,360	189	114,963
Miscellaneous	381,535	274,811	18,613	674,959
Total revenues	25,524,780	6,595,450	1,741,872	33,862,102
EXPENDITURES				
Current:				
General government	8,413,449	-	120,436	8,533,885
Public safety	11,246,614	-	7,630	11,254,244
Roads and bridges	-	6,235,720	-	6,235,720
Legal	2,561,101	-	139,079	2,700,180
Judicial	2,974,811	-	-	2,974,811
Culture and recreation	346,407	-	22,385	368,792
Health and welfare	71,534	331,708	-	403,242
Debt service:				
Principal	114,174	173,454	1,250,000	1,537,628
Interest and other charges	5,645	6,385	6,946	18,976
Total expenditures	25,733,735	6,747,267	1,546,476	34,027,478
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(208,955)	(151,817)	195,396	(165,376)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	11,465	15,448	-	26,913
Transfers in	372,447	16,800	-	389,247
Transfers out	-	-	(419,247)	(419,247)
Total other financing sources and uses	383,912	32,248	(419,247)	(3,087)
NET CHANGE IN FUND BALANCES	174,957	(119,569)	(223,851)	(168,463)
FUND BALANCES, BEGINNING	10,511,970	1,630,822	977,646	13,120,438
FUND BALANCES, ENDING	\$ 10,686,927	\$ 1,511,253	\$ 753,795	\$ 12,951,975

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, 2016

Net change in fund balances - total governmental funds:	\$(168,463)
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.	(913,344)
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.	(248,829)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	56,017
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This has no effect on the statement of activities.	1,537,628
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.	526,797
Interest expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	<u>1,965</u>
Change in net position of governmental activities	<u>\$ 791,771</u>

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HENDERSON COUNTY, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2016

	Enterprise Funds		
	Fair Park	Fair Park Concessions	Total
ASSETS			
Current assets:			
Cash and investments	\$ 364,684	\$ 11,827	\$ 376,511
Accounts receivable, net	8,672	-	8,672
Total current assets	<u>373,356</u>	<u>11,827</u>	<u>385,183</u>
Non-current assets:			
Capital assets:			
Land	250,504	-	250,504
Buildings and improvements	2,216,302	-	2,216,302
Furniture and equipment	320,352	-	320,352
Less: accumulated depreciation	(1,778,999)	-	(1,778,999)
Total non-current assets	<u>1,008,159</u>	<u>-</u>	<u>1,008,159</u>
Total assets	<u>1,381,515</u>	<u>11,827</u>	<u>1,393,342</u>
LIABILITIES			
Current liabilities:			
Accounts payable	42,154	2,999	45,153
Accrued liabilities	5,728	1,019	6,747
Capital lease obligation	7,053	-	7,053
Total current liabilities	<u>54,935</u>	<u>4,018</u>	<u>58,953</u>
Total liabilities	<u>54,935</u>	<u>4,018</u>	<u>58,953</u>
NET POSITION			
Net investment in capital assets	1,001,106	-	1,001,106
Unrestricted	325,474	7,809	333,283
Total net position	<u>\$ 1,326,580</u>	<u>\$ 7,809</u>	<u>\$ 1,334,389</u>

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

HENDERSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Enterprise Funds		
	Fair Park	Fair Park Concessions	Total
OPERATING REVENUES			
Rentals	\$ 164,741	\$ -	\$ 164,741
Concessions	-	122,038	122,038
Contributions	28,468	-	28,468
Other	55,605	-	55,605
Total operating revenues	<u>248,814</u>	<u>122,038</u>	<u>370,852</u>
OPERATING EXPENSES			
Personnel	169,904	26,536	196,440
Supplies and materials	29,100	-	29,100
Repairs and maintenance	10,500	-	10,500
Utilities	49,959	-	49,959
Professional services	500	60,741	61,241
Depreciation	113,501	-	113,501
Other	1,708	9,254	10,962
Total operating expenses	<u>375,172</u>	<u>96,531</u>	<u>471,703</u>
OPERATING INCOME (LOSS)	<u>(126,358)</u>	<u>25,507</u>	<u>(100,851)</u>
NON-OPERATING REVENUES (EXPENSES)			
Taxes	130,376	-	130,376
Interest expense	(529)	-	(529)
Total non-operating revenues (expenses)	<u>129,847</u>	<u>-</u>	<u>129,847</u>
INCOME (LOSS) BEFORE TRANSFERS	3,489	25,507	28,996
Transfers in	55,000	-	55,000
Transfers out	-	(25,000)	(25,000)
CHANGE IN NET POSITION	58,489	507	58,996
TOTAL NET POSITION, BEGINNING	<u>1,268,091</u>	<u>7,302</u>	<u>1,275,393</u>
TOTAL NET POSITION, ENDING	<u>\$ 1,326,580</u>	<u>\$ 7,809</u>	<u>\$ 1,334,389</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, 2016

	Enterprise Funds		
	Fair Park	Fair Park Concessions	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 251,919	\$ 122,038	\$ 373,957
Cash paid to suppliers for goods and services	(132,160)	(26,436)	(158,596)
Cash paid to employees for services	(87,563)	(68,976)	(156,539)
Net cash provided (used) by operating activities	<u>32,196</u>	<u>26,626</u>	<u>58,822</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash received from taxes	130,376	-	130,376
Transfers from (to) other funds	55,000	(25,000)	30,000
Net cash provided (used) by noncapital financing activities	<u>185,376</u>	<u>(25,000)</u>	<u>160,376</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(79,538)	-	(79,538)
Principal payments on long-term debt	(6,793)	-	(6,793)
Interest payments on long-term debt	(529)	-	(529)
Net cash used by capital and related financing activities	<u>(86,860)</u>	<u>-</u>	<u>(86,860)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	130,712	1,626	132,338
CASH AND CASH EQUIVALENTS, BEGINNING	<u>233,972</u>	<u>10,201</u>	<u>244,173</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>364,684</u>	<u>11,827</u>	<u>376,511</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	(126,358)	25,507	(100,851)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	113,501	-	113,501
(Increase) decrease in assets:			
Accounts receivable	3,105	-	3,105
Increase (decrease) in liabilities:			
Accounts payable	37,744	100	37,844
Accrued liabilities	4,204	1,019	5,223
Net cash provided (used) by operating activities	<u>\$ 32,196</u>	<u>\$ 26,626</u>	<u>\$ 58,822</u>

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

HENDERSON COUNTY, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2016

ASSETS

Cash and investments \$ 3,598,891

Total assets \$ 3,598,891

LIABILITIES

Due to other agencies and individuals \$ 3,598,891

Total liabilities \$ 3,598,891

HENDERSON COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Financial Reporting Entity

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

Depending upon the significance of the County's financial and operational relationships with various separate entities, the organizations are classified as blended or discrete component units, related organizations, joint ventures, or jointly governed organizations, and the financial disclosure is treated accordingly. As of December 31, 2016, the County does not report any component units.

B. Government-wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The County reports the following major governmental funds:

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

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

The County reports the following major Enterprise Funds:

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

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

Additionally, the County reports the following fund type:

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

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

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

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

Deposits and Investments

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

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

Receivables and Payables

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

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

Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment, and 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 \$5,000 with an estimated useful life 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:

Assets	Years
Buildings and improvements	10 - 40
Furniture and equipment	5 - 15
Infrastructure	20 - 100

Deferred Outflows/Inflows of Resources

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

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

- *Difference in projected and actual earnings on pension assets* – This difference is deferred and amortized over a closed five year period.
- *Pension contributions after the measurement date* - these contributions are deferred and recognized in the following fiscal year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has the following items that qualify for reporting in this category.

- Under the modified accrual basis of accounting, unavailable revenue is reported in the governmental funds balance sheet as a deferred inflow of resources.
- Property taxes collected before the period for which they were levied.
- *Differences between expected and actual economic experience for the County's pension* – This difference is deferred and recognized over the estimated average remaining lives of all members.

Compensated Absences

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

Long-term Obligations

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

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

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective

governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Fund Equity

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the Commissioners' Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

Net Position

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

Estimates

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

Pensions

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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 (\$4,171,104) difference are as follows:

Net pension liability	\$(10,180,072)
Deferred outflows related to pensions	7,442,497
Deferred inflows related to pensions	(581,258)
Compensated absences	<u>(852,271)</u>
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$(4,171,104)</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 \$(913,344) difference are as follows:

Capital outlay	\$ 1,112,521
Depreciation expense	(2,025,865)
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>	\$(913,344)

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$56,017 difference are as follows:

Property taxes	\$ 56,017
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>	\$ 56,017

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, 2016, the County’s \$33,589,225 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	
	General	Road and Bridge	Fair Park	Total
Receivables:				
Taxes	\$ 2,063,802	\$ 368,109	\$ -	\$ 2,431,911
Fines	17,097,472	-	-	17,097,472
Other	128,409	18,780	8,672	155,861
Gross receivables	<u>19,289,683</u>	<u>386,889</u>	<u>8,672</u>	<u>19,685,244</u>
Less: allowance for uncollectibles	(14,646,362)	(20,246)	-	(14,666,608)
Net total receivables	<u>\$ 4,643,321</u>	<u>\$ 366,643</u>	<u>\$ 8,672</u>	<u>\$ 5,018,636</u>

Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,607,470	\$ -	\$(230,033)	\$ 3,377,437
Total capital assets not being depreciated	<u>3,607,470</u>	<u>-</u>	<u>(230,033)</u>	<u>3,377,437</u>
Capital assets, being depreciated:				
Buildings and improvements	27,916,944	30,845	-	27,947,789
Furniture and fixtures	13,416,994	1,081,676	(441,870)	14,056,800
Infrastructure	31,941,794	-	-	31,941,794
Total capital assets being depreciated	<u>73,275,732</u>	<u>1,112,521</u>	<u>(441,870)</u>	<u>73,946,383</u>
Less accumulated depreciation:				
Buildings and improvements	(13,494,883)	(862,662)	-	(14,357,545)
Furniture and fixtures	(10,278,329)	(677,196)	423,074	(10,532,451)
Infrastructure	(19,941,957)	(486,007)	-	(20,427,964)
Total accumulated depreciation	<u>(43,715,169)</u>	<u>(2,025,865)</u>	<u>423,074</u>	<u>(45,317,960)</u>
Total capital assets, being depreciated, net	<u>29,560,563</u>	<u>(913,344)</u>	<u>(18,796)</u>	<u>28,628,423</u>
Governmental activities capital assets, net	<u>\$ 33,168,033</u>	<u>\$(913,344)</u>	<u>\$(248,829)</u>	<u>\$ 32,005,860</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	250,504	-	-	250,504
Capital assets, being depreciated:				
Buildings	1,556,281	-	-	1,556,281
Improvements	605,425	54,596	-	660,021
Furniture and fixtures	295,410	24,942	-	320,352
Total capital assets being depreciated	2,457,116	79,538	-	2,536,654
Less accumulated depreciation:				
Buildings	(1,212,863)	(50,654)	-	(1,263,517)
Improvements	(268,481)	(22,240)	-	(290,721)
Furniture and fixtures	(184,154)	(40,607)	-	(224,761)
Total accumulated depreciation	(1,665,498)	(113,501)	-	(1,778,999)
Total capital assets, being depreciated, net	791,618	(33,963)	-	757,655
Business-type activities capital assets, net	\$ 1,042,122	\$(33,963)	\$ -	\$ 1,008,159

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

Governmental activities:	
General government	\$ 859,850
Legal	10,221
Public safety	316,126
Road and bridge	839,668
Total depreciation expense - governmental activities	2,025,865
Business-type activities:	
Fair Park	113,501
Total depreciation expense - business-type activities	\$ 113,501

Interfund Transfers

The composition of interfund transfers as of December 31, 2016, is as follows:

Interfund Transfers:

Transfer In	Transfer Out	Amount
General	Fair Park Concessions	\$ 25,000
General	Nonmajor	340,897
Road and Bridge	Nonmajor	16,800
Fair Park	Nonmajor	55,000
		\$ 437,697

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.

Capital Leases

The County has entered into certain lease agreements as lessee for the financing and acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date. As of December 31, 2016, the capital lease balance is \$7,053.

Long-term Debt

The County issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business-type activities. These instruments include general obligation bonds, certificates of obligation, and capital leases. These debt obligations are secured by either future tax revenue or liens on property and equipment. Debt obligations that are intended to be repaid from Fair Park revenue have been recorded as business-type activities. All other long-term obligations of the County are considered to be governmental type activities.

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds	\$ 1,250,000	\$ -	\$(1,250,000)	\$ -	\$ -
Capital leases	287,628	-	(287,628)	-	-
Net pension liability	5,706,807	6,529,008	(2,055,743)	10,180,072	-
Compensated absences	<u>901,406</u>	<u>618,708</u>	<u>(667,843)</u>	<u>852,271</u>	<u>213,068</u>
Governmental activities long-term liabilities	<u>8,145,841</u>	<u>7,147,716</u>	<u>(4,261,214)</u>	<u>11,032,343</u>	<u>213,068</u>
Business-type activities					
Capital leases	<u>13,846</u>	<u>-</u>	<u>(6,793)</u>	<u>7,053</u>	<u>7,053</u>
Business-type activities long-term liabilities	<u>\$ 13,846</u>	<u>\$ -</u>	<u>\$(6,793)</u>	<u>\$ 7,053</u>	<u>\$ 7,053</u>

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

Other Information

Risk Management

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

Health Care Coverage

During the year ended December 31, 2016, full-time employees of the County were covered by a health insurance plan (the "Plan") through Blue Cross Blue Shield. The County paid premiums of \$847 per month for each employee to the Health Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All contributions were paid to a Health Maintenance Organization. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the County and the licensed insurer is renewable, and terms of coverage and contribution costs are included in the contractual provisions.

Postemployment Benefits Other than Pension Benefits (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, 2016, the County had 22 retirees that were eligible for the OPEB plan and the cost per retiree to the County was \$847 per month for the months of January through October, and \$844 for November and December. Expenses for post-retirement health care benefits are recognized on a pay-as-you-go basis. During the year, premiums paid by the County were \$147,245.

In June 2004, the Government Accounting Standards Board (GASB) issued Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which was effective for the County for the year ending December 31, 2008. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. This Statement requires systematic, accrual-basis measurement and recognition of OPEB cost

(expense) over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The County has not obtained the required actuarial evaluation of the benefits it provides to retirees and, therefore, has not implemented this standard.

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 TCERS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCERS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tcdrs.org.

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

Benefits Provided. TCERS provides retirement, disability and survivor benefits for all eligible employees. Benefit terms are established by the TCERS 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 TCERS 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. Updated annuity purchase rates will go into effect for post-2017 benefit accruals earned after 2017. Benefits accrued before 2018 will not be impacted by this update. This change was reflected in the 2015 actuarial valuation.

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	230
Inactive employees entitled to but not yet receiving benefits	221
Active employees	<u>373</u>
	<u><u>824</u></u>

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

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 13.68% and 13.74% in calendar years 2015 and 2016, respectively. The County’s contributions to TCDRS for the year ended December 31, 2016, were \$2,090,156, and were equal to the required contributions.

Net Pension Liability. The County’s Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.5% per year
Investment rate of return	8.0%, net of pension plan investment expense, including inflation

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

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

The actuarial assumptions that determined the total pension liability as of December 31, 2015, were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012, except for mortality assumptions. Mortality assumptions were updated for the 2015 valuation to reflect projected improvements.

The long-term expected rate of return on pension plan investments is 8.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. The application of the investment return assumption was changed for purposes of determining plan liabilities in the 2015 actuarial valuation. All plan liabilities are now valued using an 8% discount rate. Previously, some liabilities were valued using a 7% discount rate and others were valued using a 9% discount rate.

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 2016 information for a 7 to 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	14.00%	8.45%
Global Equities	MSCI World (net) Index	1.50%	5.75%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	5.45%
International Equities - Emerging	MSCI World Ex USA (net)	8.00%	6.45%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%

⁽¹⁾ Target asset allocation adopted at the April 2016 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.6% per Cliffwater's 2016 capital market assumptions.

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

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

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	\$ 67,067,217	\$ 61,360,410	\$ 5,706,807
Changes for the year:			
Service cost	2,174,127	-	2,174,127
Interest on total pension liability ⁽¹⁾	5,385,909	-	5,385,909
Effect of plan changes ⁽²⁾	(401,168)	-	(401,168)
Effect of economic/demographic gains or losses	(775,010)	-	(775,010)
Effect of assumptions changes or inputs	747,396	-	747,396
Refund of contributions	(250,578)	(250,578)	-
Benefit payments	(3,441,630)	(3,441,630)	-
Administrative expenses	-	(43,772)	43,772
Member contributions	-	1,051,920	(1,051,920)
Net investment income	-	(307,377)	307,377
Employer contributions	-	2,055,741	(2,055,741)
Other ⁽³⁾	-	(98,523)	98,523
Balance at 12/31/2015	<u>\$ 70,506,263</u>	<u>\$ 60,326,191</u>	<u>\$ 10,180,072</u>

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

⁽²⁾ Reflects new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018.

⁽³⁾ Relates to allocation of system-wide items.

Sensitivity Analysis

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

	1% Decrease	Current	1% Increase
	7.1%	Discount Rate 8.1%	9.1%
Total pension liability	\$ 79,496,102	\$ 70,506,263	\$ 63,042,189
Fiduciary net position	<u>60,326,191</u>	<u>60,326,191</u>	<u>60,326,191</u>
Net pension liability/(asset)	<u>\$ 19,169,911</u>	<u>\$ 10,180,072</u>	<u>\$ 2,715,998</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. The report may be obtained on the Internet at www.tcdrs.org.

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

For the year ended December 31, 2016, the County recognized pension expense of \$2,518,842. At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 103,024	\$ 581,258
Changes in actuarial assumptions	560,547	-
Difference between projected and actual investment earnings	4,688,770	-
Contributions subsequent to the measurement date	<u>2,090,156</u>	<u>-</u>
Total	<u>\$ 7,442,497</u>	<u>\$ 581,258</u>

\$2,090,156 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year Ended December 31,</u>	
2016	\$ 1,254,700
2017	1,254,700
2018	1,203,188
2019	1,058,495

Tax Abatement

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

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

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

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

Year 1 – 90%
Year 2 – 70%
Year 3 – 45%
Year 4 – 30%
Year 5 – 25%

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**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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 21,544,185	\$ 21,544,185	\$ 20,623,590	\$(920,595)
Mixed beverage taxes	90,000	90,000	100,717	10,717
Fees of office:				
Sheriff	160,000	160,000	143,985	(16,015)
County clerk	817,000	817,000	780,856	(36,144)
Tax assessor/collector	815,000	815,000	802,182	(12,818)
District clerk	388,600	388,600	319,833	(68,767)
Justice of the peace	75,800	80,800	124,435	43,635
County attorney	21,200	21,200	14,228	(6,972)
Constables	52,500	52,500	53,350	850
Court costs	50,700	50,700	29,295	(21,405)
Other	40,000	40,000	41,149	1,149
Total fees of office	<u>2,420,800</u>	<u>2,425,800</u>	<u>2,309,313</u>	<u>(116,487)</u>
Intergovernmental	1,076,485	1,094,695	1,167,345	72,650
Licenses and permits	11,000	11,000	19,925	8,925
Fines and forfeitures	1,035,400	1,035,400	814,941	(220,459)
Investment earnings	40,050	40,050	107,414	67,364
Miscellaneous	401,100	401,100	381,535	(19,565)
Total revenues	<u>26,619,020</u>	<u>26,642,230</u>	<u>25,524,780</u>	<u>(1,117,450)</u>
EXPENDITURES				
General government:				
County Judge	268,362	268,362	266,821	1,541
General County operations	3,851,497	3,728,906	3,013,515	715,391
Juvenile	95,000	163,378	163,378	-
General information systems	641,576	641,576	571,661	69,915
County clerk	765,992	765,992	748,416	17,576

HENDERSON COUNTY, TEXAS

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

GENERAL FUND

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
General government: (Continued)				
County clerk records management	\$ 106,531	\$ 106,531	\$ 5,531	\$ 101,000
Elections administration	467,282	483,491	462,342	21,149
Veterans services	20,404	20,685	20,611	74
County auditor	660,783	660,783	623,692	37,091
Information technology	292,123	292,123	247,557	44,566
County treasurer	211,957	211,957	208,963	2,994
Tax assessor/collector	863,452	863,452	808,963	54,489
Public facilities	1,435,338	1,464,695	1,264,909	199,786
Jury	13,996	7,996	7,090	906
Total general government	<u>9,694,293</u>	<u>9,679,927</u>	<u>8,413,449</u>	<u>1,266,478</u>
Public safety:				
Constables general	12,455	15,717	6,742	8,975
Constable, precinct 1	70,657	70,657	69,550	1,107
Constable, precinct 2	67,060	71,705	69,839	1,866
Constable, precinct 3	70,223	70,223	67,096	3,127
Constable, precinct 4	68,802	68,802	67,692	1,110
Constable, precinct 5	69,948	69,948	68,285	1,663
Sheriff's office field operations	4,928,071	4,923,914	4,540,457	383,457
Jail operations	6,403,219	6,402,719	5,978,385	424,334
Emergency management	81,035	81,035	72,029	9,006
Fire marshal/environmental crimes	250,506	250,506	240,449	10,057
Department of public safety	83,584	83,584	66,090	17,494
Total public safety	<u>12,105,560</u>	<u>12,108,810</u>	<u>11,246,614</u>	<u>862,196</u>

HENDERSON COUNTY, TEXAS

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

GENERAL FUND

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Legal:				
County attorney prosecution	\$ 873,993	\$ 873,993	\$ 855,149	\$ 18,844
County attorney collections	243,242	243,242	207,704	35,538
District attorney	1,230,810	1,230,810	1,201,928	28,882
District attorney capital cases	400,000	400,000	296,320	103,680
Total legal	<u>2,748,045</u>	<u>2,748,045</u>	<u>2,561,101</u>	<u>186,944</u>
Judicial:				
County court-at-law 1	361,955	361,955	359,578	2,377
County court-at-law 2	378,053	378,053	372,963	5,090
District courts general	24,324	20,357	18,792	1,565
Indigent defense	56,176	56,176	54,652	1,524
3rd district court	150,089	150,089	142,681	7,408
173rd district court	235,820	235,820	233,937	1,883
392nd district court	249,211	253,178	252,128	1,050
District Clerk	635,528	635,528	612,396	23,132
Justice of the peace, precinct 1	131,026	159,774	151,191	8,583
Justice of the peace, precinct 2	185,869	207,597	201,976	5,621
Justice of the peace, precinct 3	134,605	156,092	149,569	6,523
Justice of the peace, precinct 4	134,962	157,702	153,330	4,372
Justice of the peace, precinct 5	182,666	205,505	199,590	5,915
Justice of the peace, precinct 6	-	12,969	12,968	1
Arraignments	12,040	12,040	6,613	5,427
Jury	37,404	54,406	52,447	1,959
Total judicial	<u>2,909,728</u>	<u>3,057,241</u>	<u>2,974,811</u>	<u>82,430</u>

HENDERSON COUNTY, TEXAS

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

GENERAL FUND

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
EXPENDITURES (Continued)				
Health and welfare:				
Health care coordination	\$ 71,859	\$ 71,859	\$ 71,534	\$ 325
Total health and welfare	<u>71,859</u>	<u>71,859</u>	<u>71,534</u>	<u>325</u>
Culture and recreation:				
Public library	162,335	162,335	153,972	8,363
County extension office	190,775	190,775	173,230	17,545
Historical Commission	18,578	18,578	16,682	1,896
Healthy County	2,500	4,497	2,523	1,974
Total culture and recreation	<u>374,188</u>	<u>376,185</u>	<u>346,407</u>	<u>29,778</u>
Total expenditures	<u>27,903,673</u>	<u>28,042,067</u>	<u>25,733,735</u>	<u>2,308,332</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,284,653)</u>	<u>(1,399,837)</u>	<u>(208,955)</u>	<u>1,190,882</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	52,500	52,500	11,465	(41,035)
Transfers in	1,238,373	1,238,373	372,447	(865,926)
Total other financing sources (uses)	<u>1,290,873</u>	<u>1,290,873</u>	<u>383,912</u>	<u>(906,961)</u>
NET CHANGE IN FUND BALANCES	6,220	(108,964)	174,957	283,921
FUND BALANCES, BEGINNING	<u>10,511,970</u>	<u>10,511,970</u>	<u>10,511,970</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 10,518,190</u>	<u>\$ 10,403,006</u>	<u>\$ 10,686,927</u>	<u>\$ 283,921</u>

HENDERSON COUNTY, TEXAS

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

ROAD AND BRIDGE FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,069,872	\$ 4,069,872	\$ 3,911,655	\$(158,217)
Fees	1,157,857	1,157,857	1,219,765	61,908
Intergovernmental	52,111	154,370	820,844	666,474
Licenses and permits	372,000	372,000	361,015	(10,985)
Investment earnings	4,000	4,000	7,360	3,360
Miscellaneous	-	1,129,825	274,811	(855,014)
Total revenues	<u>5,655,840</u>	<u>6,887,924</u>	<u>6,595,450</u>	<u>(292,474)</u>
EXPENDITURES				
Current:				
Waste management	312,989	331,713	331,708	5
Road and bridge general	40,359	142,618	141,187	1,431
Road and bridge precinct #1	1,386,823	1,647,708	1,543,525	104,183
Road and bridge precinct #2	1,386,823	1,503,544	1,478,361	25,183
Road and bridge precinct #3	1,386,823	1,582,850	1,521,368	61,482
Road and bridge precinct #4	1,386,823	2,031,480	1,551,279	480,201
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	-	-	173,454	(173,454)
Interest and other fiscal charges	-	-	6,385	(6,385)
Total expenditures	<u>5,952,640</u>	<u>7,291,913</u>	<u>6,747,267</u>	<u>544,646</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(296,800)	(403,989)	(151,817)	252,172
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	15,448	15,448
Transfers in	296,800	296,800	16,800	(280,000)
Total other financing sources	<u>296,800</u>	<u>296,800</u>	<u>32,248</u>	<u>(264,552)</u>
NET CHANGE IN FUND BALANCES	-	(107,189)	(119,569)	(12,380)
FUND BALANCES, BEGINNING	<u>1,630,822</u>	<u>1,630,822</u>	<u>1,630,822</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 1,630,822</u>	<u>\$ 1,523,633</u>	<u>\$ 1,511,253</u>	<u>\$(12,380)</u>

HENDERSON COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY SCHEDULES

DECEMBER 31, 2016

Budgetary Information

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

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

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

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

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

HENDERSON COUNTY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

LAST TWO YEARS

Plan Year Ended December 31	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service Cost	\$ 2,174,127	\$ 2,118,519
Interest total pension liability	5,385,909	5,047,123
Effect of plan changes	(401,168)	-
Effect of assumption changes or inputs	747,396	-
Effect of economic/demographic (gains) or losses	(775,010)	206,048
Benefit payments/refunds of contributions	<u>(3,692,208)</u>	<u>(3,091,788)</u>
Net change in total pension liability	3,439,046	4,279,902
Total pension liability - beginning	<u>67,067,217</u>	<u>62,787,315</u>
Total pension liability - ending (a)	<u><u>\$ 70,506,263</u></u>	<u><u>\$ 67,067,217</u></u>
Plan Fiduciary Net Position		
Employer contributions	\$ 2,055,741	\$ 1,946,319
Member contributions	1,051,920	1,003,997
Investment income net of investment expenses	(307,377)	3,946,810
Benefit payments refunds of contributions	(3,692,208)	(3,091,788)
Administrative expenses	(43,772)	(45,832)
Other	<u>(98,523)</u>	<u>(17,488)</u>
Net change in plan fiduciary net position	(1,034,219)	3,742,018
Plan fiduciary net position - beginning	<u>61,360,410</u>	<u>57,618,392</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 60,326,191</u></u>	<u><u>\$ 61,360,410</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 10,180,072</u></u>	<u><u>\$ 5,706,807</u></u>
Fiduciary net position as a percentage of total pension liability	85.6%	91.5%
Pensionable covered payroll	\$ 15,027,431	\$ 14,342,815
Net pension liability as a percentage of covered payroll	67.7%	39.8%

GASB 68 will eventually require the County to present information on this schedule for 10 years. However, only 2 years of information are currently available.

HENDERSON COUNTY, TEXAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS - TCDRS

LAST TEN FISCAL YEARS

<u>Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2007	\$ 1,310,940	\$ 1,310,940	\$ -	\$ 12,149,585	10.8%
2008	1,382,832	1,382,832	-	13,386,568	10.3%
2009	1,559,957	1,559,957	-	14,661,247	10.6%
2010	1,663,706	1,663,706	-	14,517,507	11.5%
2011	1,618,971	1,618,971	-	14,127,207	11.5%
2012	1,686,878	1,686,878	-	13,987,401	12.1%
2013	1,763,575	1,763,575	-	13,831,885	12.8%
2014	1,946,319	1,946,319	-	14,342,815	13.6%
2015	2,055,743	2,055,743	-	15,027,363	12.4%
2016	2,090,156	2,090,156	-	15,212,201	12.4%

HENDERSON COUNTY, TEXAS

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

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

Methods and assumptions used to determine contributions rates:

Actuarial Cost Method Entry age

Amortization Method Level percentage of payroll, closed

Remaining Amortization Period 14.6 years (based on contribution rate calculated in 12/31/2015 valuation)

Asset Valuation Method 5-year smoothed market

Inflation 3.0%

Salary Increases Varies by age and service. 4.9% average over career including inflation.

Investment Rate of Return 8.0%, net of investment expenses, including inflation.

Retirement Age Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.

Mortality In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.

Changes in Plan Provisions Reflected in the Schedule Effective with the 2015 calendar year, employer contributions reflect that a 100% CPI COLA was adopted.

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.

County Attorney State Allotment – The County Attorney's office receives a state supplement provided by House Bill 801 for County Attorney salary and other uses of the office. The amount is appropriated from the State General Fund to enhance prosecution.

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.

DEBT SERVICE FUND

Jail Expansion Interest and Sinking – The *Jail Expansion Interest and Sinking Fund* was established to accumulate resources and pay principal and interest on the jail expansion bonds.

HENDERSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

DECEMBER 31, 2016

	Special Revenue			
	Records Management	CWM Library	Hot Check	Law Enforcement District Attorney
ASSETS				
Cash and investments	\$ 526,236	\$ 10,739	\$ 75,037	\$ 112,278
Total assets	<u>\$ 526,236</u>	<u>\$ 10,739</u>	<u>\$ 75,037</u>	<u>\$ 112,278</u>
LIABILITIES				
Liabilities:				
Accounts payable	\$ 14,874	\$ 867	\$ -	\$ 1,000
Accrued liabilities	-	-	403	341
Due to other governments	-	-	-	110,937
Total liabilities	<u>14,874</u>	<u>867</u>	<u>403</u>	<u>112,278</u>
FUND BALANCES				
Restricted	<u>511,362</u>	<u>9,872</u>	<u>74,634</u>	<u>-</u>
Total fund balances	<u>511,362</u>	<u>9,872</u>	<u>74,634</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 526,236</u>	<u>\$ 10,739</u>	<u>\$ 75,037</u>	<u>\$ 112,278</u>

Special Revenue					Debt Service	Total Governmental Funds
Law Enforcement Sheriff	County Attorney State Allotment	Law Library	Federal Seizures Sheriff	Bail Bond Board	Jail Expansion Interest and Sinking	
\$ 59,004	\$ 15,859	\$ 60,017	\$ 21,008	\$ 9,974	\$ -	\$ 890,152
<u>\$ 59,004</u>	<u>\$ 15,859</u>	<u>\$ 60,017</u>	<u>\$ 21,008</u>	<u>\$ 9,974</u>	<u>\$ -</u>	<u>\$ 890,152</u>
\$ -	\$ -	\$ 4,497	\$ -	\$ -	\$ -	\$ 21,238
-	3,438	-	-	-	-	4,182
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,937</u>
<u>-</u>	<u>3,438</u>	<u>4,497</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,357</u>
<u>59,004</u>	<u>12,421</u>	<u>55,520</u>	<u>21,008</u>	<u>9,974</u>	<u>-</u>	<u>753,795</u>
<u>59,004</u>	<u>12,421</u>	<u>55,520</u>	<u>21,008</u>	<u>9,974</u>	<u>-</u>	<u>753,795</u>
<u>\$ 59,004</u>	<u>\$ 15,859</u>	<u>\$ 60,017</u>	<u>\$ 21,008</u>	<u>\$ 9,974</u>	<u>\$ -</u>	<u>\$ 890,152</u>

HENDERSON COUNTY, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue			
	Records Management	CWM Library	Hot Check	Law Enforcement District Attorney
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Fees	248,029	12,323	9,402	-
Fines and forfeitures	-	-	-	2,338
Intergovernmental	-	-	-	-
Investment earnings	-	-	-	102
Miscellaneous	-	15,222	3,391	-
Total revenues	248,029	27,545	12,793	2,440
EXPENDITURES				
Current:				
General government	120,436	-	-	-
Legal	-	-	11,733	16,466
Public safety	-	-	-	-
Culture and recreation	-	22,385	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	120,436	22,385	11,733	16,466
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	127,593	5,160	1,060	(14,026)
OTHER FINANCING SOURCES (USES)				
Transfers out	(200,000)	-	-	-
Total other financing sources and uses	(200,000)	-	-	-
NET CHANGE IN FUND BALANCES	(72,407)	5,160	1,060	(14,026)
FUND BALANCES, BEGINNING	583,769	4,712	73,574	14,026
FUND BALANCES, ENDING	\$ 511,362	\$ 9,872	\$ 74,634	\$ -

Special Revenue					Debt Service	
Law Enforcement Sheriff	County Attorney State Allotment	Law Library	Federal Seizures Sheriff	Bail Bond Board	Jail Expansion Interest and Sinking	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,338,910	\$ 1,338,910
-	-	25,339	-	650	-	295,743
10,821	-	-	5,258	-	-	18,417
-	70,000	-	-	-	-	70,000
87	-	-	-	-	-	189
-	-	-	-	-	-	18,613
<u>10,908</u>	<u>70,000</u>	<u>25,339</u>	<u>5,258</u>	<u>650</u>	<u>1,338,910</u>	<u>1,741,872</u>
-	-	-	-	-	-	120,436
-	81,678	29,202	-	-	-	139,079
6,429	-	-	329	872	-	7,630
-	-	-	-	-	-	22,385
-	-	-	-	-	1,250,000	1,250,000
-	-	-	-	-	6,946	6,946
<u>6,429</u>	<u>81,678</u>	<u>29,202</u>	<u>329</u>	<u>872</u>	<u>1,256,946</u>	<u>1,546,476</u>
<u>4,479</u>	<u>(11,678)</u>	<u>(3,863)</u>	<u>4,929</u>	<u>(222)</u>	<u>81,964</u>	<u>195,396</u>
-	-	-	-	-	(219,247)	(419,247)
-	-	-	-	-	(219,247)	(419,247)
4,479	(11,678)	(3,863)	4,929	(222)	(137,283)	(223,851)
<u>54,525</u>	<u>24,099</u>	<u>59,383</u>	<u>16,079</u>	<u>10,196</u>	<u>137,283</u>	<u>977,646</u>
<u>\$ 59,004</u>	<u>\$ 12,421</u>	<u>\$ 55,520</u>	<u>\$ 21,008</u>	<u>\$ 9,974</u>	<u>\$ -</u>	<u>\$ 753,795</u>

AGENCY FUNDS

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

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

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

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

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

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

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

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

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

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

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

AGENCY FUNDS (cont.)

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

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

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

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

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

HENDERSON COUNTY, TEXAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>PROPERTY TAX FUND</u>				
Assets				
Cash and investments	\$ 1,209,088	\$ 97,067,267	\$ 98,222,901	\$ 53,454
Total assets	<u>\$ 1,209,088</u>	<u>\$ 97,067,267</u>	<u>\$ 98,222,901</u>	<u>\$ 53,454</u>
Liabilities				
Due to other agencies and individuals	\$ 1,209,088	\$ 97,067,267	\$ 98,222,901	\$ 53,454
Total liabilities	<u>\$ 1,209,088</u>	<u>\$ 97,067,267</u>	<u>\$ 98,222,901</u>	<u>\$ 53,454</u>
<u>AUTO 6.25% FUND</u>				
Assets				
Cash and investments	\$ 354,874	\$ 6,368,390	\$ 6,387,061	\$ 336,203
Total assets	<u>\$ 354,874</u>	<u>\$ 6,368,390</u>	<u>\$ 6,387,061</u>	<u>\$ 336,203</u>
Liabilities				
Due to other agencies and individuals	\$ 354,874	\$ 6,368,390	\$ 6,387,061	\$ 336,203
Total liabilities	<u>\$ 354,874</u>	<u>\$ 6,368,390</u>	<u>\$ 6,387,061</u>	<u>\$ 336,203</u>
<u>AUTO FUND</u>				
Assets				
Cash and investments	\$ 405,389	\$ 12,419,439	\$ 12,412,286	\$ 412,542
Total assets	<u>\$ 405,389</u>	<u>\$ 12,419,439</u>	<u>\$ 12,412,286</u>	<u>\$ 412,542</u>
Liabilities				
Due to other agencies and individuals	\$ 405,389	\$ 12,419,439	\$ 12,412,286	\$ 412,542
Total liabilities	<u>\$ 405,389</u>	<u>\$ 12,419,439</u>	<u>\$ 12,412,286</u>	<u>\$ 412,542</u>

HENDERSON COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS**

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>AUTO VEHICLE INVENTORY TAX FUND</u>				
Assets				
Cash and investments	\$ 251,045	\$ 271,142	\$ 249,849	\$ 272,338
Total assets	\$ 251,045	\$ 271,142	\$ 249,849	\$ 272,338
Liabilities				
Due to other agencies and individuals	\$ 251,045	\$ 271,142	\$ 249,849	\$ 272,338
Total liabilities	\$ 251,045	\$ 271,142	\$ 249,849	\$ 272,338
<u>SEVEN POINTS SUBSTATION FUND</u>				
Assets				
Cash and investments	\$ 14,865	\$ -	\$ 14,865	\$ -
Total assets	\$ 14,865	\$ -	\$ 14,865	\$ -
Liabilities				
Due to other agencies and individuals	\$ 14,865	\$ -	\$ 14,865	\$ -
Total liabilities	\$ 14,865	\$ -	\$ 14,865	\$ -
<u>CHANDLER SUBSTATION FUND</u>				
Assets				
Cash and investments	\$ 6,325	\$ 1,516,548	\$ 1,431,225	\$ 91,648
Total assets	\$ 6,325	\$ 1,516,548	\$ 1,431,225	\$ 91,648
Liabilities				
Due to other agencies and individuals	\$ 6,325	\$ 1,516,548	\$ 1,431,225	\$ 91,648
Total liabilities	\$ 6,325	\$ 1,516,548	\$ 1,431,225	\$ 91,648

HENDERSON COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS**

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>SHERIFF COMMISSARY FUND</u>				
Assets				
Cash and investments	\$ 78,081	\$ 87,745	\$ 77,698	\$ 88,128
Total assets	\$ 78,081	\$ 87,745	\$ 77,698	\$ 88,128
Liabilities				
Due to other agencies and individuals	\$ 78,081	\$ 87,745	\$ 77,698	\$ 88,128
Total liabilities	\$ 78,081	\$ 87,745	\$ 77,698	\$ 88,128
<u>JUVENILE PROBATION FUND</u>				
Assets				
Cash and investments	\$ 198,356	\$ 473,003	\$ 452,862	\$ 218,497
Total assets	\$ 198,356	\$ 473,003	\$ 452,862	\$ 218,497
Liabilities				
Due to other agencies and individuals	\$ 198,356	\$ 473,003	\$ 452,862	\$ 218,497
Total liabilities	\$ 198,356	\$ 473,003	\$ 452,862	\$ 218,497
<u>COUNTY CLERK TRUST FUND</u>				
Assets				
Cash and investments	\$ 148,576	\$ 1,024,966	\$ 501,036	\$ 672,506
Total assets	\$ 148,576	\$ 1,024,966	\$ 501,036	\$ 672,506
Liabilities				
Due to other agencies and individuals	\$ 148,576	\$ 1,024,966	\$ 501,036	\$ 672,506
Total liabilities	\$ 148,576	\$ 1,024,966	\$ 501,036	\$ 672,506

HENDERSON COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS**

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>COUNTY CLERK INTEREST BEARING</u>				
<u>TRUST FUND</u>				
Assets				
Cash and investments	\$ 213,640	\$ 15,902	\$ 85,307	\$ 144,235
Total assets	<u>\$ 213,640</u>	<u>\$ 15,902</u>	<u>\$ 85,307</u>	<u>\$ 144,235</u>
Liabilities				
Due to other agencies and individuals	\$ 213,640	\$ 15,902	\$ 85,307	\$ 144,235
Total liabilities	<u>\$ 213,640</u>	<u>\$ 15,902</u>	<u>\$ 85,307</u>	<u>\$ 144,235</u>
<u>DISTRICT CLERK FEE FUND</u>				
Assets				
Cash and investments	\$ 710,850	\$ 422,463	\$ 277,796	\$ 855,517
Total assets	<u>\$ 710,850</u>	<u>\$ 422,463</u>	<u>\$ 277,796</u>	<u>\$ 855,517</u>
Liabilities				
Due to other agencies and individuals	\$ 710,850	\$ 422,463	\$ 277,796	\$ 855,517
Total liabilities	<u>\$ 710,850</u>	<u>\$ 422,463</u>	<u>\$ 277,796</u>	<u>\$ 855,517</u>
<u>DISTRICT CLERK TRUST</u>				
<u>INVESTMENT FUND</u>				
Assets				
Cash and investments	\$ 427,751	\$ 25,755	\$ 55,543	\$ 397,963
Total assets	<u>\$ 427,751</u>	<u>\$ 25,755</u>	<u>\$ 55,543</u>	<u>\$ 397,963</u>
Liabilities				
Due to other agencies and individuals	\$ 427,751	\$ 25,755	\$ 55,543	\$ 397,963
Total liabilities	<u>\$ 427,751</u>	<u>\$ 25,755</u>	<u>\$ 55,543</u>	<u>\$ 397,963</u>

HENDERSON COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS**

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>COUNTY ATTORNEY HOT CHECK FUND</u>				
Assets				
Cash and investments	\$ 131	\$ 69,901	\$ 69,505	\$ 527
Total assets	<u>\$ 131</u>	<u>\$ 69,901</u>	<u>\$ 69,505</u>	<u>\$ 527</u>
Due to other agencies and individuals	\$ 131	\$ 69,901	\$ 69,505	\$ 527
Total liabilities	<u>\$ 131</u>	<u>\$ 69,901</u>	<u>\$ 69,505</u>	<u>\$ 527</u>
<u>INMATE TRUST FUND</u>				
Assets				
Cash and investments	\$ 20,396	\$ 668,391	\$ 642,973	\$ 45,814
Total assets	<u>\$ 20,396</u>	<u>\$ 668,391</u>	<u>\$ 642,973</u>	<u>\$ 45,814</u>
Liabilities				
Due to other agencies and individuals	\$ 20,396	\$ 668,391	\$ 642,973	\$ 45,814
Total liabilities	<u>\$ 20,396</u>	<u>\$ 668,391</u>	<u>\$ 642,973</u>	<u>\$ 45,814</u>
<u>DISTRICT ATTORNEY STATE FEE FUND</u>				
Assets				
Cash and investments	\$ 3,124	\$ 23,171	\$ 21,615	\$ 4,680
Total assets	<u>\$ 3,124</u>	<u>\$ 23,171</u>	<u>\$ 21,615</u>	<u>\$ 4,680</u>
Liabilities				
Due to other agencies and individuals	\$ 3,124	\$ 23,171	\$ 21,615	\$ 4,680
Total liabilities	<u>\$ 3,124</u>	<u>\$ 23,171</u>	<u>\$ 21,615</u>	<u>\$ 4,680</u>

HENDERSON COUNTY, TEXAS

**COMBINING STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES - AGENCY FUNDS**

(Continued)

FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>DISTRICT ATTORNEY ESCROW FUND</u>				
Assets				
Cash and investments	\$ 13,125	\$ 152,283	\$ 160,569	\$ 4,839
Total assets	<u>\$ 13,125</u>	<u>\$ 152,283</u>	<u>\$ 160,569</u>	<u>\$ 4,839</u>
Liabilities				
Due to other agencies and individuals	\$ 13,125	\$ 152,283	\$ 160,569	\$ 4,839
Total liabilities	<u>\$ 13,125</u>	<u>\$ 152,283</u>	<u>\$ 160,569</u>	<u>\$ 4,839</u>
<u>ALL AGENCY FUNDS</u>				
Assets				
Cash and investments	\$ 4,055,616	\$ 120,606,366	\$ 121,063,091	\$ 3,598,891
Total assets	<u>\$ 4,055,616</u>	<u>\$ 120,606,366</u>	<u>\$ 121,063,091</u>	<u>\$ 3,598,891</u>
Liabilities				
Due to other agencies and individuals	\$ 4,055,616	\$ 120,606,366	\$ 121,063,091	\$ 3,598,891
Total liabilities	<u>\$ 4,055,616</u>	<u>\$ 120,606,366</u>	<u>\$ 121,063,091</u>	<u>\$ 3,598,891</u>

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